



***COMMUNITY IMPROVEMENT CORPORATION OF
GREATER CHILLCOTHE, ROSS COUNTY, INCLUDING
CHILLCOTHE, OHIO, INC.***

ANNUAL FINANCIAL REPORT

For the Years Ended December 31, 2012 and 2011

J.L. UHRIG
AND ASSOCIATES INC.

CERTIFIED PUBLIC ACCOUNTANT AND MANAGEMENT CONSULTANTS





Dave Yost • Auditor of State

Board of Trustees
Community Improvement Corporation Greater Chillicothe, Ross County
45 East Main Street
Chillicothe, Ohio 45601

We have reviewed the *Independent Auditor's Report* of the Community Improvement Corporation of Greater Chillicothe, Ross County, including Chillicothe, Ohio Inc., prepared by J.L. Uhrig and Associates, Inc., for the audit period January 1, 2011 through December 31, 2012. 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 Greater Chillicothe, Ross County, Including Chillicothe, Ohio Inc. is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

October 29, 2013

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**COMMUNITY IMPROVEMENT CORPORATION OF GREATER CHILLICOTHE,
ROSS COUNTY, INCLUDING CHILLICOTHE, OHIO, INC.**

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Independent Auditor's Report

Board of Trustees
Community Improvement Corporation of
Greater Chillicothe, Ross County, including
Chillicothe, Ohio, Inc.
45 East Main Street
Chillicothe, OH 45601

We have audited the accompanying financial statements of the Community Improvement Corporation of Greater Chillicothe, Ross County, including Chillicothe, Ohio, Inc. (a nonprofit corporation) (the Corporation), which comprise the statement of financial position, as of December 31, 2012 and 2011, and the related statement of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion 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 of America. 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Board of Trustees
Community Improvement Corporation of
Greater Chillicothe, Ross County, including
Chillicothe, Ohio, Inc.
Independent Auditor's Report

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Community Improvement Corporation of Greater Chillicothe, Ross County, including Chillicothe, Ohio, Inc. as of December 31, 2012 and 2011, and the respective changes in financial position and where applicable cash flows thereof for the years ended, in conformity with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated June 26, 2013 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. 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 provide an opinion on internal control over financial reporting or on compliance. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control over financial reporting and compliance.

J. L. Uhrig and Associates, Inc.
Chillicothe, Ohio

June 26, 2013

**COMMUNITY IMPROVEMENT CORPORATION OF GREATER CHILlicoTHE,
ROSS COUNTY, INCLUDING CHILlicoTHE, OHIO, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2012 and 2011**

ASSETS		
	2012	2011
CURRENT ASSETS		
Cash	\$224,665	\$98,004
Prepaid Assets	295	861
TOTAL CURRENT ASSETS	224,960	98,865
OTHER ASSETS		
Industrial Park Land and Improvements Held for Resale	934,665	934,665
Furniture and Equipment	5,297	5,297
Building - Airport Hangar	535,000	535,000
Less: Accumulated Depreciation	(32,733)	(19,015)
Net Property and Equipment	507,564	521,282
TOTAL OTHER ASSETS	1,442,229	1,455,947
TOTAL ASSETS	\$1,667,189	\$1,554,812
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accrued Real Estate Taxes	\$5,707	\$5,746
Accrued Interest Payable	16,465	15,065
Notes Payable - Current portion	53,965	52,283
TOTAL CURRENT LIABILITIES	76,137	73,094
NONCURRENT LIABILITIES		
Deferred Revenue	1,350	2,403
Long-Term Notes Payable	461,370	487,335
TOTAL LIABILITIES	538,857	562,832
NET ASSETS		
Unrestricted - Undesignated	196,545	47,377
Unrestricted - Designated	903,372	893,115
Total Unrestricted	1,099,917	940,492
Temporarily Restricted	28,415	51,488
TOTAL NET ASSETS	1,128,332	991,980
TOTAL LIABILITIES AND NET ASSETS	\$1,667,189	\$1,554,812

