COMMUNITY IMPROVEMENT CORPORATION OF WASHINGTON
FAYETTE COUNTY

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2009 - 2008

Mary Taylor, CPA
Auditor of State

COMMUNITY IMPROVEMENT CORPORATION OF WASHINGTON
FAYETTE COUNTY

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INDEPENDENT ACCOUNTANTS' REPORT

Community Improvement Corporation of Washington
Fayette County
105 North Main Street
Washington Court House, Ohio 43160

To the Board of Trustees:

We have audited the accompanying statement of financial position – cash, cash equivalents and net assets of the Community Improvement Corporation of Washington, Fayette County, Ohio (the Corporation), as of December 31, 2009 and 2008, and the related statement of activities – cash receipts and cash disbursements 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 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 *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 our audit provides a reasonable basis for our opinion.

The accompanying financial statements present cash receipts and cash disbursements by total only. Ohio Revised Code § 1724.05 requires the Corporation to prepare its annual financial report in accordance with SFAS No. 117 and in conformity with accounting principles generally accepted in the United States of America. However, as discussed in Note 1, the accompanying financial statements and notes have been prepared on an accounting basis not in accordance with these generally accepted accounting principles and not in accordance with FASB 117. The accompanying financial statements and notes present unclassified cash receipts and disbursements and omits two of the three classes of net assets: temporarily restricted net assets, and permanently restricted net assets and disclosures that, while material, we cannot determine at this time.

In our opinion, the accompanying financial statements do not present fairly, in all material respects, the financial position of the Community Improvement Corporation of Washington, Fayette County, Ohio, as of December 31, 2009 and 2008, and the changes in its financial position and its cash flows for the years then ended as required under SFAS No. 117 and 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 September 23, 2010 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. That report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. It does not opine on the internal control over financial reporting or on compliance. 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.

Mary Taylor, CPA
Auditor of State

September 23, 2010

COMMUNITY IMPROVEMENT CORPORATION
OF WASHINGTON
FAYETTE COUNTY

STATEMENT OF FINANCIAL POSITION
CASH, CASH EQUIVALENTS AND NET ASSETS
AS OF DECEMBER 31, 2009

Cash	$5,762
Certificates of Deposit	231,505
Total Cash and Cash Equivalents	237,267
Net Assets - Unrestricted	$237,267

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

COMMUNITY IMPROVEMENT CORPORATION
OF WASHINGTON
FAYETTE COUNTY

STATEMENT OF ACTIVITIES - CASH RECEIPTS AND CASH DISBURSEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

CASH RECEIPTS	
Unclassified	$11,450
TOTAL CASH RECEIPTS	11,450
CASH DISBURSEMENTS	
Unclassified	345
TOTAL CASH DISBURSEMENTS	345
Decrease in Net Assets	11,105
Net Assets, January 1, 2007	226,162
Net Assets, December 31, 2007	$237,267

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

COMMUNITY IMPROVEMENT CORPORATION
OF WASHINGTON
FAYETTE COUNTY

STATEMENT OF FINANCIAL POSITION
CASH, CASH EQUIVALENTS AND NET ASSETS
AS OF DECEMBER 31, 2008

Cash	$19,689
Certificates of Deposit	206,473
Total Cash and Cash Equivalents	226,162
Net Assets - Unrestricted	$226,162

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

**COMMUNITY IMPROVEMENT CORPORATION
OF WASHINGTON
FAYETTE COUNTY**

**STATEMENT OF ACTIVITIES - CASH RECEIPTS AND CASH DISBURSEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008**

CASH RECEIPTS	
Unclassified	$34,696
TOTAL CASH RECEIPTS	34,696
CASH DISBURSEMENTS	
Unclassified	1,920
TOTAL CASH DISBURSEMENTS	1,920
Decrease in Net Assets	32,776
Net Assets, January 1, 2008	193,386
Net Assets, December 31, 2008	$226,162

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

1. Nature of Activities and Summary of Significant Accounting Policies

Nature of Activities

The Community Improvement Corporation of Washington, Fayette County, Ohio ("the Corporation"), was organized under Chapter 1724 of the Ohio Revised Code. The Corporation is a non-governmental, not-for-profit corporation that exists to advance, encourage, and promote industrial, economic, commercial and civic development of a community or area.

Per Ohio Rev. Code, Section 1724.10, the City of Washington has designated the CIC as the agent of City of Washington for the "industrial, commercial, distribution and research development in such political subdivision."

Basis of Accounting

These financial statements are presented on an other comprehensive basis of accounting. This basis is similar to the cash receipts and cash disbursements accounting basis. The Corporation recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred.

