

COMMUNITY IMPROVEMENT CORPORATION  
GALLIA COUNTY, OHIO  
REGULAR AUDIT  
FOR THE YEARS ENDED DECEMBER 31, 2004-2003

**BALESTRA, HARR & SCHERER, CPAs, INC.**  
528 South West Street, P.O. Box 687  
Piketon, Ohio 45661

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**Auditor of State  
Betty Montgomery**

Board of Trustees  
Community Improvement Corporation of Gallia County  
Gallipolis, Ohio

We have reviewed the *Independent Auditors' Report* of the Community Improvement Corporation of Gallia County, Gallia County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period January 1, 2003 through December 31, 2004. 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 Gallia County is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY  
Auditor of State

March 24, 2006

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**COMMUNITY IMPROVEMENT CORPORATION  
GALLIA COUNTY**

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# BALESTRA, HARR & SCHERER

CERTIFIED PUBLIC ACCOUNTANTS

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Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants

## Independent Auditors' Report

Community Improvement Corporation  
Gallia County  
16 State Street  
P.O. Box 465  
Gallipolis, Ohio 45631

To the Board of Trustees:

We have audited the accompanying statement of financial position of the Community Improvement Corporation, Gallia County, as of December 31, 2004 and 2003, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Community Improvement Corporation's management. Our responsibility is to express opinions 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 the 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.

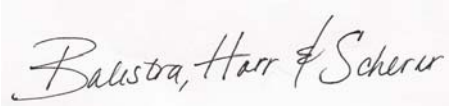
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Community Improvement Corporation, as of December 31, 2004 and 2003, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2005 on our consideration of the Community Improvement Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance

Community Improvement Corporation

Independent Auditors' Report  
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That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit

A handwritten signature in cursive script that reads "Balestra, Harr & Scherer". The signature is written in black ink on a light-colored background.

Balestra, Harr & Scherer

December 29, 2005



**COMMUNITY IMPROVEMENT CORPORATION  
GALLIA COUNTY**

**STATEMENT OF FINANCIAL POSITION  
FOR THE YEAR ENDED DECEMBER 31, 2004**

**ASSETS:**

Current Assets:

Cash	\$	17,808
Restricted Cash		27,136
Investments - Certificates of Deposit		128,658
Interest Receivable		417
Total Current Assets		174,019

Noncurrent Assets:

Office Furniture and Fixtures		50,529
Leasehold Improvements		616,459
Buildings		946,673
Land		2,179,680
Deposits		20
Less: Accumulated Depreciation		(113,548)
Total Noncurrent Assets		3,679,813

**TOTAL ASSETS**

**\$ 3,853,832**

**LIABILITIES AND NET ASSETS:**

Current Liabilities:

Notes Payable		81,917
Total Current Liabilities		81,917

Long-Term Liabilities:

Notes Payable		833,149
Total Long-Term Liabilities		833,149

**TOTAL LIABILITIES**

**\$ 915,066**

**NET ASSETS**

Unrestricted		2,938,766
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**TOTAL NET ASSETS**

**2,938,766**

**TOTAL LIABILITIES AND NET ASSETS**

**\$ 3,853,832**

*The notes to the financial statements are an integral part of this statement.*

**COMMUNITY IMPROVEMENT CORPORATION  
GALLIA COUNTY**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2004**

**Changes in Unrestricted Net Assets:**

**Revenues:**

Memberships	\$ 4,295
Contributions	20,000
Grants	16,800
Interest Income	5,513
Service Contracts	27,200
Administrative Income	1,500
Rent	253,929
Miscellaneous	25
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Total Revenues	329,262

**Expenses:**

Project Expense	46,689
General and Administrative Expense	135,024
Interest Expense	16,450
Depreciation	29,421
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Total Expenses	227,584

Increase in Unrestricted Net Assets 101,678

Net Assets - January 1 

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 2,837,088

**Net Assets - December 31** 

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**\$ 2,938,766** 

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*The notes to the financial statements are an integral part of these statements.*

