



Dave Yost • Auditor of State



**COMMUNITY IMPROVEMENT CORPORATION  
MORGAN COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Community Improvement Corporation  
Morgan County  
155 East Main Street  
McConnelsville, Ohio 43756

To the Board of Trustees:

We have audited the accompanying financial statement of the Community Improvement Corporation, Morgan County, Ohio (the Corporation), as of and for the years ended December 31, 2010 and 2009. This financial statement is the responsibility of the Corporation's management. Our responsibility is to express an opinion on this financial statement 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 our audit provides a reasonable basis for our opinion.

Ohio Revised Code Section 1724.05 requires the Corporation to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 1, the accompanying financial statement and notes have been prepared on an accounting basis not in accordance with these generally accepted accounting principles. The accompanying financial statement and notes omit entity-wide statements, and assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

In our opinion, because of the departure from generally accepted accounting principles described in the preceding paragraph, the accompanying financial statement does not present fairly the financial position and results of operations of the Corporation as of and for the years ended December 31, 2010 and 2009 in accordance with accounting principles generally accepted in the United States of America.

The Corporation has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statement.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 24, 2011, on our consideration of the 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State

August 24, 2011

**COMMUNITY IMPROVEMENT CORPORATION  
MORGAN COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN CASH BALANCE  
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

	<b>2010</b>	<b>2009</b>
<b>Cash Receipts:</b>		
Intergovernmental	\$12,812	\$116,978
Rentals	422,889	391,443
Interest	4,002	15,135
Miscellaneous	870	112,970
Total Cash Receipts	440,573	636,526
<b>Cash Disbursements:</b>		
Current:		
Taxes	3,447	1,985
Insurance	3,101	3,048
Contract Labor	40,000	40,000
Professional Fees	17,569	34,916
Intergovernmental	12,812	111,978
Miscellaneous	1,012	133,678
Capital Outlay	145,048	4,354,680
Debt Service:		
Redemption of Principal	342,160	92,786
Interest and Other Fiscal Charges	56,773	18,556
Total Cash Disbursements	621,922	4,791,627
Total Cash Receipts Over/(Under) Cash Disbursements	(181,349)	(4,155,101)
<b>Other Financing Receipts/(Disbursements):</b>		
Loan Proceeds	145,048	4,354,680
Total Other Financing Receipts/(Disbursements)	145,048	4,354,680
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(36,301)	199,579
Fund Cash Balance, January 1	461,298	261,719
<b>Fund Cash Balance, December 31</b>	<b>\$424,997</b>	<b>\$461,298</b>

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**COMMUNITY IMPROVEMENT CORPORATION  
MORGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENT  
DECEMBER 31, 2010 AND 2009**

**1. Summary of Significant Accounting Policies**

**A. Description of the Entity**

The Community Improvement Corporation of Morgan County (the Corporation), is a not-for-profit corporation and was incorporated in 1967 under authority of Ohio Rev. Code Section 1702.01 and 1724. The Corporation is governed by 11 trustees, comprised of business, professional, government and community leaders. The Corporation was formed to advance, encourage, and promote industrial, economic, commercial and civic development of Morgan County.

The Corporation's management believes this financial statement presents all activities for which the Corporation is financially accountable.

**B. Accounting Basis**

Although required by Ohio Rev. Code Section 1724.05 to file its annual financial report pursuant to accounting principles generally accepted in the United States of America, the Corporation chooses to prepare its financial statement on a cash basis of accounting. This basis of accounting is a comprehensive basis of accounting other than generally accepted accounting principles. The basis of accounting is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred.

This statement includes adequate disclosure of material matters.

**C. Tax Status**

The Corporation has not filed as an exempt organization under Section 501c(4) of the Internal Revenue Code. Accordingly, the federal tax status is unknown at this time. By virtue of Ohio law, the Corporation is not subject to Ohio income taxes.

**D. Property, Plant, and Equipment**

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

**2. Deposits**

The Corporation maintains a checking account and several certificates of deposits. The carrying amount of deposits and investments at December 31 was as follows:

	<u>2010</u>	<u>2009</u>
Demand deposits	\$65,235	\$105,167
Certificates of deposit	<u>359,762</u>	<u>356,131</u>
Total deposits	<u><u>\$424,997</u></u>	<u><u>\$461,298</u></u>

**Deposits:** Deposits are insured by the Federal Deposit Insurance Corporation.

**COMMUNITY IMPROVEMENT CORPORATION  
MORGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENT  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**3. Land and Buildings**

The Corporation purchased the former Malta Windows manufacturing facility from Philips Industries in 2002 for \$800,000. This included both the various buildings on the site and approximately 226 acres of related land. On November 8, 2006, the Ohio Department of Development executed a partial release of mortgage for 17.93 acres of land that the Corporation sold to the Villages of Malta and McConnelsville. On October 9, 2007, the Corporation sold the manufacturing facility and 18.98 acres to ABC Incorporated. The Corporation still owns the remaining 189.22 acres.

The Corporation purchased the former Gould Electronics facility from Nikko Materials USA, Incorporated in 2005 for \$3,100,000. This included all buildings equipment and approximately 23 acres of land. The Corporation currently leases this facility to Nikko Materials USA, Incorporated.

