

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

FINANCIAL STATEMENTS

DECEMBER 31, 2010 and 2009



Dave Yost • Auditor of State

Board of Trustees
Community Improvement Corporation of 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, Inc., prepared by Whited, Seigneur, Sams & Rahe CPAs, LLP, for the audit period January 1, 2009 through December 31, 2010. 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 is responsible for compliance with these laws and regulations.

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

Dave Yost
Auditor of State

May 11, 2011

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

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March 25, 2011

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

Independent Auditor's Report

We have audited the accompanying statements of financial position of Community Improvement Corporation of Greater Chillicothe, Ross County, Including Chillicothe, Ohio, Inc. (a nonprofit corporation) (the Corporation), as of December 31, 2010 and 2009, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Corporation as of December 31, 2010 and 2009 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2011 on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. 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 to provide an opinion 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* and important in assessing the results of our audit.

Respectfully submitted,

WHITED SEIGNEUR SAMS & RAHE CPAs, LLP

Whited Seigneur Sams & Rahe

**COMMUNITY IMPROVEMENT CORPORATION OF GREATER CHILLICOTHE,
ROSS COUNTY, INCLUDING CHILLICOTHE, OHIO, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2010 and 2009**

	2010	2009
ASSETS		
Current Assets		
Cash	\$ 197,006	\$ 216,532
Prepaid Expenses	857	870
Total Current Assets	197,863	217,402
Other Assets		
Industrial Park Land and Improvements Held for Resale	1,861,195	2,018,195
Total Other Assets	1,861,195	2,018,195
Total Assets	\$ 2,059,058	\$ 2,235,597
LIABILITIES AND NET ASSETS		
Current Liabilities		
Current portion of Notes Payable	\$ 28,000	\$ 28,000
Unearned Grant Income	10,480	10,480
Accrued Interest Payable	13,665	12,265
Accrued Real Estate Taxes	15,283	14,412
Total Current Liabilities	67,428	65,157
Noncurrent Liabilities		
Long-term Notes Payable	500,000	500,000
Total Liabilities	567,428	565,157
Net Assets		
Unrestricted- Undesignated	48,984	49,668
Unrestricted- Designated	1,336,283	1,514,574
Total Unrestricted	1,385,267	1,564,242
Temporarily Restricted	106,363	106,198
Total Net Assets	1,491,630	1,670,440
Total Liabilities and Net Assets	\$ 2,059,058	\$ 2,235,597

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, 2010**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue and Other Support			
Donations	\$ 18,543	\$ -	\$ 18,543
Grants	-	-	-
Membership Dues	2,450	-	2,450
In-Kind Rent	2,400	-	2,400
Interest on Deposits	77	165	242
Miscellaneous	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenue and Other Support	23,470	165	23,635
Expenses			
Office Supplies	1,146	-	1,146
Accounting/Legal	1,075	-	1,075
Consulting Fees	17,096	-	17,096
Gateway Industrial Park Expenses	19,941	-	19,941
Rent	2,400	-	2,400
Telephone	592	-	592
Insurance	1,795	-	1,795
Interest Expense	<u>1,400</u>	<u>-</u>	<u>1,400</u>
Total Expenses	<u>45,445</u>	<u>-</u>	<u>45,445</u>
Change in Net Assets, Before Extra- Ordinary Event	(21,975)	165	(21,810)
Impairment Loss	<u>(157,000)</u>	<u>-</u>	<u>(157,000)</u>
Change in Net Assets	(178,975)	165	(178,810)
Net Assets, Beginning of Year	<u>1,564,242</u>	<u>106,198</u>	<u>1,670,440</u>
Net Assets, End of Year	<u><u>\$ 1,385,267</u></u>	<u><u>\$ 106,363</u></u>	<u><u>\$ 1,491,630</u></u>