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

**COMMUNITY IMPROVEMENT CORPORATION OF GREATER CHILlicoTHE,
ROSS COUNTY, INCLUDING CHILlicoTHE, OHIO, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL</u>
CHANGES IN NET ASSETS:			
OPERATING REVENUE AND OTHER SUPPORT:			
Donations	\$18,975	\$0	\$18,975
Grants	150,000	0	150,000
Membership Dues	2,225	0	2,225
Rent	61,400	0	61,400
In-Kind Rent	2,400	0	2,400
Miscellaneous	550	0	550
Interest on Deposits	65	27	92
TOTAL OPERATING REVENUE AND SUPPORT	235,615	27	235,642
OPERATING EXPENSES:			
Office Supplies	355	0	355
Accounting/Legal	1,080	0	1,080
Consulting Fees	20,531	0	20,531
Gateway Industrial Park Expenses	5,004	0	5,004
Rent	2,400	0	2,400
Telephone	592	0	592
Insurance	2,327	0	2,327
Interest Expense	30,183	0	30,183
County Treasurer - Repair and Replacement Program	0	23,100	23,100
Depreciation Expense	13,718	0	13,718
TOTAL OPERATING EXPENSES	76,190	23,100	99,290
CHANGE IN NET ASSETS	159,425	(23,073)	136,352
NET ASSETS, BEGINNING OF YEAR	940,492	51,488	991,980
NET ASSETS, END OF YEAR	\$1,099,917	\$28,415	\$1,128,332

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

**COMMUNITY IMPROVEMENT CORPORATION OF GREATER CHILLICOTHE,
ROSS COUNTY, INCLUDING CHILLICOTHE, OHIO, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL</u>
CHANGES IN NET ASSETS:			
OPERATING REVENUE AND OTHER SUPPORT:			
Donations	\$19,718	\$0	\$19,718
Grants	8,077	0	8,077
Membership Dues	2,325	0	2,325
Rent	60,000	0	60,000
In-Kind Rent	2,400	0	2,400
Interest on Deposits	54	160	214
TOTAL OPERATING REVENUE AND SUPPORT	92,574	160	92,734
OPERATING EXPENSES:			
Office Supplies	314	0	314
Accounting/Legal	6,047	0	6,047
Consulting Fees	18,707	0	18,707
Gateway Industrial Park Expenses	11,117	0	11,117
Rent	2,400	0	2,400
Telephone	592	0	592
Insurance	1,765	0	1,765
Service Fee/Bank Charges	20	0	20
Interest Expense	31,339	0	31,339
County Treasurer - Repair and Replacement Program	0	55,035	55,035
Depreciation Expense	13,718	0	13,718
TOTAL OPERATING EXPENSES	86,019	55,035	141,054
CHANGE IN NET ASSETS FROM OPERATIONS	6,555	(54,875)	(48,320)
OTHER CHANGES:			
Loss on Sale of Property	(451,330)	0	(451,330)
TOTAL OTHER CHANGES	(451,330)	0	(451,330)
CHANGE IN NET ASSETS	(444,775)	(54,875)	(499,650)
NET ASSETS, BEGINNING OF YEAR	1,385,267	106,363	1,491,630
NET ASSETS, END OF YEAR	\$940,492	\$51,488	\$991,980

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

**COMMUNITY IMPROVEMENT CORPORATION OF GREATER CHILLICOTHE,
ROSS COUNTY, INCLUDING CHILLICOTHE, OHIO, INC.
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2012 and 2011**

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in Net Assets	\$136,352	(\$499,650)
<i>Adjustments to Reconcile Change in Net Position to Net Cash Provided by Operating Activities:</i>		
Loss on Sale of Property	0	451,330
Depreciation	13,718	13,718
<i>(Increase)/Decrease in Operating Assets:</i>		
Prepaid Expenses	566	(4)
<i>Increase/(Decrease) in Operating Liabilities:</i>		
Deferred Revenue	(1,053)	(8,077)
Accrued Interest Expense	1,400	1,400
Accrued Real Estate Tax Payable	(39)	(9,537)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	150,944	(50,820)
CASH FLOWS PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal Paid on Notes and Loans	(24,283)	(523,382)
Proceeds Received from Notes and Loans	0	535,000
Cash Paid to Acquire/Construct Capital Assets	0	(559,800)
Proceeds Received from the Sale of Capital Assets	0	500,000
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(24,283)	(48,182)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	126,661	(99,002)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	98,004	197,006
CASH AND CASH EQUIVALENTS, END OF YEAR	\$224,665	\$98,004

