COMMUNITY IMPROVEMENT CORPORATION OF SOUTHERN CLERMONT

CLERMONT COUNTY

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2000-1999

JIM PETRO
AUDITOR OF STATE
STATE OF OHIO

COMMUNITY IMPROVEMENT CORPORATION OF SOUTHERN CLERMONT
CLERMONT COUNTY

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REPORT OF INDEPENDENT ACCOUNTANTS

Community Improvement Corporation
of Southern Clermont
Clermont County
14 Locust Hill Road
Cincinnati, Ohio 45245

To the Board of Trustees:

We have audited the accompanying financial statements of the Community Improvement Corporation of Southern Clermont, Clermont County, Ohio (the Corporation), as of and for the years ended December 31, 2000 and 1999. 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 audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States 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 significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 6 to the financial statements, the Corporation had a change in accounting principle due to implementation of AICPA Statement of Position 98-5, which was effective January 1, 1999, requiring organization costs to be expensed as incurred rather than capitalized. The cumulative effect of this change is detailed in Note 6 and reflected on the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Community Improvement Corporation of Southern Clermont as of December 31, 2000 and 1999, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Corporation will continue as a going concern. As described in Note 7 the Corporation has been experiencing significant financial difficulties and there is a substantial doubt regarding the Corporation's ability to continue as a going concern. Management has not presented plans in regard to these matters. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2001, 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.

Jim Petro
Auditor of State

November 30, 2001

COMMUNITY IMPROVEMENT CORPORATION
OF SOUTHERN CLERMONT
CLERMONT COUNTY

STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2000 AND 1999

	2000	1999
Assets		
Cash and Cash equivalents	$0	$2,947
Accounts Receivable	481	0
Land and Land Improvements	0	60,000
Total Assets	**$481**	**$62,947**
Liabilities and Net Assets		
Accounts Payable	$0	$9,826
Accrued Interest and Fiscal Charges on Notes Payable	23,893	15,495
Accrued Real Estate Taxes	0	1,946
Short Term Notes Payable to New Richmond Bank	78,877	136,215
Short Term Note Payable to Village of New Richmond	22,500	22,500
Total Liabilities	125,270	185,982
Net assets (deficit)	(124,789)	(123,035)
Total Liabilities and Net Assets	**$481**	**$62,947**

See Accompanying Notes to the Financial Statements

COMMUNITY IMPROVEMENT CORPORATION
OF SOUTHERN CLERMONT
CLERMONT COUNTY

STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEARS ENDED
DECEMBER 31, 2000 AND 1999

	2000	1999
Revenues		
Income from Donations & Dues Received	$7,931	$1,500
Payables forgiven by vendors	2,807	0
Total Revenues	10,738	1,500
Expenses		
Legal Expenses	0	2,261
Real Estate Taxes	196	767
Sale of Property Settlement Charges	3,865	0
Interest and Fiscal Charges	8,398	8,814
Impairment of asset - real property from project abandonment	0	90,623
Postage Expense	33	0
Total Expenses	12,492	102,465
Change in net assets before cumulative effect of change in accounting principle	(1,754)	(100,965)
Cumulative effect of change in capitalization of organization costs	0	(2,454)
Change in net assets	(1,754)	(103,419)
Net assets (deficit), beginning of year	(123,035)	(19,616)
Net assets (deficit), end of year	**($124,789)**	**($123,035)**

See Accompanying Notes to the Financial Statements

COMMUNITY IMPROVEMENT CORPORATION
OF SOUTHERN CLERMONT
CLERMONT COUNTY

STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED
DECEMBER 31, 2000 AND 1999

	2000	1999
Cash Flows From Operating Activities:		
Change in net assets (deficit)	($1,754)	($103,419)
Adjustments to reconcile change in net assets (deficit) to cash provided by operating activities:		
Cumulative effect of change in accounting principle	0	2,454
(Increase) decrease in accounts receivable	(481)	0
(Increase) decrease in prepaid expenses	0	1,000
Increase (decrease) in accrued interest and fiscal charges	8,398	8,814
Increase (decrease) in accounts payable	(9,826)	1,261
Increase (decrease) in taxes payable	(1,946)	767
Impairment of asset valuation - real property	0	90,623
Proceeds from Sale of Real Property	60,000	0
Net cash provided by operating activities	54,391	1,500
Cash Flows From Financing Activities:		
Repayments of notes payable	(57,338)	0
Net cash used by financing activities	(57,338)	0
Net Increase (decrease) in cash	(2,947)	1,500
Cash as of beginning of year	2,947	1,447
Cash as of end of year	**$0**	**$2,947**

See Accompanying Notes to the Financial Statements

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NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Community Improvement Corporation of Southern Clermont, Clermont County, Ohio (the Corporation), is a not-for-profit corporation established under Ohio Rev. Code, Section 1724, for the purpose of advancing, encouraging, and promoting the industrial, economic, commercial, and civic development of a community of area. The Corporation was originally incorporated in 1997 as the Community Improvement Corporation of New Richmond, Ohio. The Articles of Incorporation established for the Corporation required 11 trustees.