**4. Debt**

Debt outstanding at December 31, 2010 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Department of Development Loan 148-01-01	\$1,153,000	1-3%
Ohio Department of Development Loan 148-02-01	4,185,381	1-3%
Total	<u>\$5,338,381</u>	

On January 21, 2005, a loan agreement was issued by the Department of Development to enable the Corporation to purchase the former Gould Electronics facility for economic development. During years 1 through 5 of the note, a one percent interest rate applies. From year 6 to termination, a 3% interest rate applies, plus a service fee equal to one-quarter of one percent (0.25%) per annum on the amount of the principal from time to time outstanding from the disbursement date until paid. If the building and land are sold or transferred, then immediate pay-off of the note is required. The note is secured by the building and lands purchased by the Corporation, and the revenues of the Corporation are pledged to repay this debt.

On December 1, 2008, a loan agreement was entered into with the Department of Development to enable the Corporation to upgrade the Gould Electronics facility that was purchased in 2005 for economic development. The original loan amount was \$3,500,000, with an additional \$1,000,000 that was added in 2009. During years 1 through 5 of the note, a one percent interest rate applies. From year 6 to termination, a 3% interest rate applies. If the building and land are sold or transferred, then immediate pay-off of the note is required. The note is secured by the building and lands purchased by the Corporation, and the revenues of the Corporation are pledged to repay this debt.

**COMMUNITY IMPROVEMENT CORPORATION  
MORGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENT  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**4. Debt (Continued)**

Amortization of the above debt, including interest, is scheduled as follows:

Year ending December 31:	ODOD Loan 148-01-01	ODOD Loan 148-02-01
2011	\$89,641	\$312,889
2012	89,451	312,889
2013	89,259	312,889
2014	91,398	312,889
2015	98,212	340,354
2016-2020	488,221	1,729,232
2021-2025	410,862	1,613,950
Total	<u>\$1,357,044</u>	<u>\$4,935,092</u>

**5. Risk Management**

**Commercial Insurance**

The Corporation has obtained commercial insurance for the following risks:

- Comprehensive property and general liability; and
- Wrongful acts and dishonesty bond.

**6. Contingent Liabilities**

The Corporation received financial assistance from state agencies in the form of grants. The expenditures of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the 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, 2010.

**7. Related Party Transactions**

The Corporation utilized legal services from a law firm owned by a board member during 2009. Total payments to the law firm of Christie, Christie & Wells and its employees for services rendered were \$14,747.

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Community Improvement Corporation  
Morgan County  
155 East Main Street  
McConnelsville, Ohio 43756

To the Board of Trustees:

We have audited the financial statement of the Community Improvement Corporation, Morgan County, Ohio (the Corporation), as of and for the years ended December 31, 2010 and 2009, and have issued our report thereon dated August 24, 2011, wherein we noted the Corporation did not prepare financial statements in accordance with accounting principles generally accepted in the United States of America. 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 the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Corporation's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of opining on the effectiveness of the Corporation's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Corporation's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the Corporation's financial statement will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

### Compliance and Other Matters

As part of reasonably assuring whether the Corporation's financial statement is free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect 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 an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying Schedule of Findings as item 2010-01.

We also noted certain matters not requiring inclusion in this report that we reported to the Corporation's management in a separate letter dated August 24, 2011.

The Corporation's response to the finding identified in our audit is described in the accompanying Schedule of Findings. We did not audit the Corporation's response and, accordingly, we express no opinion on it.

We intend this report solely for the information and use of management, Board of Trustees and others within the Corporation. We intend it for no one other than these specified parties.



**Dave Yost**  
Auditor of State

August 24, 2011

**COMMUNITY IMPROVEMENT CORPORATION  
MORGAN COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2010 AND 2009**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2010-01**

**Noncompliance Citation**

Ohio Rev. Code 1724.05 requires Community Improvement Corporations established under Ohio Rev. Code Chapter 1724 to report annually in accordance with generally accepted accounting principles.

The Corporation prepared its financial statement and notes on the accounting basis not in accordance with these generally accepted accounting principles. The accompanying financial statement and notes omit the entity-wide statements, and assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. The Corporation can be fined and various other legal administrative remedies may be taken against the Corporation.

We recommend the Corporation take the necessary steps to ensure that the annual financial report is prepared and filed in accordance with generally accepted accounting principles.

**Officials' Response:** The Morgan County CIC chooses to file on a "cash basis" because it is allowable under State Auditor's acceptable accounting practices and it is a cost effective method for CIC.

**AOS Conclusion:** Auditor of State Bulletin 2005-002 describes the accounting and financial statement presentation requirements for GAAP-mandated entities. If a GAAP-mandated government prepares for audit a cash basis financial statement that does not conform substantially to the display and disclosure requirements of GASB 34, it is not acceptable under current professional accounting and auditing standards for general-use financial statements. Thus, if a GAAP-mandated entity's financial statement is not prepared for audit in accordance with GASB 34 or if its cash statements do not conform with GASB 34 display and disclosure requirements, the entity will receive an adverse opinion.

**COMMUNITY IMPROVEMENT CORPORATION  
MORGAN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2010 AND 2009**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2008-001	A material noncompliance citation was issued under Ohio Revised Code Section 1724.05 for failure to file the annual financial report in accordance with generally accepted accounting principles.	No	Not Corrected; this item is repeated in the current audit Schedule of Findings as Finding Number 2010-01.
2008-002	A material weakness was issued for improperly posting intergovernmental revenue as miscellaneous revenue, not posting proceeds related to the sale of real estate, improperly posting debt service payments, and improper posting of transfers between checking account balances.	Yes	



# Dave Yost • Auditor of State

**MORGAN COUNTY COMMUNITY IMPROVEMENT CORPORATION**

**MORGAN 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  
SEPTEMBER 20, 2011**