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

**COMMUNITY IMPROVEMENT CORPORATION OF GREATER CHILlicothe, ROSS COUNTY,
INCLUDING CHILlicothe, OHIO, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 and 2011**

NOTE 1 - DESCRIPTION OF THE REPORTING ENTITY

The Community Improvement Corporation of Greater Chillicothe, Ross County, including Chillicothe, Ohio, Inc. (the Corporation) is a nonprofit organization exempt from federal income taxes under Section 501(c)(6) of the Internal Revenue Code. The Corporation was formed in 1964 to encourage and promote the industrial, economic, commercial and civic development of Ross County and the territory surrounding the City of Chillicothe. Resources for the Corporation's activities are primarily provided by contributions from local governments and businesses.

The Corporation's functions are:

- 1) The administration of a Revolving Loan Fund, which makes low interest loans available to local business entities that encourage economic development and create jobs in the community.
- 2) The encouragement of both foreign and domestic investment in the local community, as well as publicizing the advantage of locating job-creating industries in the Chillicothe-Ross County area.
- 3) The Corporation facilitates real estate transactions for the County and City to encourage new business to locate in the community.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements are prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

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. The Corporation has no permanently restricted net assets.

Cash and Cash Equivalents

The Corporation considers all short-term investments with an original maturity of three months or less when acquired to be cash equivalents for the cash flows statement. The Corporation had no cash equivalents at December 31, 2012 or 2011.

Federal Income Taxes

No provisions are made for federal, state, or local income tax because the Corporation is tax exempt under Section 501(c)(6) of the Internal Revenue Code.

**COMMUNITY IMPROVEMENT CORPORATION OF GREATER CHILLICOTHE,
ROSS COUNTY, INCLUDING CHILLICOTHE, OHIO, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 and 2011**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property Held for Resale

In October 1997, the City of Chillicothe transferred ownership of 91.945 acres of land to the Corporation. Design, survey, and other costs associated with the development of the property have been capitalized as incurred. Real estate taxes and insurance costs have been capitalized during the period during which activities necessary to get the property ready for its intended use are in progress.

Land held for resale is measured at fair value using other significant observable (Level 2) inputs. Land was recorded at the fair market value as of the date of the donation. The remaining balance of the asset was valued per invoices of contractors, real estate tax bills, and insurance premium invoices. The current fair market value approximates the Corporation's current asking price for the property.

Depreciation

The CIC provides for depreciation in amounts adequate to amortized costs over the estimated useful lives of the assets. Certain assets are being depreciated under the straight line method for both financial books and tax purposes. The lives of the assets and depreciation expenses under this method are in accordance with generally accepted accounting principles.

Revenue Recognition

Contributions received are recorded as increases in unrestricted, temporarily restricted, or permanently restricted net assets depending on the existence or nature of any donor restrictions.

All donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Donations or property are recorded as contributions at their estimated fair value at the date of the donation.

Use of Estimates

The preparation of financial statements in conformity with the accrual bases of accounting requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**COMMUNITY IMPROVEMENT CORPORATION OF GREATER CHILLICOTHE, ROSS COUNTY,
INCLUDING CHILLICOTHE, OHIO, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 and 2011**

NOTE 3 – CAPITAL ASSETS

Capital assets and related accumulated depreciation at December 31, 2012 and 2011 are as follows:

