

PIQUA IMPROVEMENT CORPORATION
(a not-for-profit corporation)
Piqua, Ohio

**Audited Financial Statements--
Supplementary Information**

December 31, 2005



Mary Taylor, CPA
Auditor of State

Board of Directors
Piqua Improvement Corporation
P. O Box 735
Piqua, Ohio 45356

We have reviewed the *Independent Auditor's Report* of the Piqua Improvement Corporation, Miami County, prepared by Ellen S. Fodge, CPA, for the audit period January 1, 2005 through December 31, 2005. 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 Piqua Improvement Corporation is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

May 13, 2008

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Ellen S. Fodge, CPA
356 Claranna Ave.
Dayton, OH 45419
(937) 299-3816

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Ms. Cynthia A. Holtzapple, Treasurer
Piqua Improvement Corporation
Piqua, Ohio

I have audited the accompanying statement of financial position of the Piqua Improvement Corporation, (a non-profit Corporation) as of December 31, 2005, 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. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my 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 I 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. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Piqua Improvement Corporation as of December 31, 2005 and the changes in its net assets, and its cash flows for the year ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated April 23, 2007, on my consideration of the Piqua Improvement Corporation's internal control over financial reporting and on my 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 my audit.

My audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole . The schedule of functional expenses is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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Ellen S. Fodge, CPA
April 23, 2007

PIQUA IMPROVEMENT CORPORATION
STATEMENT OF FINANCIAL POSITION
December 31, 2005

ASSETS

Current assets:

Cash		\$42,646
Contributions receivable - City		17,693
Prepaid insurance		<u>16,117</u>
Total current assets		76,456

Property and equipment:

Buildings	200,325	
Office equipment	<u>30,426</u>	
	230,751	
Less: accumulated depreciation	<u>79,227</u>	
Net property and equipment		<u>151,524</u>

TOTAL ASSETS \$227,980

Current liabilities:

Total current liabilities \$0

Net assets - unrestricted 227,980

TOTAL LIABILITIES AND NET ASSETS \$227,980

See accountant's audit report and accompanying notes.

PIQUA IMPROVEMENT CORPORATION
STATEMENT OF ACTIVITIES
For the year ended December 31, 2005

REVENUES AND SUPPORT:	<u>Unrestricted</u>
Contributions, City of Piqua	\$17,693
Contributions-in kind, City of Piqua	<u>9,000</u>
Total contributions - City of Piqua	\$26,693
Contributions	32,200
Interest income	<u>6</u>
Total revenues and support	<u>58,898</u>
EXPENSES:	
General and administrative expenses	14,212
Program expenses	<u>36,478</u>
Total expenses	<u>50,690</u>
Change in unrestricted net assets	8,208
Unrestricted net assets, beginning of year	<u>219,772</u>
Unrestricted net assets, end of year	<u><u>\$227,980</u></u>

See accountant's audit report and accompanying notes.

PIQUA IMPROVEMENT CORPORATION
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2005

Cash flows provided by operating activities:	
Change in net assets	\$8,208
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	5,137
(Increase) decrease in assets:	
Prepaid expenses	744
Increase (decrease) in liabilities:	
Contributions receivable - city	(6,693)
Contributions payable - library	<u>(10,000)</u>
Net cash provided by operating activities	(2,604)
Cash flows provided by investment activities:	
Net cash provided by investment activities	0
Cash flows provided by financing activities	
Net cash provided by financing activities	<u>0</u>
Net increase in cash	(2,604)
Cash, beginning of the year	<u>45,250</u>
Cash, end of the year	<u><u>\$42,646</u></u>

See accountant's audit report and accompanying notes.

Piqua Improvement Corporation
Notes to the Financial Statements
December 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION AND NATURE OF OPERATIONS – The Piqua Improvement Corporation is incorporated as a not-for-profit corporation under the laws of the State of Ohio for the purpose of furthering economic development in the City of Piqua.

BASIS OF ACCOUNTING - The financial statements are prepared on the accrual basis of accounting.

BASIS OF PRESENTATION – Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS 117, the Corporation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

USE OF ESTIMATES – The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

REVENUES – The Corporation is funded primarily by pledges from local businesses and contributions from the City of Piqua.

FUNCTIONAL ALLOCATION OF EXPENSES – The costs of providing the various programs have been summarized on a functional basis in the financial statements. Where identifiable, costs are charged directly to the program for which they are incurred. Costs that benefit more than one program are allocated among those programs based on estimates made by management. Wages and depreciation are amounts allocated based upon estimated program usage or consumption. Hotel expenses, advertising, marketing and printing are directly charged amounts.

INCOME TAXES – The Corporation is exempt from federal income tax under Section 501 c (6) of the Internal Revenue Code, and does not currently conduct any activities, which would result in the imposition of unrelated business income tax.

NOTE 2 – PROPERTY, EQUIPMENT AND DEPRECIATION

Property and equipment is stated at cost. Major expenditures and those which substantially increase useful lives are capitalized. Maintenance, repairs and minor renewals are charged to expense when incurred. When property and equipment is sold or otherwise disposed of, the asset account and related accumulated depreciation account are relieved, and any gain or loss is included in revenue. Donated property is capitalized at a value nearest to estimated fair value at date of receipt.

