

**COMMUNITY IMPROVEMENT CORPORATION
OF BELMONT COUNTY
ST. CLAIRSVILLE, OHIO**

**AUDIT REPORT
DECEMBER 31, 2003**



**Auditor of State
Betty Montgomery**

Board of Trustees
Community Improvement Corporation of Belmont County

We have reviewed the Independent Auditor's Report of the Community Improvement Corporation of Belmont County, prepared by S.R. Snodgrass, A.C. for the audit period January 1, 2003 through December 31, 2003. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Community Improvement Corporation of Belmont County is responsible for compliance with these laws and regulations.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

August 11, 2004

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**Community Improvement Corporation
of Belmont County
DECEMBER 31, 2003**

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Community Improvement Corporation of Belmont County
St. Clairsville, Ohio

We have audited the accompanying statement of financial position of the Community Improvement Corporation of Belmont County (a non-profit corporation) as of December 31, 2003, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Community Improvement Corporation of Belmont County as of December 31, 2003, and the results of its operations and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 17, 2004, on our consideration of the Community Improvement Corporation of Belmont County's internal control structure over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

S. H. Snodgrass, A.C.

Wheeling, West Virginia
June 17, 2004

Community Improvement Corporation of Belmont County
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2003

ASSETS

Cash in bank - checking	\$ 1,529,006
Cash on hand	12,100
Certificates of deposit	870,776
Accrued interest receivable	288
Notes receivable	<u>368,551</u>
Total assets	<u><u>\$ 2,780,721</u></u>

LIABILITIES AND NET ASSETS

Liabilities:

Due to Belmont County	\$ 1,569,460
Payroll taxes withheld	1,241
Tenant deposits	12,000
Accounts payable	<u>2,170</u>
Total liabilities	<u><u>1,584,871</u></u>

Net Assets:

Unrestricted	205,536
Temporarily restricted	<u>990,314</u>
Total net assets	<u><u>1,195,850</u></u>
Total liabilities and net assets	<u><u>\$ 2,780,721</u></u>

The accompanying notes are an integral part of these financial statements.

Community Improvement Corporation of Belmont County
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2003

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total All Funds</u>
PUBLIC SUPPORT, REVENUES, AND RECLASSIFICATIONS			
Operating grant	\$ -	\$ 120,000	\$ 120,000
Interest income	3,798	49,837	53,635
Contributions and other	1,000	500	1,500
Net assets released from restrictions	<u>128,751</u>	<u>(128,751)</u>	<u>-</u>
Total public support, revenues, and reclassifications	<u>133,549</u>	<u>41,586</u>	<u>175,135</u>
EXPENSES			
Salaries	21,352	-	21,352
Payroll taxes	1,797	-	1,797
Rent	7,600	-	7,600
Utilities	3,065	-	3,065
Travel	1,461	-	1,461
Insurance	3,288	-	3,288
Meals and entertainment	2,988	-	2,988
Dues and subscriptions	4,664	-	4,664
Renovation expense	27,206	-	27,206
Advertising	2,282	-	2,282
Professional fees	16,576	-	16,576
Telephone	4,985	-	4,985
Postage	754	-	754
Office supplies	6,192	-	6,192
Office maintenance	1,930	-	1,930
Xerox lease	2,981	-	2,981
Equipment expense	1,720	-	1,720
RLF assets transferred to Belmont County	19,483	-	19,483
Miscellaneous	<u>2,411</u>	<u>-</u>	<u>2,411</u>
Total expenses	<u>132,735</u>	<u>-</u>	<u>132,735</u>
Change in net assets	814	41,586	42,400
NET ASSETS, BEGINNING OF YEAR	<u>204,722</u>	<u>948,728</u>	<u>1,153,450</u>
NET ASSETS, END OF YEAR	<u>\$ 205,536</u>	<u>\$ 990,314</u>	<u>\$ 1,195,850</u>

The accompanying notes are an integral part of these financial statements.

Community Improvement Corporation of Belmont County
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2003

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 42,400
Changes in assets and liabilities:	
Decrease in accrued interest receivable	5,398
Increase in payroll taxes withheld	508
Increase in tenant deposits	12,000
Decrease in accounts payable	<u>(2,552)</u>
Net cash provided by operating activities	<u>57,754</u>
 CASH FLOWS FROM FINANCING ACTIVITIES	
Increase in funds due to Belmont County	19,483
Principal received on Revolving Loan Fund notes	<u>89,830</u>
Net cash provided by financing activities	<u>109,313</u>
 Net increase in cash and cash equivalents	 167,067
 CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	 <u>2,244,815</u>
 CASH AND CASH EQUIVALENTS, END OF YEAR	 <u>\$ 2,411,882</u>

The accompanying notes are an integral part of these financial statements.