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, 2009**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue and Other Support			
Donations	\$ 26,816	\$ -	\$ 26,816
Grants	2,195	-	2,195
Membership Dues	2,500	-	2,500
In-Kind Rent	2,400	-	2,400
Interest on Deposits	85	399	484
Miscellaneous	<u>143</u>	<u>-</u>	<u>143</u>
Total Revenue and Other Support	34,139	399	34,538
Expenses			
Office Supplies	1,345	-	1,345
Accounting/Legal	5,550	-	5,550
Consulting Fees	15,989	-	15,989
Gateway Industrial Park Expenses	21,052	-	21,052
Rent	2,400	-	2,400
Telephone	577	-	577
Insurance	1,400	-	1,400
Interest Expense	<u>1,400</u>	<u>-</u>	<u>1,400</u>
Total Expenses	<u>49,713</u>	<u>-</u>	<u>49,713</u>
Change in Net Assets, Before Extra- Ordinary Event	(15,574)	399	(15,175)
Impairment Loss	<u>-</u>	<u>-</u>	<u>-</u>
Change in Net Assets	(15,574)	399	(15,175)
Net Assets, Beginning of Year	<u>1,579,816</u>	<u>105,799</u>	<u>1,685,615</u>
Net Assets, End of Year	<u>\$ 1,564,242</u>	<u>\$ 106,198</u>	<u>\$ 1,670,440</u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

**COMMUNITY IMPROVEMENT CORPORATION OF GREATER CHILLICOTHE,
ROSS COUNTY, INCLUDING CHILLICOTHE, OHIO, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2010 and 2009**

	<u>2010</u>	<u>2009</u>
Cash Flows from Operating Activities		
Change in Net Assets	\$ (178,810)	\$ (15,175)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Impairment of Property Held for Resale	157,000	-
(Increase)/Decrease in Operating Assets:		
Interest Receivable	-	59
Prepaid Expenses	13	(383)
Increase/(Decrease) in Operating Liabilities:		
Accounts Payable	-	(158)
Unearned Income	-	(2,195)
Accrued Interest Expense	1,400	1,400
Accrued Real Estate Tax Payable	<u>871</u>	<u>8,886</u>
Net Cash Provided (Used) by Operating Activities	(19,526)	(7,566)
Cash Flows from Investing Activities		
Capital Expenditures	<u>-</u>	<u>(6,740)</u>
Net Cash Used by Investing Activities	<u>-</u>	<u>(6,740)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(19,526)	(14,306)
Cash and Cash Equivalents, Beginning of Year	<u>216,532</u>	<u>230,838</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 197,006</u></u>	<u><u>\$ 216,532</u></u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

**COMMUNITY IMPROVEMENT CORPORATION OF GREATER CHILLICOTHE,
ROSS COUNTY, INCLUDING CHILLICOTHE, OHIO, INC.
NOTES TO THE FINANCIAL STATEMENTS**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- **Nature of Activities**

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 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.

- **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.

- **Federal Income Tax**

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.

- **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, 2010 or 2009.

**COMMUNITY IMPROVEMENT CORPORATION OF GREATER CHILLICOTHE,
ROSS COUNTY, INCLUDING CHILLICOTHE, OHIO, INC.
NOTES TO THE FINANCIAL STATEMENTS**

1. 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. An impairment of the fair market was recognized for the year ending December 31, 2010 to reflect the devaluation in the overall real estate market during the recession. The current fair market value approximates the Corporation's current asking price for the property.

- **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 of property are recorded as contributions at their estimated fair value at the date of the donation.

- **Estimates**

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

2. RESTRICTIONS ON NET ASSETS

The temporary restriction on net assets at the end of 2010 and 2009 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.

3. 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 2010 and 2009.

**COMMUNITY IMPROVEMENT CORPORATION OF GREATER CHILLICOTHE,
ROSS COUNTY, INCLUDING CHILLICOTHE, OHIO, INC.
NOTES TO THE FINANCIAL STATEMENTS**

4. NOTE 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 foreign trade zone of Gateway Interchange Industrial Park until paid in full. The balance is considered a current liability at both December 31, 2010 and 2009.