The costs of property, equipment and building are depreciated over their estimated useful lives. The following guideline years have been used in computing depreciation:

Buildings	39 years
Office Equipment	7 years

Depreciation is computed on the straight-line basis for financial reporting purposes. Depreciation expense for 2005 was \$5,137.

NOTE 3 – PREPAID EXPENSES

Prepaid expenses consist primarily of insurance premium payments for the hotel in the amount of \$20,509. One twelfth is expensed each month until it becomes due again in November, 2006. The City of Piqua is expected to contribute \$17,693 to the Corporation to assist in payment of the premium which was received in early January, 2006. The City's contribution toward the premium has been shown as an accrued contribution as of December 31, 2005.

NOTE 4 – CONTRIBUTIONS PAYABLE - LIBRARY

In November, 2004, the Board of Directors voted and approved a contribution of \$10,000 to the Hotel Library Legacy Alliance Board toward its fundraising study in 2005. These two installments were contributed in the first quarter of 2005.

NOTE 5 – CONTINGENT LIABILITY

The City of Piqua maintains a \$40,000 note receivable on its books of account which becomes a liability to the Piqua Improvement Corporation upon the sale of its property, the Fort Piqua Hotel. This note bears no interest. Each December, if there is no sale, the balance of the note is reduced by \$4,000 on the City's books. As of December 31, 2005 the open balance on the City's books was \$12,000.

NOTE 6 – CONTRIBUTIONS FROM THE CITY OF PIQUA

The City of Piqua provides in-kind and cash contributions to the Piqua Improvement Corporation. In-kind contributions include expenses paid directly to vendors by the City on behalf of the Corporation and an allocated portion of the salary of the Corporation's Executive Director who is also the Economic Development Director for the City of Piqua.

Cash contributions include payments to the Piqua Improvement Corporation to assist in the maintenance, repair, insurance coverage and professional fees of the Fort Piqua Hotel and memberships in other area economic development organizations.

NOTE 7 – RELATED PARTY TRANSACTIONS

The Executive Director of the Corporation is the Economic Development Director and full-time employee of the City of Piqua. An estimate of the Executive Director's wage allocated to the Piqua Improvement Corporation has been made for \$9,000. It has been recorded as an in-kind City contribution. This is based on an estimate of hours dedicated toward the interests of Piqua Improvement Corporation made by the executive director.

The Corporation's Treasurer is the Finance Director for the City of Piqua.

During 2005, the Piqua Improvement Corporation entered an arrangement as a manager member of a limited liability partnership created to encourage funding sources for development of the hotel property.

NOTE 8 – LEASE ARRANGEMENTS

Piqua Improvement Corporation, as owner of the Fort Piqua Hotel, is party to a lease in perpetuity on a small portion of the hotel property which adjoins a local business. The lessee paid \$1.00 in rent at the origination of the lease agreement and there are no further rents due.

NOTE 9 – SUBSEQUENT EVENTS

During 2006, the Piqua Improvement Corporation changed its financial control structure to include more staff from the City of Piqua in order to provide greater separation of duties and improved supervision. A Resolution was adopted to require two signatures on checks written above a designated amount.

During 2006, the Corporation approved a commitment to fund the Hotel Re-Development project with \$50,000. This amount is expected to be payable during 2006.

Ellen S. Fodge, CPA
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Dayton, OH 45419
(937) 299-3816

**INDEPENDENT ACCOUNTANT'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

The Board of Directors and Ms. Cynthia A. Holtzapple, Treasurer
Piqua Improvement Corporation
Piqua, Ohio

I have audited the financial statements of the Piqua Improvement Corporation (the Corporation) as of the year ended December 31, 2005 and have issued my report thereon dated April 23, 2007. I conducted my 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.

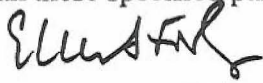
Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Corporation's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control 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. I noted no matters involving the internal control over financial reporting and its operation that I should consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Corporation's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*

This report is intended solely for the information and use of the Corporation's Board of Directors, management, and others within the organization and is not intended for anyone other than these specified parties.

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Ellen S. Fodge, CPA
April 23, 2007

**THE PIQUA IMPROVEMENT CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2005**

A. SUMMARY OF AUDITOR'S RESULTS:

The auditor's report expresses an unqualified opinion on the financial statements of the Piqua Improvement Corporation (the Corporation.) No reportable findings.

SUPPLEMENTARY INFORMATION

PIQUA IMPROVEMENT CORPORATION
SCHEDULE OF FUNCTIONAL EXPENSES
For the year ended December 31, 2005

GENERAL AND ADMINISTRATIVE EXPENSES:

Wages, in kind	\$9,000
Professional fees	2,415
Insurance, directors and officers	1,476
Meetings	650
Bank charges	337
Postage	209
Office supplies	125
Total general and administrative expenses	<u>14,212</u>

PROGRAM EXPENSES:

Hotel insurance, property tax, other	26,916
Depreciation-hotel	5,137
Advertising and marketing	3,950
Dues and subscriptions	275
Ohio registration fees	200
Total program expenses	<u>\$36,478</u>



Mary Taylor, CPA
Auditor of State

PIQUA IMPROVEMENT CORPORATION

MIAMI 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
MAY 27, 2008**