**COMMUNITY IMPROVEMENT CORPORATION  
GALLIA COUNTY**

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

**Cash Flows from Operating Activities:**

Change in Net Assets \$ 101,678

**Adjustments to Reconcile Changes in Net Assets to Net**

**Cash Provided by (Used by) Operating Activities:**

(Increase)/Decrease in Accumulated Depreciation 29,421  
(Increase)/Decrease in Accounts Receivable 8,749  
Net Cash Provided by (Used by) Operating Activities 139,848

**Cash Flows from Investing Activities:**

Spec. Building (194,492)  
Net Cash Provided by (Used by) Investing Activities (194,492)

**Cash Flows from Financing Activities:**

Principal Payment on Debt (124,240)  
Net Cash Provided by (Used by) Financing Activities (124,240)

**Net Increase/(Decrease) in Cash**

(178,884)  
Cash and Cash Equivalents at January 1, 2004 352,903  
**Cash and Cash Equivalents at December 31, 2004** \$ 174,019

**Supplemental Disclosure Information:**

Interest Paid During the Year \$ 16,450

*The notes to the financial statements are an integral part of this statement.*

**COMMUNITY IMPROVEMENT CORPORATION  
GALLIA COUNTY**

**STATEMENT OF FINANCIAL POSITION  
FOR THE YEAR ENDED DECEMBER 31, 2003**

**ASSETS:**

Current Assets:

Cash	\$ 73,340
Investments - Certificates of Deposit	279,563
Accounts Receivable	8,749
Total Current Assets	<u>361,652</u>

Noncurrent Assets:

Office Furniture and Fixtures	49,903
Leasehold Improvements	616,459
Spec. Building	752,807
Land	2,179,680
Deposits	20
Less: Accumulated Depreciation	(84,127)
Total Noncurrent Assets	<u>3,514,742</u>

**TOTAL ASSETS**

**\$ 3,876,394**

**LIABILITIES AND NET ASSETS:**

Current Liabilities:

Notes Payable	700,000
Total Current Liabilities	<u>700,000</u>

Long-Term Liabilities:

Notes Payable	339,306
Total Long-Term Liabilities	<u>339,306</u>

**TOTAL LIABILITIES**

**\$ 1,039,306**

**NET ASSETS**

Unrestricted	<u>2,837,088</u>
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**TOTAL NET ASSETS**

**2,837,088**

**TOTAL LIABILITIES AND NET ASSETS**

**\$ 3,876,394**

*The notes to the financial statements are an integral part of this statement.*

**COMMUNITY IMPROVEMENT CORPORATION  
GALLIA COUNTY**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2003**

**Changes in Unrestricted Net Assets:**

**Revenues:**

Memberships	\$ 2,995
Contributions	34,000
Grants	311,105
Interest Income	7,105
Service Contracts	27,083
Administrative Income	2,083
Rent	128,925
Miscellaneous	1,365
Gain on Sale of Land	<u>7,769</u>

Total Revenues 522,430

**Expenses:**

Project Expense	74,430
General and Administrative Expense	340,400
Interest Expense	67,856
Depreciation	16,053

Total Expenses 498,739

Increase in Unrestricted Net Assets 23,691

Net Assets - January 1 2,813,397

**Net Assets - December 31** \$ 2,837,088

*The notes to the financial statements are an integral part of these statements.*

**COMMUNITY IMPROVEMENT CORPORATION  
GALLIA COUNTY**

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2003**

**Cash Flows from Operating Activities:**

Change in Net Assets	\$	23,691
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**Adjustments to Reconcile Changes in Net Assets to Net**

**Cash Provided by (Used by) Operating Activities:**

(Increase)/Decrease in Accumulated Depreciation		16,053
(Increase)/Decrease in Accounts Receivable		(8,749)
Increase/(Decrease) in Short Term Notes Payable		(98,849)
Increase/(Decrease) in Payroll Liabilities		(2,077)
Gain on Sale of Southern Hills Project		(7,769)
Net Cash Provided by (Used by) Operating Activities		(77,700)

**Cash Flows from Investing Activities:**

Sale of Southern Hills Project		757,663
Spec. Building		(438,811)
Building Improvements - Infocision		(103,100)
Improvements to Land		60,744
Net Cash Provided by (Used by) Investing Activities		276,496