Community Improvement Corporation of Belmont County
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of the Community Improvement Corporation of Belmont County (the Corporation) is presented to assist the reader in understanding the Corporation's financial statements. The financial statements and notes are representations of the Corporation's management, which is responsible for their integrity and objectivity.

Nature of Operations - The Corporation was organized in 1962 as a private nonprofit corporation under the laws of the State of Ohio for the purpose of attracting new industry to the area and enhancing the business climate for existing businesses. To that end, the Corporation operates the Belmont County Department of Development. Primary funding for the Corporation comes from annual operating grants from the Commissioners of Belmont County. During 2003, the Commissioners provided operating funds in the amount of \$120,000. As further discussed in Note 5, the Commissioners also provided funds in the aggregate amount of \$825,000 during 1999 for the development of an industrial park. Construction on this project commenced in 2000.

The Corporation also administers a Revolving Loan Fund. The Revolving Loan Fund provides below market rate loans to businesses for the creation or retention of jobs in Belmont County, Ohio.

Basis of Accounting - The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Property and Equipment - The Corporation's fixed assets consist only of a small amount of office furniture which was expensed as purchased. In 1999, the Corporation acquired land for the development of a county industrial park. The ownership of the land was subsequently transferred to the Government of Belmont County. The Corporation incurred costs in the aggregate amount of \$385,872 to improve the property in 2001. These costs were expensed by the Corporation during 2001. The Corporation has committed to make further infrastructure improvements to this property. These commitments are discussed in Note 5.

During 2003, the Corporation moved its offices to leased premises at 117 East Main Street, St. Clairsville, Ohio. In accordance with the terms of the lease, the Corporation incurred costs of approximately \$27,000 to renovate the premises. The costs of renovation were expensed during 2003.

Community Improvement Corporation of Belmont County
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2003

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Marketing and Advertising Costs - Marketing and advertising costs are expensed as incurred. Such costs amounted to \$2,282 during the year.

Financial Statement Presentation and Fund Accounting - As discussed above, the financial statements are prepared on the accrual basis. The Corporation uses fund accounting for internal reporting purposes.

To ensure the observance of limitations and restrictions placed on the use of resources available to the Corporation, the accounts of the Corporation are maintained in accordance with the principles of fund accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds established according to their nature and purpose. Separate accounts are maintained for each fund; however, in the accompanying financial statements, funds that have similar characteristics have been combined into fund groups. Accordingly, all financial transactions have been recorded and reported by fund group.

The assets, liabilities, and fund balances of the Corporation are reported in three self-balancing fund groups as follows:

1. The Board Fund represents the portion of expendable funds that are available for the Corporation's general operations.
2. The Department of Development Fund represents the portion of expendable funds that are available for support of the Belmont County Department of Development.
3. The Revolving Loan Fund represents the portion of expendable funds that are available for support of the Belmont County Revolving Loan Program.

Use of Estimates - The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents - For the purpose of the statement of cash flows, the Corporation considers certificates of deposit to be cash equivalents.

Community Improvement Corporation of Belmont County
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2003

NOTE 2 - TAXES

The Community Improvement Corporation of Belmont County is a nonprofit corporation exempt from federal income taxes under Section 501(c)(4) of the Internal Revenue Code.

NOTE 3 - NOTES RECEIVABLE

The Corporation is the administering agency for the Belmont County Community Development Block Grant Economic Development Revolving Loan Fund. All loans are made to businesses located in Belmont County, Ohio. The ability of borrowers to meet their contractual obligations partially depends upon the general economic conditions of the area. At December 31, 2003, one borrower accounted for the entire balance of loans outstanding. Loans to this borrower are secured by liens on equipment and a corporate guarantee from its parent, Mayflower Vehicle Systems, Inc. During 1995, the Corporation assigned all security interest in the loans to the Board of County Commissioners of Belmont County. The following is a summary of loans outstanding as of December 31, 2003:

<u>Loan Date</u>	<u>Maker</u>	<u>Rate</u>	<u>Term in Months</u>	<u>Total Authorized</u>	<u>Balance</u>
02/19/93	Motor Panels Stamping Co.	3.0%	180	\$ 160,000	\$ 58,623
02/19/93	Motor Panels Stamping Co.	3.0%	180	390,000	142,979
01/28/97	Motor Panels Stamping Co.	3.0%	180	<u>490,000</u>	<u>166,949</u>
	Total			<u>\$ 1,040,000</u>	<u>\$ 368,551</u>

Management monitors the collectibility of the revolving loan portfolio on an ongoing basis. As of December 31, 2003, management determined that all of the loan balances listed above were fully collectible.

