

PREBLE COUNTY AREA COMMUNITY IMPROVEMENT CORPORATION

PREBLE COUNTY

JANUARY 1, 2001 TO DECEMBER 31, 2002

PREPARED BY: HOOVER & ROBERTS, INC.



**Auditor of State
Betty Montgomery**

Board of Trustees
Preble Area County Community Improvement Corporation

We have reviewed the Independent Auditor's Report of the Preble Area County Community Improvement Corporation, Preble County, prepared by Hoover & Roberts, Inc. for the audit period January 1, 2001 through December 31, 2002. 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 Preble Area County Community Improvement Corporation is responsible for compliance with these laws and regulations.

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

BETTY MONTGOMERY
Auditor of State

May 29, 2003

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Hoover & Roberts, Inc.

Certified Public Accountants

March 24, 2003

To the Board of Trustees
The Preble County Area Community
Improvement Corporation
Eaton, Ohio

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying statements of financial position of The Preble County Area Community Improvement Corporation (the Corporation) as of December 31, 2002 and 2001, and the related statements of activities, and cash flows for the years 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 audits.

We conducted our audits 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 audits provide 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 Preble County Area Community Improvement Corporation, as of December 31, 2002 and 2001, and the results of its operations, changes in net assets, and 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 March 24, 2003, 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 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.

Hoover & Roberts, Inc.

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PREBLE COUNTY AREA COMMUNITY IMPROVEMENT CORPORATION
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2002 AND 2001

A S S E T S

	<u>2002</u>	<u>2001</u>
<u>ASSETS</u>		
Cash and cash equivalents:		
Checking	\$ 5,697	\$ 10,554
Certificates of deposit	<u>6,000</u>	<u>6,000</u>
Total cash and cash equivalents	11,697	16,554
Accounts receivable	<u>2,600</u>	<u>-</u>
TOTAL ASSETS	\$ <u>14,297</u>	\$ <u>16,554</u>

LIABILITIES AND NET ASSETS

<u>LIABILITIES</u>	\$ -	\$ -
<u>UNRESTRICTED NET ASSETS</u>	<u>14,297</u>	<u>16,554</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>14,297</u>	\$ <u>16,554</u>

The accompanying notes are an integral part of the financial statements

PREBLE COUNTY AREA COMMUNITY IMPROVEMENT CORPORATION
STATEMENTS OF ACTIVITIES
 FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

	<u>2002</u>	<u>2001</u>
<u>CHANGES IN UNRESTRICTED NET ASSETS</u>		
<u>REVENUES AND GAINS:</u>		
Agency contract fees	\$ 5,900	\$ 6,650
Membership fees	1,175	1,225
Donations	-	75
Interest income	121	381
Other	-	-
Total unrestricted revenues and gains	7,196	8,331
<u>EXPENSES:</u>		
Executive director compensation	7,800	7,800
Secretary compensation	400	400
Truck route by-pass	-	636
Professional fees	107	318
Contributions	1,000	-
Entertainment	22	-
Postage	124	100
Reimbursement expense	-	-
Bank charges	-	2
Other operating expenses	-	181
Total expenses	9,453	9,437
<u>DECREASE IN UNRESTRICTED NET ASSETS</u>	<u>(2,257)</u>	<u>(1,106)</u>
<u>UNRESTRICTED NET ASSETS, January 1</u>	<u>16,554</u>	<u>17,660</u>
<u>UNRESTRICTED NET ASSETS, December 31</u>	<u>\$ 14,297</u>	<u>\$ 16,554</u>

The accompanying notes are an integral
part of the financial statements

PREBLE COUNTY AREA COMMUNITY IMPROVEMENT CORPORATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

	<u>2002</u>	<u>2001</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Decrease in unrestricted net assets	\$ <u>(2,257)</u>	\$ <u>(1,106)</u>
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Changes in assets and liabilities:		
Increase in accounts receivable	<u>(2,600)</u>	<u>-</u>
Total adjustments	<u>(2,600)</u>	<u>-</u>
Net cash used in operating activities	<u>(4,857)</u>	<u>(1,106)</u>
 <u>NET DECREASE IN CASH AND CASH EQUIVALENTS</u>	 (4,857)	 (1,106)
 <u>CASH AND CASH EQUIVALENTS, beginning of year</u>	 <u>16,554</u>	 <u>17,660</u>
 <u>CASH AND CASH EQUIVALENTS, end of year</u>	 \$ <u><u>11,697</u></u>	 \$ <u><u>16,554</u></u>

The accompanying notes are an integral part of the financial statements

PREBLE COUNTY AREA COMMUNITY IMPROVEMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

ORGANIZATION AND NATURE OF OPERATIONS - The Preble County Area Community Improvement Corporation (the 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 Preble County area.