**Cash Flows from Financing Activities:**

Proceeds of Debt Issuance		311,000
Principal Payment on Debt		(972,634)
Net Cash Provided by (Used by) Financing Activities		(661,634)

**Net Increase/(Decrease) in Cash**

		(462,838)
Cash and Cash Equivalents at January 1, 2003		815,741
<b>Cash and Cash Equivalents at December 31, 2003</b>	<b>\$</b>	<b>352,903</b>

**Supplemental Disclosure Information:**

Interest Paid During the Year	\$	67,856
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*The notes to the financial statements are an integral part of this statement.*

**COMMUNITY IMPROVEMENT CORPORATION  
GALLIA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003**

**1. Summary of Significant Accounting Policies**

**A. Description of the Entity**

The Community Improvement Corporation, Gallia County (the Corporation), is a not-for-profit corporation and was incorporated on December 2, 1964, under authority of Ohio Rev. Code Section 1702.01. The Corporation is governed by an appointed Board of Trustees, comprised of business, professional, government and community leader. The Corporation was formed to advance, encourage, and promote the industrial, economic, commercial and civic development of Gallia County, Ohio.

The Corporation's management believes the financial statements present all activities for which the Corporation is financially accountable.

**B. Basis of Accounting**

The financial statements of the Corporation have been prepared on the accrual basis.

In 1994, the Corporation adopted Statement of Financial Accounting Standards No. 116, "Accounting for Contributions Received and Contributions Made" (SFAS No. 116) and Statement of Financial Accounting Standards No. 117, "Financial Statements for Not-For-Profit Organizations" (SFAS No. 117). The statement of the new standards have been applied to the year presented.

Under these provisions, net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the organization and changes therein are classified and reported as follows:

- **Unrestricted net assets** – Net assets that are not subject to donor-imposed stipulations.
- **Temporary restricted net assets** – Net assets subject to donor-imposed stipulation that may or will be met either by actions of the organization and/or the passage of time.
- **Permanently restricted net assets** – Net assets subject to donor-imposed stipulation that they be maintained permanently or until all donor imposed restrictions are met by the organization. Generally, the donors of these assets permitted organizations to use all or part of the income earned on related investments for general or specific purposes.

As of December 31, 2004, all assets were unrestricted.

**C. Tax Status**

The Corporation has been recognized by the State of Ohio as a tax exempt organization and by the Internal Revenue Service as a Section 501(C)(4) nonprofit organization. Accordingly, the federal tax status would reflect the Corporation's tax exempt status. By virtue of Ohio law, the Corporation is not subject to Ohio income taxes.

**D. Depreciation**

The organization provides for depreciation in amounts adequate to amortize costs over the estimated useful lives of the assets. Certain assets are being depreciated under the straight line method for both financial book and tax purposes. The lives of the assets and depreciation expenses under this method are in accordance with generally accepted accounting principles. Depreciation charged to operations was \$29,421 and \$16,053 for the years ended December 31, 2004 and 2003 respectively.

**COMMUNITY IMPROVEMENT CORPORATION  
GALLIA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003**

**1. Summary of Significant Accounting Policies (Continued)**

**E. Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure 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.

**2. Property, Plant and Equipment**

Property and equipment and related accumulated depreciation at December 31, 2004 and 2003 are as follows:

	2004	2003
Land and Improvements	\$ 2,179,680	\$ 2,179,680
Buildings	946,673	752,807
Leasehold Improvements	616,459	616,459
Furniture, Fixtures and Equipment	50,529	49,903
Less Accumulated Depreciation	(113,548)	(84,127)
Total	\$ 3,679,793	\$ 3,514,722

**3. Industrial Park**

This property consists of raw land and development costs expended to date on the industrial park and sewer project on State Route 850 in Gallia County, Ohio.

**4. Cash and Investments**

The Corporation maintains a checking account, savings account and certificate of deposit. The carrying amount of cash at December 31 was as follows:

	2004	2003
Demand deposits	\$ 17,808	\$ 73,340
Certificates of deposit	155,794	279,563
Total deposits and investments	\$173,602	\$352,903

Deposits: Deposits are insured by the Federal Deposit Insurance Corporation up to \$100,000. Deposits in excess of \$100,000 are uninsured.



