



**Auditor of State  
Betty Montgomery**



**COMMUNITY IMPROVEMENT CORPORATION  
MORGAN COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Accountants' Report.....	1
Statement of Cash Receipts, Cash Disbursements, and Changes in Cash Balance - For the Years Ended December 31, 2004 and 2003.....	3
Notes to the Financial Statement.....	5
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	9
Schedule of Findings .....	11
Schedule of Prior Audit Findings .....	13

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

Community Improvement Corporation  
Morgan County  
155 East Main Street  
Room 217  
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, 2004 and 2003. 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 assets, liabilities, equity and disclosures that, while material, cannot be determined at this time.

In our opinion, the accompanying financial statement does not present fairly the financial position and results of operations of the Community Improvement Corporations, Morgan County, Ohio, as of and for the years ended December 31, 2004 and 2003, 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 statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 18, 2005, 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 "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

August 18, 2005

**COMMUNITY IMPROVEMENT CORPORATION  
MORGAN COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,  
AND CHANGES IN CASH BALANCE  
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003**

	<b>2004</b>	<b>2003</b>
<b>Cash Receipts:</b>		
Intergovernmental	\$ 311,265	\$ 620,000
Rentals	126,348	108,614
Sales		134,953
Interest	1,490	876
Miscellaneous	39,379	31,946
Total Cash Receipts	478,482	896,389
<b>Cash Disbursements:</b>		
Current:		
Utilities	59,607	75,787
Contracts - Services	147,410	21,457
Taxes	14,014	37,674
Insurance	58,654	47,628
Miscellaneous	54,811	2,446
Debt Service:		
Principal Payment	95,281	74,142
Interest and Other Fiscal Charges	7,165	1,067
Capital Outlay	62,395	457,787
Grant Expense	705	220,000
Total Cash Disbursements	500,042	937,988
Total Cash Receipts Over/(Under) Cash Disbursements	(21,560)	(41,599)
<b>Other Financing Receipts/(Disbursements):</b>		
Loan Proceeds	247,856	74,142
Total Other Financing Receipts/(Disbursements)	247,856	74,142
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	226,296	32,543
Cash Balance, January 1	50,995	18,452
<b>Cash Balance, December 31</b>	<b>\$ 277,291</b>	<b>\$ 50,995</b>

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

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**COMMUNITY IMPROVEMENT CORPORATION  
MORGAN COUNTY**

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The Community Improvement Corporation of Morgan County (the Corporation) is a non-for-profit corporation and was incorporated in 1967 under authority of Ohio Rev. Code Section 1702.01. The Corporation is governed by 12 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. Basis of Accounting**

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 basis of accounting for governmental entities that are not required to prepare annual reports in accordance with generally accepted accounting principles. 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. Cash**

The Corporation maintains an interest-bearing checking account.

**E. 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 statement.

**2. CASH**

The Corporation maintains a checking account. The carrying amount of cash at December 31 was as follows:

	<u>2004</u>	<u>2003</u>
Demand deposits	\$ 277,291	\$ 50,995

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

**COMMUNITY IMPROVEMENT CORPORATION  
MORGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENT  
DECEMBER 31, 2004 AND 2003  
(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. The taxable value of this property is approximately \$2.5 million.

The Corporation also obtained the former Ohio Department of Transportation garage. It was donated to the Corporation by the State of Ohio. The taxable value of this property is approximately \$235,000.

**4. DEBT**

Debt outstanding at December 31, 2004 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
ODD Promissory Note - MPGC Facility	\$ 750,000	0% - 3%
CNB Promissory Note - Renovations to MPGC Facility	152,575	5.00%
Total	<u>\$ 902,575</u>	

The promissory note was issued by the Ohio Department of Development to enable the Corporation to pay off short-term financing for the acquisition of a building and land in Morgan County for economic development. During years 1 through 5 of the note, a zero percent interest rate applies. From year 6 to termination, a 3% interest rate applies. Further, no principal is required to be repaid until 2007. If the building and land are sold or transferred during years 1 through 5, the principal is required to be repaid in payments. If the building and land are sold or transferred during years 6 through termination, 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.

The promissory note was issued by the Citizens National Bank of McConnelsville to enable the Corporation to complete renovations to the buildings in the Morgan Partnership Growth Complex. The annual percentage rate was 5% on the note with a maturity date of May 13, 2005. The note is secured by the former Ohio Department of Transportation 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, 2004 AND 2003  
(Continued)**

**4. DEBT (Continued)**

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

Year ending December 31:	ODD Promissory Note	CNB Promissory Note
2005	\$	\$ 152,575
2006		
2007	50,694	
2008	86,905	
2009	86,905	
2010-2014	470,733	
2015-2019	173,810	
Total	<u>\$ 869,047</u>	<u>\$ 152,575</u>

**5. RISK MANAGEMENT**

**Commercial Insurance**

The Morgan County Community Improvement Corporation has obtained commercial insurance for the following risks:

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

**6. CONTINGENCIES**

**Grants**

The Corporation received financial assistance from state agencies in the form of grants. 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 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, 2004.