Ohio Revised Code § 1724.05 requires the Corporation to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. The accompanying financial statements are not presented in accordance with this basis. The financial statements and notes omit assets, liabilities, equities, and disclosures that, while material, cannot be determined at this time. The Corporation also presents financial statements that are unclassified and only present cash receipts and cash disbursements by total, not classified according to type of receipt or functional expense.

Basis of Presentation

The Corporation is a nongovernmental not for profit organization.

Thus the Corporation has financial statement presentation which follows the recommendations of the Financial Accounting Standards Board in its 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. No temporarily restricted or permanently restricted net assets were held and accordingly, these financials do not reflect any activity related to these classes of net assets. As permitted by this statement, the Corporation does not use fund accounting.

Cash and Cash Deposits

The Corporation maintains their funds in a checking account at a local financial institution and in various certificates of deposits also at local financial institutions. The Corporation values certificates of deposit at cost. The Corporation considers their certificate of deposits as cash equivalents since they are highly liquid investments and readily convertible to cash.

2. Equity in Pooled Cash and Investments

The Corporation maintains a cash and cash equivalent pool all funds use. The carrying amount of cash and investments at December 31 was as follows:

	2009	2008
Demand deposits	$5,762	$19,689
Certificates of deposit	231,505	206,473
Total deposits	237,267	226,162
Total deposits and investments	$237,267	$226,162

Deposits: Deposits are insured by the Federal Depository Insurance Corporation in an amount of $237,267 at December 31, 2009 and $226,162 at December 31, 2008.

3. Concentration of Risk

The Corporation receives substantial revenue from contributions from the City of Washington and Fayette County. A reduction of those contributions could have a significant impact on the operations of the Corporation.

Mary Taylor, CPA
Auditor of State

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

Community Improvement Corporation of Washington
Fayette County
105 North Main Street
Washington Court House, Ohio 43160

To the Corporation Board of Trustees:

We have audited the financial statements of the Community Improvement Corporation of Washington, Fayette County, Ohio (the Corporation), as of and for the years ended December 31, 2009 and 2008, and have issued our report thereon dated September 23, 2010, wherein we issued an adverse opinion on the financial statements and noted that the Corporation followed another comprehensive basis of accounting rather than follow Ohio Revised Code § 1724.05 which requires the Corporation to prepare its annual financial report in accordance with SFAS No. 117 and in conformity with accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses and other deficiencies we consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding**s** 2009-002 and 2009-004 described in the accompanying schedule of findings to be material weaknesses.

A significant deficiency is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2009-003 described in the accompanying schedule of findings to be a significant deficiency.

We also noted certain internal control matters that we reported to the Corporation's management in a separate letter dated September 23, 2010.

Compliance and Other Matters

As part of reasonably assuring whether the Corporation's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2009-001.

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

Mary Taylor, CPA
Auditor of State

September 23, 2010

SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008

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

FINDING NUMBER 2009-001

Noncompliance Citation

Ohio Revised Code, Section 117.38, provides that each public office shall file a financial report for each fiscal year. The auditor of state may prescribe forms by rule or may issue guidelines, or both for such reports. If the auditor of state has not prescribed a rule regarding the form of the report, the public office shall submit its report on the form utilized by the public office. Ohio Revised Code Section 1724.05 further clarifies the requirements of Ohio Revised Code Section 117.38.

Ohio Revised Code, Section 1724.05, requires the Corporation to prepare its annual financial report in accordance with generally accepted accounting principles. The Corporation prepares its financial statements in accordance with the cash basis of accounting. This presentation differs from accounting principles generally accepted in the United States of America (GAAP). There would be variances on the financial statements between this accounting practice and GAAP that, while presumably material, cannot be reasonable determined at this time. In accordance with Ohio Revised Code Section 1724.06 the Corporation could be declared unauditable and various other administrative remedies may be taken against the Corporation for failing to file the required financial report.

The reports the Corporation filed were on a cash basis showing only total receipts, total disbursements, and ending cash balances. Also, the presentation and basis of accounting did not follow the organization of the CIC as being a not-for-profit; non-governmental corporation or FASB 117 in regard to restricted and unrestricted assets, resulting in an adverse opinion.

We recommend the Corporation take the necessary steps to ensure that the financial report is prepared in accordance with generally accepted accounting principles applicable to the organization of the corporation.

FINDING NUMBER 2009-002

Material Weakness

The Corporation should 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.

The Corporation is also responsible for the design and operation of a system of internal controls that is adequate to provide reasonable assurance regarding the achievement of objectives for their respective public offices in certain categories. In designing internal control activities, the Corporation’s considerations should include the following: (1) ensure that all transactions are properly authorized in accordance with management’s policies; (2) ensure that accounting records are properly designed; (3) ensure adequate security of assets and records; (4) plan for adequate segregation of duties or compensating controls; (5) verify the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records; and (6) perform analytical procedures to determine the reasonableness of financial data. An effective internal control system will reduce the risk that error or theft will occur and not be detected in a timely manner.