Per Ohio Rev. Code, Section 1724.10, the Village of New Richmond had designated the Corporation as the agent of New Richmond Village for the "industrial, commercial, distribution and research development in such political subdivision." Per Ohio Rev. Code, Section 1724.10 (A), two-fifths of the governing board of the Corporation shall be composed of mayors, members of municipal legislative authorities, or any other appointed or elected officers of such political subdivisions, provided that at least one officer from each political subdivision shall be a member of the governing board.

November 30, 1998, the Corporation changed their name to the Community Improvement Corporation of Southern Clermont.

The Corporation's management believes these financial statements present all activities for which the Corporation is financially accountable.

B. Basis of Accounting

The preparation of financial statements in conformity with auditing standards generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure or contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

The Corporation follows Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations. Under SFAS No. 117, the Organization 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. In addition, the Organization is required to present a statement of cash flows.

C. Income Tax Status

The Corporation obtained an advance ruling beginning February 21, 1998 and ending December 31, 2002 from the Internal Revenue Service (IRS) in which the IRS determined the Corporation was exempt from federal income tax under section 501(a) as an organization described under Section 501 (c) (3). During this advance ruling period, the Corporation must provide documentation to show they meet the requirements of applicable support test during this period.

2. CASH

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

	2000	1999
Demand deposits	$ 0	$2,947

Deposits: Deposits are insured by the Federal Depository Insurance Corporation.

3. HOUSING PROJECT

In September 1997 the Corporation obtained a loan commitment from the United States Department of Agriculture (USDA) to build 40 units of housing in New Richmond. The Corporation purchased a parcel of real estate located on State Route 132 for this project with their intent to provide low income housing for the people displaced by the flood. This property was purchased from D.J.N. Investments Co., an Ohio Corporation for $129,000 on December 6, 1997. The New Richmond National Bank, of New Richmond, Ohio, provided the Corporation funding for this purchase. The loan commitment for this project from USDA was for $1,436,820 with the balance of the construction funds to be obtained from other governmental sources.

Late in 1999, the Department of Agriculture, determined that the building site for this project was not suitable due to its location on a hill side and required that the project be constructed within the Village of New Richmond. The Corporation identified alternative sites within the Village; however, since the Corporation had no funds available to develop these sites, they decided they would need to sell the State Route 132 property. Additionally, during this time period the Village had a November 2000 ballot issue that would limit low income housing in the Village. In March 2000, USDA informed the Corporation they could not hold the loan commitment open and funds were withdrawn.

4. IMPAIRMENT LOSS ON REAL ESTATE

In 1999 after the USDA pulled funding the Corporation decided to sell the land they owned. After only receiving one offer and consulting with their realtor, the Corporation determined the property had to be written down to fair value. The property was originally valued on their financial records for the acquisition price of $130,193 and capitalized expenses totaling $20,430 for a total value of $150,623. Based upon the only offer received in 1999 on this property, the Corporation decided that the property had a fair value of $60,000. The 1999 Statement of Changes in Net Assets reflects this impairment loss of $90,623 on the face of the statement as “Impairment of asset - real property from project abandonment.”

5. SALE OF LAND

On December 7, 2000, the property was sold for $60,000. The New Richmond National Bank of New Richmond, Ohio, released the mortgage on receipt of all of the settlement proceeds from the sale, including all of the funds of the Corporation deposited in their checking account with that institution. These amounts were applied to outstanding principal payments. However, as of December 31, 2000, there was $78,877 outstanding loan principal and $23,893 in accrued interest and fiscal charges due the New Richmond National Bank.

6. CUMULATIVE EFFECT ON PRIOR YEAR'S CHANGE IN ACCOUNTING PRINCIPLE

The Corporation had a change in accounting principle due to implementing AICPA Statement of Position 98-5, which was effective January 1, 1999, requiring organization costs to be expended as incurred rather than capitalized. The cumulative effect resulting from this accounting change is detailed below and reflected on the financial statements.

Net Deficit as 12/31/98	$ (19,616)
Cumulative effect of organization costs originally capitalized	(2,454)
Restated Net Deficit as of 1/1/99	$ (22,070)

7. GOING CONCERN / SUBSEQUENT EVENT

As of the November 30, 2001, the Corporation has overdue debt principal and interest due outside creditors totaling $125,270. The Corporation has closed their checking account and has no assets. There are no potential sources of positive cash flow for which the Corporation is currently aware. There have been no meetings held for over one year. Management has no future plans regarding the Corporation, which raises a substantial doubt that the Corporation has the ability to continue as a going concern.