	Balance January 1, 2012	Additions	Deletions	Balance December 31, 2012
<i>Nondepreciable Capital Assets:</i>				
Industrial Park Land and Improvements	\$934,665	\$0	\$0	\$934,665
Total Nondepreciable Capital Assets	934,665	0	0	934,665
<i>Depreciable Capital Assets:</i>				
Building – Airport Hangar	535,000	0	0	535,000
Furniture and Equipment	5,297	0	0	5,297
Total Depreciable Capital Assets	540,297	0	0	540,297
<i>Accumulated Depreciation:</i>				
Building – Airport Hangar	(13,718)	(13,718)	0	(27,436)
Furniture and Equipment	(5,297)	0	0	(5,297)
Total Accumulated Depreciation	(19,015)	(13,718)	0	(32,733)
Depreciable Capital Assets, Net	521,282	(13,718)	0	507,564
Capital Assets, Net	\$1,455,947	(\$13,718)	\$0	\$1,442,229

**COMMUNITY IMPROVEMENT CORPORATION OF GREATER CHILlicoTHE,
ROSS COUNTY, INCLUDING CHILlicoTHE, OHIO, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 and 2011**

NOTE 3 – CAPITAL ASSETS(Continued)

	Balance January 1, 2011	Additions	Deletions	Balance December 31, 2011
<i>Nondepreciable Capital Assets:</i>				
Industrial Park Land and Improvements	\$934,665	\$0	\$0	\$934,665
Spec Building Held for Resale	500,000	0	(500,000)	0
Total Nondepreciable Capital Assets	1,434,665	0	(500,000)	934,665
<i>Depreciable Capital Assets:</i>				
Building – Airport Hangar	0	535,000	0	535,000
Furniture and Equipment	5,297	0	0	5,297
Total Depreciable Capital Assets	5,297	535,000	0	540,297
<i>Accumulated Depreciation:</i>				
Building – Airport Hangar	0	(13,718)	0	(13,718)
Furniture and Equipment	(5,297)	0	0	(5,297)
Total Accumulated Depreciation	(5,297)	(13,718)	0	(19,015)
Depreciable Capital Assets, Net	0	521,282	0	521,282
Capital Assets, Net	\$1,434,665	\$521,282	(\$500,000)	\$1,455,947

NOTE 4 – RESTRICTIONS ON NET ASSETS

The temporary restriction on net assets at the end of 2012 and 2011 relates to Community Development Block Grants received in prior years for use in the revolving loan program and program income generated through operation of the program.

NOTE 5 – RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

The Chillicothe-Ross Chamber of Commerce and the Corporation have directors that are members of both boards. The Chillicothe-Ross Chamber of Commerce furnishes office space at no charge for use of the Corporation. The market value of space donated is \$2,400 for both 2012 and 2011.

NOTE 6 – NOTES PAYABLE

In February 2000, the Corporation obtained a loan from the Ross County Development Fund in the amount of \$8,000. An additional \$10,000 was borrowed in March 2001. Another \$10,000 was borrowed in March 2002. These loans, totaling \$28,000, include repayment with 5% interest and will be repaid at the rate of \$934 per acre of land sold in the Gateway Interchange Industrial Park until paid in full. The balance is considered a current liability at both December 31, 2012 and 2011.

**COMMUNITY IMPROVEMENT CORPORATION OF GREATER CHILLICOTHE, ROSS COUNTY,
INCLUDING CHILLICOTHE, OHIO, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 and 2011**

NOTE 6 – NOTE PAYABLE (Continued)

In 2007, the Corporation received a \$500,000 loan from the Ohio Department of Development Rural Industrial Park Loan Program with a zero percent interest for years one through five of the loan and at the rate of 4% for years six through fifteen of the loan or until paid. No payments are due in years one through five. Beginning in year six, the principal balance of the loan and interest on that amount shall be paid in 120 monthly payments. In addition, the Corporation is required to pay a monthly servicing fee equal to 0.02% of the outstanding principal of the loan throughout the balance of the loan. To assist the Corporation in receiving the funding for this project, the Ross County Commissioners is the guarantor for this loan. In 2011, the Ross County Commissioners purchased the Spec Building for the amount of \$500,000. The Corporation used the sale of the building to pay off this loan in the amount of \$500,000.