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 .02% of the outstanding principal of the loan throughout the balance of the loan.

Future principal payments for the years ending December 31st are as follows:

2011	\$ 28,000
2012	30,971
2013	42,764
2014	44,507
2015	46,320
Thereafter	<u>335,438</u>
Total	<u>\$ 528,000</u>

5. CONCENTRATION OF CREDIT RISK

As of December 31, 2010 and 2009, the Corporation's depository balances were covered entirely by Federal Deposit Insurance Corporation (FDIC) Insurance.

6. 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 new 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.

**COMMUNITY IMPROVEMENT CORPORATION OF GREATER CHILLICOTHE,
ROSS COUNTY, INCLUDING CHILLICOTHE, OHIO, INC.
NOTES TO THE FINANCIAL STATEMENTS**

6. COMMITMENTS (Continued)

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
	<u>\$ 294,000</u>	<u>\$ 200,900</u>	

No draws were made in 2010 or 2009 due to a lack of need for additional revolving loan funds.

Unearned Grant Funds

In 2007, the Corporation received a \$500,000 Rural Development Initiative Grant from the Ohio Department of Development to assist in the cost of the construction of a speculative industrial building in the Gateway Industrial Park. The grant agreement called for the lesser of \$500,000 or 32.57% of the total allowable costs to be incurred. Any grant funds remaining on April 16, 2013 are required to be returned to the Ohio Department of Development. Unearned grant income at December 31, 2010 is \$10,480.

7. EXTRAORDINARY EVENT- IMPAIRMENT LOSS

An impairment loss has been recorded to recognize the decrease in fair market value of the speculative industrial building property. The loss was computed using the current asking price.

8. SUBSEQUENT EVENTS

Subsequent events were evaluated through March 25, 2011, which is the date the financial statements were available to be issued.

On January 6, 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 and James Parks for the hangar.

Whited Seigneur Sams & Rahe, LLP

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March 25, 2011

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*

We have audited the financial statements of Community Improvement Corporation of Greater Chillicothe, Ross County, Including Chillicothe, Ohio, Inc. (a nonprofit Corporation)(The Corporation) as of and for the years ended December 31, 2010 and 2009, and have issued our report thereon dated March 25, 2011. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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 auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in the internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or 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 corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and responses as Finding 2010-001 to be a material weakness.

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 grant agreements, 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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as Finding 2010-001.

We noted certain matters that we reported to management of the Corporation in a separate letter dated March 25, 2011.

This report is intended solely for the information and use of management, Board of Trustees, City of Chillicothe and Ross County, and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

WHITED SEIGNEUR SAMS & RAHE CPAs, LLP



**COMMUNITY IMPROVEMENT CORPORATION OF GREATER CHILLICOTHE,
ROSS COUNTY, INCLUDING CHILLICOTHE, OHIO, INC.
SCHEDULE OF FINDING AND RESPONSE**

Finding 2010-001- Material Noncompliance and Material Weakness over Internal Control over Financial Reporting

The Corporation did not file its 2009 financial report with the Auditor of State within 120 days of fiscal year end and the 2009 annual report was 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. The deadline has not yet expired to timely file the 2010 annual report with the Auditor of State. Additionally, the Corporation maintains its general ledger on a cash basis of accounting and requests auditor assistance in preparing the necessary accrual adjustments during the biennial audit.

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.

Additionally, the Auditor of State's 2010 Ohio Compliance Supplement requires that all public offices publish a notice in a local newspaper stating the financial report is available for public inspection at the office of the chief fiscal officer.

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 §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 unauditable. 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 chose to not provide a response.



Dave Yost • Auditor of State

COMMUNITY IMPROVEMENT CORPORATION OF GREATER CHILLICOTHE

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
MAY 24, 2011**