On July 21, 2001, the Corporation was party to a real estate transfer transaction. The Corporation however only acted as a conduit for the transaction, taking ownership on a parcel of property that the New Richmond Exempted Village School District (School District) transferred to the Village and then was transferred to the Corporation. This property was then immediately sold by the Corporation to a non profit organization, Steamboat Trails, Inc. A check was issued to the Corporation for this sale in the amount of $49,500, however this check was immediately endorsed over to the School District and then deposited by the School District into their bank account. Statutory requirements made it necessary for the Corporation to transfer the property to the non profit organization versus the land being transferred directly from the School District.

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REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Community Improvement Corporation
of Southern Clermont
Clermont County
14 Locust Hill Road
Cincinnati, Ohio 45245

To the Board of Trustees:

We have audited the accompanying financial statements of the Community Improvement Corporation of Southern Clermont, Clermont County, Ohio (the Corporation), as of and for the years ended December 31, 2000 and 1999, and have issued our report thereon dated November 30, 2001 wherein we emphasized certain accounting changes and noted there is a substantial doubt regarding the Corporation's ability of continue as a going concern. We conducted our audit in accordance with auditing standards generally accepted in the United States 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 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 that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2000-50413-001 and 2000-50413-002.

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 have considered 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 as items 2000-50413-003 and 2000-50413-004.

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, of the reportable conditions described above, we consider both items 2000-50413-003 and 2000-50413-04 to be material weaknesses.

This report is intended for the information and use of the Board and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

November 30, 2001

SCHEDULE OF FINDINGS
DECEMBER 31, 2000 AND 1999

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

FINDING NUMBER 2000-50413-001

Noncompliance Citation

On December 6, 1997, the Corporation borrowed $ 124,664.03 and $11,571.00 in two commercial loans from the New Richmond National Bank. These loans were to mature on June 30, 2000 and had an interest rate of 5%. The Corporation was unable to pay the debt when due, in violation and noncompliance of the loan agreement. Upon sale of some of the Corporation's property on December 7, 2000, $60,000 of principal was repaid on this loan and the bank applied the balance in the Corporation's checking payment of $3,344.66 as an additional partial payment. As of December 31, 2000, the principal and interest still outstanding, and in default on these loans is $102,770. These amounts have not been repaid as of the date of this report.

FINDING NUMBER 2000-50413-002

Noncompliance Citation

On December 30, 1998, the Executive Director of the Corporation obtained an interest free loan of $22,500 from the Village of New Richmond. This loan was to be repaid no later that December 31, 1999. This loan was not repaid by the Corporation contrary to the loan agreement on the required date and has not been paid as of the date of this report which resulted in noncompliance with the loan agreement.

FINDING NUMBER 2000-50413-003

Material Weakness

In 1997 the Corporation purchased a parcel of property from D. J. N. Investments Co., an Ohio Corporation for $129,900. The New Richmond National Bank underwrote the entire purchase price. This property was to be used to build housing units and was to be funded through a United States Department of Agriculture (USDA) loan. In late 1999 the USDA informed the Corporation that this parcel of property was not adequate for the project since it sat on a hillside. Funding for this project was eventually pulled by the USDA.

Prior to purchase of this property the Corporation did not obtain a third party appraisal. Subsequently, after, funding for the project was pulled and putting this property on the market for resale, the Corporation realized that the fair market value of this property being used for a noncommercial use was $60,000. This amount was significantly below what they had originally paid for the property and the amount they had borrowed from the bank.

The Corporation should have obtained a third party appraisal prior to purchasing property and additionally should have worked closer with the USDA to assure that the property met the suitability of the USDA for funding. If future real estate transactions are conducted by the Corporation, they should obtain professional third party appraisals prior to purchasing land.

FINDING NUMBER 2000-50413-004

Material Weakness

As of the December 31, 2000, the Corporation has debt principal and interest due outside creditors totaling $125,270. The Corporation has no checking account and no assets. There are no potential sources of positive cash flow for the Corporation or plans for raising funds. There have been no meetings of the Board held for over one year. Management has no future plans regarding the Corporation which raises a substantial doubt that the Corporation has the ability to continue as a going concern.

The Board should meet to discuss these issues and perhaps seek legal counsel to develop a plan of action the Corporation should take to address the Corporations ability to continue.

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COMMUNITY IMPROVEMENT CORPORATION OF SOUTHERN CLERMONT

CLERMONT 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
JANUARY 3, 2002