FINDING NUMBER 2009-002
(Continued)

We identified the following issues:

- A cashbook was not maintained, therefore no book balance was provided to use when reconciling bank accounts. Lack of a properly maintained cashbook prohibits the performance of proper reconciliations, and increases the probability that errors or misappropriations of funds will go undetected. We noted that the prior audited fund balances, plus reported income less expenditures would have resulted in errors in fund balances that were not identified by the Corporation due to not properly maintaining a cashbook. Through bank confirmations and activity on bank statements we were able to verify the ending fund balances.

- A receipt ledger was not maintained and the sources of receipts were not documented in a format suitable to preparing the financial statements. Lack of a properly maintained receipts ledger makes financial statement compilation difficult and increases the probability that errors in the statements will go undetected. Bank transfers-in were recorded improperly as deposits. Audit adjustments to the fiscal year 2008 financial statement reduced income by $24,531 and the adjustments to the fiscal year 2009 statement reduced income by $7,744.

- A disbursements ledger was not maintained. Lack of a properly maintained disbursements ledger does not document the source of disbursements and makes financial statement compilation difficult and increases the probability that errors in the statements will go undetected. Bank transfers-out were recorded improperly as expenditures. Audit adjustments to the fiscal year 2008 financial statement reduced expenditures by $45,000 and the adjustments to the fiscal year 2009 statement reduced expenditures by $270.

- Duplicate receipts were not prepared for moneys received. Lack of pre-numbered, signed duplicate receipts increases the probability that receipts will be misclassified and errors or misappropriations will go undetected.

- Membership rosters were provided for audit. The rosters were used to calculate the amount of dues received. Each member was to pay dues of $25 yearly. We noted that in the years under audit, the membership roster listed 14 individual members, Fayette County and the City of Washington. The Corporation used 16 members when they calculated the amount reported on the financial statements. The 14 individual members paid $25.00 each and the County and City paid $3,000.00 each. Using the number of members listed on the roster (16) resulted in an over statement because the County and City paid under different terms and were included in the financial statement in both the calculation and the actual payment amount. The adjustments necessary were included in the totals recorded above.

- A check register was not provided for the audit period. Without a properly maintained check ledger, bank reconciliations are more difficult. We noted two checks that were issued in 2008. They were included in both the 2008 expenditure and 2009 expenditure amounts. The adjustments necessary were included in the total above.

- The Corporation's Treasurer did not prepare monthly bank reconciliations for 2009 and 2008. Bank reconciliations should be performed each month to reconcile the Corporation's accounting ledgers to the bank balances.

- The only evidence of review of expenditures is the dual signatures on checks. We noted 37.5% of disbursements tested in 2008 and 55.5% in 2009 contained only the Treasurer's signature on the check, while the remaining checks were signed by the Treasurer and a Board member.

**FINDING NUMBER 2009-002
(Continued)**

> Without dual signatures and evidence of review, errors or irregularities could occur and go undetected by management. This could ultimately lead to monies being diverted or lost without management's knowledge.

Failure to maintain complete and accurate accounting ledgers may compromise management's ability to ensure all transactions are processed and to ensure that no transactions are duplicated when processed. Also, management's ability to produce reliable financial information and reconcile to bank balances may be compromised. Failure to perform reconciliations monthly limits management's ability to ensure transactions are properly recorded and may limit the usefulness of financial reports generated from the Corporations' accounting system. Furthermore, without maintaining detailed accounting ledgers so that management can identify transactions executed, there may be an increased risk of errors or irregularities occurring and going undetected by management.

We recommend the Corporation maintain a cashbook, receipts ledger, disbursements ledger, prepare duplicate receipts detailing the source of income, prepare and maintain detailed deposit slips; and maintain an accurate up-to-date membership roster. The cash book and ledgers should be reconciled on a monthly basis with the bank account and investment balances of the Corporation as a whole. Any un-reconciled errors should be investigated by comparing transaction-level activity posted to the accounting ledgers with transaction-level activity reflected on the bank statement. In addition, the bank reconciliations, including original bank statements and documentation supporting any reconciliation items, should be maintained and have evidence of review by the Board of Trustees. By maintaining the proper records and reconciling them with the bank the Corporation will be able to present accurate financial reports and limit the risk of errors or irregularities occurring and going undetected by management.

We recommend the Corporation obtain two signatures on all checks. A review all disbursements to determine that amounts paid agree to invoice amounts and that invoices are valid Corporation expenditures should be completed prior to signing the checks. This will reduce the risk of errors or the possibility of monies being diverted or lost without management's knowledge.