BASIS OF ACCOUNTING - The financial statements of the Corporation 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 membership dues from area individuals and businesses and agency contract fees charged to area municipalities. In addition, the Corporation receives contributions from area businesses from time to time.

CONTRIBUTIONS - Contributions, if any, are considered to be available for unrestricted use unless specifically restricted by the donor.

INCOME TAXES - The Corporation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code, and does not currently conduct any activities, which would result in the imposition of the unrelated business income tax.

STATEMENT OF CASH FLOWS - For purposes of reporting cash flows, the corporation considers all certificates of deposit with an original maturity of less than 3 months to be the equivalent of cash.

2. CONCENTRATION OF CREDIT RISK:

At December 31, 2002, agency fees receivable from one municipality amounted to 96% of total accounts receivable.

PREBLE COUNTY AREA COMMUNITY IMPROVEMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

3. RELATED PARTY TRANSACTIONS:

The Executive Director of the Corporation is also the executive director of the Preble County Area Chamber of Commerce.

The Treasurer of the Corporation is an employee of the bank the Corporation has selected as its funds depository.

Various members of the Board of Trustees of the Corporation are elected officials or employees of Preble County, its townships, or its municipalities. From time to time, these officials may be required to make decisions (in their capacities as elected officials) regarding projects in which the Corporation is involved.

Hoover & Roberts, Inc.

Certified Public Accountants

March 24, 2003

To the Board of Trustees
The Preble County Area Community Improvement Corporation
Eaton, Ohio

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

We have audited the financial statements of The Preble County Area Community Improvement Corporation (the Corporation) as of and for the years ended December 31, 2002 and 2001, and have issued our report thereon dated March 24, 2003. 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 the Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the 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 assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. 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 Corporation's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as item 02-1.

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 that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable condition described above to be a material weakness.

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

Hoover & Roberts, Inc.

THE PREBLE COUNTY AREA COMMUNITY IMPROVEMENT CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE TWO YEARS ENDED DECEMBER 31, 2002

A. SUMMARY OF AUDITOR'S RESULTS:

1. The auditor's report expresses an unqualified opinion on the financial statements of The Preble County Area Community Improvement Corporation (the Corporation.)
2. One reportable condition disclosed during the audit of the financial statements is reported in the Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards. This condition is considered to be a material weakness.
3. No instances of noncompliance material to the financial statements of the Agency were disclosed during the audit.

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

02-1 Segregation of Duties

Condition: Segregation of duties over receipts and disbursements are not adequate to provide reasonable assurance that the objectives of internal control are achieved, and adequate compensating controls have not been instituted.

Criteria: Duties should be adequately segregated to provide reasonable assurance that the objectives of internal control are achieved. If adequate segregation of duties cannot be accomplished, compensating controls sufficient to obtain these objectives should be instituted. The only compensating controls noted were non-mandatory pre-approval of large unusual expenditures and retroactive review of all disbursements by the Board of Trustees.

Effect: Because of the lack of segregation of duties and adequate compensating controls, it is possible that errors or irregularities could occur and not be detected in a timely manner.

Recommendation: It would not appear to be cost-effective for the Corporation to hire sufficient additional staff to achieve full segregation of duties. However, several additional compensating controls could be implemented. For example, mandatory prior approval (by either the full Board of Trustees or a designated officer other than the Treasurer) could be required for all disbursements in excess of a designated amount, multiple signatures could be required on checks, or someone other than the Treasurer could sign checks. Periodic comparisons of receipts to paid membership lists could be made. Someone other than the Treasurer could perform the bank reconciliations. In determining what compensating controls to institute, the Board of Trustees would have to weigh the costs of such controls against the benefit to be gained.



**Auditor of State
Betty Montgomery**

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PREBLE COUNTY AREA COMMUNITY IMPROVEMENT CORPORATION

PREBLE 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
JUNE 12, 2003**