**7. SUBSEQUENT EVENTS**

In January 2005, the Corporation purchased property from Gould Electronics, located on State Route 60, which was financed through a \$2,000,000 loan from the Ohio Department of Development, a \$120,000 loan from The Citizens National Bank, and a \$300,000 loan from Gould, which requires an annual loan payment of \$92,400. The Corporation is required to make a monthly payment of \$7,700 into a sinking fund in order to make the payment to Gould. The Corporation leased the property to MiBA at \$30,000 per month for 15 years. In May 2005, the Corporation sold the former ODOT building to CEH Industrial, LLC for \$265,000.

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**Auditor of State  
Betty Montgomery**

**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  
Room 217  
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, 2004 and 2003, and have issued our report thereon dated August 18, 2005, wherein we noted the Corporation prepares its financial statement on a basis of accounting other than that prescribed by Ohio Rev. Code Section 1724.05. 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 to determine our auditing procedures to express our opinion on the financial statement and not to opine on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider a reportable condition. Reportable conditions involve matters coming to our attention relating to specific 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 management's assertions in the financial statement. A reportable condition is described in the accompanying Schedule of Findings as items 2004-001.

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 material to the financial statements we audited may occur and not be timely detected by employees when 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 material weaknesses. However, we do not believe the reportable condition described above is a material weakness. In a separate letter to the Corporation's management dated August 18, 2005, we reported other matters involving internal control over financial reporting which we did not deem reportable conditions.

### **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 that we must report under *Government Auditing Standards*, which is described in the accompanying Schedule of Findings as item 2004-002.

We intend this report solely for the information and use of management and the Board of Trustees. It is not intended for anyone other than these specified parties.



**Betty Montgomery**  
Auditor of State

August 18, 2005

**COMMUNITY IMPROVEMENT CORPORATION  
MORGAN COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2004 AND 2003**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

**FINDING NUMBER 2004-001**

**Reportable Condition - Supporting Documentation**

All local public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets (and liabilities, if generally accepted accounting principles apply), document compliance with finance-related legal and contractual requirements and prepare financial statements required by rule 117-2-03 of the Administrative Code.

The management of each local public office is responsible for the assertions underlying the information in the public office's financial statements. The accounting system should assure that the following five assertions are achieved for all transaction types and account balances applicable to the local public office's operations, considering the basis of accounting applicable to it:

- (1) Existence/occurrence: That recorded assets (and liabilities, if generally accepted accounting principles apply) exist as of fiscal year end, recorded transactions have occurred and are not fictitious.
- (2) Completeness: That all account balances and transactions that should be included in the financial records are included.
- (3) Rights and obligations: That recorded assets are rights of the public office (and recorded liabilities, if generally accepted accounting principles apply), are obligations of the public office at the fiscal year end.
- (4) Valuation/allocation: That generally accepted accounting measurement and recognition principles are properly selected and applied. This includes accounting measurement and recognition principles prescribed by the auditor of state for public offices that are not required to follow generally accepted accounting principles.
- (5) Presentation and disclosure: That financial statement elements are properly classified and described and appropriate disclosures are made as required by generally accepted accounting principles, or as prescribed by the auditor of state for entities that do not follow generally accepted accounting principles.

The Corporation should maintain supporting documentation for all disbursements made. 18% of the expenditures tested in 2003 and 50% of the expenditures tested in 2004 lacked supporting documentation. These expenditures were for various purposes (insurance, utilities, contract labor, etc.) and no invoices or other form of documentation, such as a written contract, for the services rendered were presented for audit by the Corporation. As a result of not maintaining supporting documentation, errors and/or irregularities could occur and go undetected for a long period of time.

We recommend the Corporation retain supporting documentation for all disbursements written by the Corporation as evidence that the services were actually received.

**COMMUNITY IMPROVEMENT CORPORATION  
MORGAN COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2004 AND 2003  
(Continued)**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

**FINDING NUMBER 2004-002**

**Noncompliance Citation**

Ohio Rev. Code Section 1724.05 requires the Corporation to file its annual financial report in accordance with accounting principles generally accepted in the United States of America.

The Corporation prepared its financial statement in accordance with standards established by the Auditor of State for governmental entities not required to prepare annual reports in accordance with generally accepted accounting principles. The accompanying financial statement and notes omit assets, liabilities, equity, 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.

**COMMUNITY IMPROVEMENT CORPORATION  
MORGAN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2004 AND 2003**

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>
2002-51058-001	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 2004-002.





**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**

**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  
NOVEMBER 10, 2005**