**COMMUNITY IMPROVEMENT CORPORATION  
GALLIA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003**

**5. Debt**

Notes payable at December 31, 2004, were as follows:

	Principal	Interest Rate
Infocision - Oak Hill Banks	\$ 261,733	5.00%
Ohio Department of Development Loan	653,333	0.00%
	\$ 915,066	

The Infocision – Oak Hill Banks note was approved to finance improvements to the leased Cornett Building, which was subleased to Infocision Management Corporation. The note is secured by the assignment of the lease from Infocision to the Corporation.

The Ohio Department of Development note payable was approved for the purpose of constructing a speculative building as well as for infrastructure improvements on a site in the Dan Evans Industrial Park. Repayment commenced upon the lease of the building to Holzer Clinic, Ltd., on January 2, 2004. The note is interest free through 2007 and adjusts to 3% for the remainder of the notes term beginning January 2, 2007.

The Corporation has a \$100,000 Line of Credit from Ohio Valley Bank approved to pay for necessary equipment or labor needed for improvements in the industrial park. It draws funds as needed and pays back to the line of credit upon the receipt of an invoice by the lender.

The amortization of the Infocision and Ohio Department of Development Notes Payable is scheduled as follows:

Year Ending December 31,	Infocision - Oak Hill	ODOD
2005	\$34,954	\$46,667
2006	36,742	46,667
2007	38,622	46,666
2008	40,598	44,692
2009	42,675	46,052
Remainder of Loan Term	68,142	422,589
Total	\$261,733	\$653,333

**6. Operating Leases**

The Corporation leases office facilities under a one year lease for \$833 per month. Total lease expense was \$10,000 for years ended December 31, 2004 and 2003.

The Corporation entered into a building lease with John L. and Ann Cornett and George R. and Margaret Cornett on August 8, 2000. The rent was \$1,000 per month for a period of three years, increasing \$83 per month in year four. Total lease expense for each 2004 and 2003 was \$13,000 and \$12,000, respectively. Subsequently, the Corporation subleased the building to Infocision Management Corporation, for \$5,758 per month. Beginning June, 2001, the lease amount increased to \$10,744 per month due to increased space incorporated into the lease agreement.

**COMMUNITY IMPROVEMENT CORPORATION  
GALLIA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003**

**6. Operating Leases (continued)**

The total amount of lease income was \$128,925 for each of the years ended December 31, 2004 and 2003, respectively.

**7. Advertising and Marketing**

The Corporation's policy is to currently expense all advertising and marketing costs as the benefit is directly related to current periods with minimal future benefit.

**8. Contingencies**

**Concentration of Funding Sources – Grants**

The Corporation receives a majority of its support from federal, state, and local grants. Should those grants cease to be available, the Corporation's ability to operate would be significantly restricted. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by grantor agencies. Any disallowed claims resulting from such audits could become a liability of the Corporation. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Corporation at December 31, 2004.

# BALESTRA, HARR & SCHERER

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Ohio Society of Certified Public Accountants

## **Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards***

Community Improvement Corporation  
Gallia County  
16 State Street  
P.O. Box 465  
Gallipolis, Ohio 45631

To the Board of Trustees:

We have audited the financial statements of the Community Improvement Corporation, Gallia County, as of and for the year ended December 31, 2004 and 2003, and have issued our report thereon dated December 29, 2005. 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.

### **Internal Control Over Financial Reporting**

.In planning and performing our audit, we considered the Community Improvement Corporation'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 an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over the financial reporting that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Community Improvement Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulation, contracts and grant agreements, noncompliance 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 or other matters that are required to be reported under *Government Auditing Standards*

Board of Trustees  
Community Improvement Corporation  
Gallipolis, Ohio 45631  
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an  
Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*  
Page 2

This report is intended solely for the information and use of the audit committee, management and Board of Trustees, and 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.

A handwritten signature in cursive script that reads "Balestra, Harr & Scherer". The signature is written in black ink on a light-colored background.

Balestra, Harr & Scherer  
December 29, 2005



**Auditor of State  
Betty Montgomery**

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800-282-0370

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**COMMUNITY IMPROVEMENT CORPORATION OF GALLIA COUNTY  
GALLIA 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  
APRIL 6, 2006**