In 2011, the Corporation took out a promissory note of \$535,000 from the Vinton County National Bank for the purchase of an airport hangar from T.R.M. Aviation, Inc. The Corporation then entered into a triple net lease agreement back to T.R.M. Aviation, Inc. and James Parks for the hangar. The fifteen year triple net lease payments are to be in the amount of \$5,000 per month for years one through five, \$5,450 per month for years six through ten, and \$5,600 per month for years eleven through fifteen.

Debt outstanding at December 31, 2012 and 2011 was as follows:

Description	Issue Date	Interest Rate	Balance 12/31/11	Issued	Retired	Balance 12/31/12	Due in One Year
Promissory Note	1/31/2000	5.00%	\$28,000	\$0	\$0	\$28,000	\$28,000
Airport Hangar	1/6/2011	5.75%	511,618	0	24,283	487,335	25,965
Total			\$539,618	\$0	\$24,283	\$515,335	\$53,965

Description	Issue Date	Interest Rate	Balance 12/31/10	Issued	Retired	Balance 12/31/11	Due in One Year
Promissory Note	1/31/2000	5.00%	\$28,000	\$0	\$0	\$28,000	\$28,000
Airport Hangar	1/6/2011	5.75%	0	535,000	23,382	511,618	24,283
ODOD - Rural Industrial Park	3/26/2007	4/00%	500,000	0	500,000	0	0
Total			\$28,000	\$535,000	\$523,382	\$539,618	\$52,283

Principal and interest requirements to retire debt outstanding at December 31, 2012 are as follows:

Year end December 31	ODOD – Rural Industrial Park		
	Principal	Interest	Total
2013	\$25,965	\$27,356	\$53,321
2014	27,498	25,823	53,321
2015	29,122	24,199	53,321
2016	30,842	22,479	53,321
2017	32,664	20,657	53,321
2018-2022	194,645	71,960	266,605
2023-2025	146,599	13,364	159,963
Total	\$487,335	\$205,838	\$693,173

**COMMUNITY IMPROVEMENT CORPORATION OF GREATER CHILLICOTHE,
ROSS COUNTY, INCLUDING CHILLICOTHE, OHIO, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 and 2011**

NOTE 7 - CONCENTRATION OF CREDIT RISKS

As of December 31, 2012 and 2011, the Corporation's depository balances were covered entirely by Federal Deposit Insurance Corporation (FDIC) Insurance.

NOTE 8 - COMMITMENTS

Revolving Loan Fund

In 1989, the Corporation entered into a contract with the Ross County Commissioners to administer a revolving loan fund, which is part of the Community Development Block Grant Program. In 2001, the Office of Housing and Community Partnerships within the Ohio Department of Development reviewed and approved the Ross County Commissioners' request to use up to \$294,000 of revolving loan funds (being administered by the Corporation) to assist with the County's rural sewer repair or replacement program. A schedule was established to allow the County to draw the revolving loan funds from the Corporation over a five year period, ending in 2005.

The following table illustrates the draw schedule, actual draws made and balance available for future draws:

	<u>Scheduled Draws</u>	<u>Actual Draws</u>	<u>Commitment Remaining</u>
2001	49,000	49,000	245,000
2002	98,000	73,500	171,500
2003	73,500	49,000	122,500
2004	49,000	9,800	112,700
2005	24,500	4,900	107,800
2006	-	4,900	102,900
2007	-	4,900	98,000
2008	-	4,900	93,100
2009	-	-	93,100
2010	-	-	93,100
2011	-	55,000	38,100
2012	-	23,100	15,000
	<u>294,000</u>	<u>279,000</u>	

**COMMUNITY IMPROVEMENT CORPORATION OF GREATER CHILLICOTHE, ROSS COUNTY,
INCLUDING CHILLICOTHE, OHIO, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 and 2011**

NOTE 9 – LOSS ON SALE OF FIXED ASSETS

The Corporation received a \$500,000 Rural Development Initiative Grant from the Ohio Department of Development and a \$500,000 loan from the Ohio Department of Development Rural Industrial Park Loan Program to assist in the cost of construction on a speculative industrial building in the Gateway Industrial Park. The Ross County Commissioners were the guarantor for the loan from the Ohio Department of Development. For additional information on the loan see Note 6 in the notes to the financial statements.