Community Improvement Corporation of Belmont County
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2003

NOTE 4 - CONCENTRATIONS OF CREDIT RISK - CASH BALANCES

At December 31, 2003, the Corporation had several deposit accounts at three federally insured banks. The aggregate bank balance of these accounts exceeded the amount covered by federal deposit insurance by approximately \$1.9 million. Agreements were in place with two banks to provide a pledge of collateral for the Corporation's deposit balances in excess of federal insurance limits. The amount of deposits which are uninsured and uncollateralized at December 31, 2003, was \$1,919,433.

NOTE 5 - COMMITMENTS AND CONTINGENCIES

In 1998, the Corporation was awarded a grant from the State of Ohio in the amount of \$250,000. The grant proceeds were to be used for the acquisition of real estate which would be developed into a county industrial park. In February 1999, all of the funds had been expended for their intended purpose. As discussed in Note 1, the Corporation transferred title to the property to the Government of Belmont County, Ohio.

In February 1999, Belmont County Commissioners provided funding to the Corporation in the amount of \$650,000 to be used for the specific purpose of capital improvement projects, with primary emphasis on the industrial park. In June 1999, the Commissioners provided the Corporation with an additional \$175,000 to be used primarily to bring a natural gas line to the site. Funds were invested in short-term, interest-bearing accounts, including certificates of deposit. As of December 31, 2003, temporarily restricted net assets include the following:

Gas line project	\$ 200,235
Industrial park construction	217,816
Other development (unspecified)	<u>572,263</u>
Total	<u>\$ 990,314</u>

Community Improvement Corporation of Belmont County
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2003

NOTE 5 - COMMITMENTS AND CONTINGENCIES (CONTINUED)

As of December 31, 2003, the Corporation had also committed to provide money from the Revolving Loan Fund for two community projects. The first commitment is for a grant to the Village of Bellaire in the amount of \$125,000. The purpose of this grant is to assist with the development of a boat ramp project in conjunction with the Ohio Department of Natural Resources. The second commitment is to fund a loan to East Ohio Regional Hospital in the amount of \$500,000.

NOTE 6 - OPERATING LEASE

The Corporation leases office space under an operating lease dated July 1, 2003. The lease expires on June 30, 2005, and is renewable for five consecutive two-year terms. Minimum future lease payments due under the lease are \$8,400 in 2004 and \$4,200 in 2005. The total lease expense incurred in 2003 was \$7,600.



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Directors of
Community Improvement Corporation of Belmont County

We have audited the financial statements of Community Improvement Corporation of Belmont County (a nonprofit organization) as of and for the year ended December 31, 2003, and have issued our report thereon dated June 17, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Community Improvement Corporation of Belmont County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Community Improvement Corporation of Belmont County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Community Improvement Corporation of Belmont County's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable condition is as follows:

Condition:

The Board Treasurer has sole control over a significant amount of the Corporation's cash assets. The Treasurer is the only individual authorized to withdraw funds from these bank accounts, the monthly bank statements are mailed directly to the Treasurer, and no other individual reviews the bank statements or reconciliations.



Criteria:

Proper internal control would provide for a segregation of duties in this area to prevent one individual from having sole control over the assets without proper oversight.

Cause:

Not known.

Effect:

There is a risk of misappropriation of these funds which would not be detected.

Recommendation:

We recommend that, at a minimum, another person receive the monthly account statements from the bank and either prepare or approve the periodic bank account reconciliations for these accounts. This function could be performed either by an employee or the Corporation's contract accountant. Consideration should also be given to requiring a second check signer for any check written above a given amount.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be a material weakness. However, we believe that the reportable condition described above is a material weakness.

This report is intended solely for the information and use of the Audit Committee, management, others within the Corporation, and the federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

S. N. Snodgrass, A.C.

Wheeling, West Virginia
June 17, 2004



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

COMMUNITY IMPROVEMENT CORPORATION OF BELMONT COUNTY

BELMONT COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 26, 2004**