FINDING NUMBER 2009-003

Significant Deficiency

The County Economic Development Director is appointed as the Executive Vice-President of the Corporation. The Economic Development Director is an employee of the County, the Corporation does not pay the salary of the Economic Development Director. However, the Corporation does reimburse the Economic Development Director for items such as cell phones, lunches, mileage and supplies in the course of his duties as Executive Vice President of the Corporation.

There is no written agreement between the Corporation and the Executive Vice-President describing the responsibilities and obligations of each party. The Corporation is funded through contributions from the City of Washington and Fayette County, as well as membership dues. Invoices for reimbursements are presented; however; invoices in support of the cell phone reimbursement are created by the Executive Vice-President and do not include supporting documentation from the cell phone provider. The meals being reimbursed had a credit card receipt, but did not include the detailed receipts. During the audit the Corporation expended the following amounts: $84 in 2009 and $470 in 2008. Lack of agreements, policies, and supporting documentation could result in the Corporation paying for items that are not reimbursable.

FINDING NUMBER 2009-003
(Continued)

We recommend that the Corporation adopt policies and agreements to determine responsibilities of each party, what items are reimbursable and what supporting documentation must be presented and kept on file. The policy should address the earning of frequent flyer miles. The failure to maintain adequate support for reimbursements could result in a loss of accountability over the Corporation's finances, making it difficult to identify errors which could go undetected, and possibly result in expenditures and reimbursements that are not for a proper public purpose. Without appropriate documentation it is not possible to determine if the reimbursements included items that would not be considered to be for a proper public purpose, and may result in the issuance of findings for recovery in future periods. We also recommend that the Corporation consult with their legal counsel to determine if any of the reimbursements are taxable items under the Internal Revenue Service.

FINDING NUMBER 2009-004

Material Weakness

The Corporation should maintain an investment ledger reflecting all investing activities of the Corporation. Interest should be consistently and accurately recorded to the Corporation's financial records.

The Corporation did not maintain an investment ledger that reflected all investing activities of the Corporation during 2009 and 2008. Rather, only a list of Certificates of Deposit (C.D.) was noted in the Treasurer's Report. Moreover, this list did not include C.D. numbers during 2008. We also noted that interest was not consistently recorded on the Corporation's financial records. Certificate of Deposit balances shown on the Treasurer's report did not agree to balances per the bank, primarily due to interest earned and not recorded by the Corporation. This resulted in an adjustment to revenue of $7,694 in 2009 and an adjustment of $5,305 in 2008. We also noted that this resulted in adjustments to the statement of financial position totaling $5,211 in 2009 and $7,653 in 2008.

Failure to maintain a complete and accurate investment ledger may compromise management's ability to ensure all transactions are recorded. Also, management's ability to produce reliable financial information and reconcile to the bank may be compromised. Furthermore, without maintaining a detailed investment ledger so that management can identify transactions executed, there may be an increased risk of errors or irregularities occurring and going undetected by management.

We recommend the Corporation implement procedures to generate a detailed investment ledger which, at a minimum, should identify each certificate of deposit number, interest rate, interest received and balance at end of year. We also recommend that the Corporation keep Certificate of Deposit amounts at a set amount and request that the bank issue them an interest check at maturity. The interest should then be deposited into the Corporation's checking account and recorded on the financial records of the Corporation.

We did not receive a response from officials to the findings reported above.

COMMUNITY IMPROVEMENT CORPORATION OF WASHINGTON
FAYETTE COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2009 AND 2008

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; ***Explain***
2007-001	ORC 1724.05 required statements to be filed with the auditor of state within 120 days	Yes	
2007-002	ORC 117.38 and 1724.05 required statements to be filed on a GAAP Basis	No	Reissued as finding 2009-001.
2007-003	The Corporation did not maintain receipt and disbursement ledgers.	No	Reissued as part of finding 2009-002.
2007-004	Lack of accounting system sufficient to identify, assemble, analyze, classify, record and report transactions.	No	Reissued as part of finding 2009-002.
2007-005	Bank reconciliation should be completed monthly	No	Reissued as part of finding 2009-002.
2007-006	ORC 149.351 requires that records not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed.	Yes	
2007-007	Lack of internal controls to provide assurance of accurate reporting.	No	Reissued as part of finding 2009-002.
2007-008	The Corporation did not have an agreement with the Economic Development Director to establish duties and the procedure for reimbursement.	No	Partially corrected. The Economic Development Director is now required to submit a form with the reimbursement, but the receipts were not itemized. Reissued as 2009-003 with minimal changes.
2007-009	The Corporation did not maintain an investment ledger.	No	Reissued as 2009-004.

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Mary Taylor, CPA
Auditor of State

COMMUNITY IMPROVEMENT CORPORATION OF WASHINGTON

FAYETTE 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 4, 2010

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