The original cost of the 50,000 square foot building, on 6.5 acres located in the Gateway Industrial Park was \$1,007,868. During 2011, the Ross County Commissioners purchased the spec building for \$500,000, so that they may finance that debt themselves with better terms and rates. The Corporation used the proceeds from the sale to pay off the loan from the Ohio Department of Development. The spec building carrying value was \$951,330 at the time of the sale. The Corporation incurred a loss of \$ 451,330 as a result of the sale of the property, which has been included in the Statement of Activities.

The CIC continues to market the property on behalf of Ross County. Ross County will pay to the CIC any proceeds from a future sale beyond the original loan amount plus any interest paid by the County.

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*

Independent Auditor's Report

Board of Trustees
Community Improvement Corporation of
Greater Chillicothe, Ross County, Including
Chillicothe, Ohio, Inc.
45 East Main Street
Chillicothe, OH 45601

We have audited, 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 of America, the financial statements of Community Improvement Corporation of Greater Chillicothe, Ross County, including Chillicothe, Ohio, Inc. (the Corporation), as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements, and have issued our report thereon dated June 26, 2013.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Corporation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings, we indentified a certain deficiency in internal control that we consider to be material weakness.

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 correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Corporation's financial statements will not be prevented, or detected and timely corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings as item 2012-002 to be material weakness.

Board of Trustees
Community Improvement Corporation of Greater Chillicothe,
Ross County, Including Chillicothe, Ohio, Inc.
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*

Compliance and Other Matters

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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and are described in the accompanying schedule of findings as items 2012-001 and 2012-002.

Entity's Response to Findings

The Corporation's responses to the findings identified in our audit are described in the accompanying schedule of findings. The Corporation's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Corporation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

J. L. UHRIG AND ASSOCIATES, INC.
Chillicothe, Ohio

June 26, 2013

**COMMUNITY IMPROVEMENT CORPORATION OF GREATER CHILLICOTHE,
ROSS COUNTY, INCLUDING CHILLICOTHE, OHIO, INC.
SCHEDULE OF FINDING
FOR THE YEARS ENDED DECEMBER 31, 2012 and 2011**

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

Finding Number 2012-001

Financial Reporting - Material Noncompliance

The Corporation did not file its 2011 financial report with the Auditor of State within 120 days of fiscal year end and the 2011 annual reports were not available on the Corporation's web site or that of Ross County, nor has a notice been published in the local newspapers. No waivers were requested or granted for the report filing. Additionally, the Corporation maintains its general ledger on an accrual basis of accounting.

Ohio Rev. Code Section 1724.05 and Auditor of State Bulletin 2001-003 lists the following requirements for community improvement corporations regarding annual reporting:

1. The annual unaudited financial report is to be submitted to the Auditor of State, Local Government Services Division, unless the Auditor of State has granted a specific waiver.
2. The report must be prepared in accordance with generally accepted accounting principles, including footnote disclosures, and be certified by the Board of Directors or its Treasurer or other Chief Fiscal Officer.
3. The report should be filed with the Auditor of State within 120 days of fiscal year end.
4. The report shall be published on the corporation's web site, or if the corporation does not have a web site, on the web site of the county in which the corporation is located.

The Corporation has no employees and utilizes the services of a contract consultant. No policies or controls have been implemented to assign the duties for maintaining the general ledger on an accrual basis or for the review by appropriate Corporation officials to ensure compliance with applicable reporting requirements.

Ohio Revised Code Section 1724.06 outlines the repercussions to noncompliance. The Auditor of State must certify corporations to the Secretary of State if 1) a corporation files its annual report more than 90 days delinquent (i.e., does not file its annual GAAP financial statement report within 120 days of its fiscal year end) and if 2) a corporation does not present auditable records within 90 days of a determination by the Auditor of State that a corporation is unauditible. Upon certification, the Secretary of State is to cancel the corporation's articles of incorporation until the deficiency is remedied.

We recommend that the Corporation prepare annual accrual basis financial statements and timely remit the required reports to the Auditor of State.

Management Response

Management will review the possibilities for making the necessary adjustments and preparing financial statements to be filed with the Auditor of State.

**COMMUNITY IMPROVEMENT CORPORATION OF GREATER CHILLICOTHE,
ROSS COUNTY, INCLUDING CHILLICOTHE, OHIO, INC.
SCHEDULE OF FINDING
FOR THE YEARS ENDED DECEMBER 31, 2012 and 2011**

Finding Number 2012-002

Financial Statement Adjustments - Material Weakness/Material Noncompliance

Rule 117-2-01(A) and 117-2-01(B)(1) of the Ohio Administrative Code directs all public offices to design and operate a system of internal control that is adequate to provide reasonable assurance regarding the reliability of financial reporting.

Sound financial reporting is the responsibility of the Management and Board of Trustees and is essential to ensure the information provided to the readers of the financial statements is complete and accurate. It is also important to note that independent auditors are not part of an entity's internal control structure and should not be relied upon by management to detect misstatements in the financial statements.

Thus, it is important that management develop control procedures related to drafting financial statements and footnotes that enable management to prevent and detect potential misstatements in the financial statements and footnotes prior to audit.

The following audit adjustments were made to the December 31, 2012 financial statements:

1. To correctly record the Accounts Receivable.
2. To correctly record the Accumulated Depreciation.
3. To correctly record Accounts Payable
4. To correctly record Interest Payable
5. To correctly record Real Estate Taxes.
6. To correctly record Short and Long Term Notes Payable
7. To correctly record Fund Equity (unrestricted-undesignated, unrestricted-designated & Temporarily Restricted).
8. To correctly record In-Kind Rent
9. To correctly record Loan Payments
10. To correctly record Interest Expense
11. To correctly record Depreciation Expense
12. To correctly record Miscellaneous Revenue & Expense.

The following audit adjustments were made to the December 31, 2011 financial statements:

1. To correctly record the Loss of the Sale of Capital Asset.
2. To correctly record the Accounts Receivable.
3. To correctly record the Accumulated Depreciation.
4. To correctly record Accounts Payable
5. To correctly record Unearned Grant Income.
6. To correctly record Interest Payable
7. To correctly record Real Estate Taxes.
8. To correctly record Short and Long Term Notes Payable
9. To correctly record Fund Equity (unrestricted-undesignated, unrestricted-designated & Temporarily Restricted).
10. To correctly record Grant Income

**COMMUNITY IMPROVEMENT CORPORATION OF GREATER CHILlicoTHE,
ROSS COUNTY, INCLUDING CHILlicoTHE, OHIO, INC.
SCHEDULE OF FINDING
FOR THE YEARS ENDED DECEMBER 31, 2012 and 2011**

Finding Number 2012-002- continued

11. To correctly record In-Kind Rent
12. To correctly record Loan Payments
13. To correctly record Interest Expense
14. To correctly record Depreciation Expense
15. To correctly record Miscellaneous Revenue & Expense.

These proposed adjustments have been made to the financial statements for both years.

The lack of controls over the posting of financial transactions and financial reporting can result in errors and irregularities that may go undetected and decreases the reliability of financial data throughout the year.

We recommend the Corporation adopt policies and procedures for controls over recording of financial transactions and over financial reporting to help ensure the information accurately reflects the activity of the Corporation and thereby increasing the reliability of the financial data throughout the year.

Management Response

Management will review the possibilities for making the necessary adjustments and preparing financial statements to be filed with the Auditor of State.

**COMMUNITY IMPROVEMENT CORPORATION OF GREATER CHILLICOTHE,
ROSS COUNTY, INCLUDING CHILLICOTHE, OHIO, INC.
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR YEARS ENDED DECEMBER 31, 2012 and 2011**

Finding Number	Description	Status	Comments
	<i>Government Auditing Standards:</i>		
2010-01	Financial Reporting	Not Corrected	Reissued as finding 2012-001



Dave Yost • Auditor of State

**COMMUNITY IMPROVEMENT CORPORATION OF GREATER CHILLICOTHE, ROSS COUNTY,
INCLUDING CHILLICOTHE, OHIO, INC.**

ROSS 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 12, 2013**