

Highland County Community Improvement Corporation
Highland County, Ohio

Regular Audit

For the Years Ended December 31, 2010 and December 31, 2009
Fiscal Years Audited Under GAGAS: 2010 and 2009



Balestra, Harr & Scherer, CPAs, Inc.

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Dave Yost • Auditor of State

Board of Directors
Highland County Community Improvement Corporation
P.O. Box 10
Hillsboro, Ohio 45133

We have reviewed the *Independent Auditor's Report* of the Highland County Community Improvement Corporation, Highland County, prepared by Balestra, Harr & Scherer, CPAs, Inc., 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 Highland County Community Improvement Corporation is responsible for compliance with these laws and regulations.

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

Dave Yost
Auditor of State

June 8, 2011

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Highland County Community Improvement Corporation
Highland County, Ohio

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Independent Auditor's Report

Board of Directors
Highland County Community Improvement Corporation
Highland County
100 North High Street
PO Box 10
Hillsboro, Ohio 45133

We have audited the accompanying statements of financial position of the Highland County Community Improvement Corporation, Highland County, Ohio (a nonprofit corporation - the Corporation), as of and for the years ended 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 audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Highland County Community Improvement Corporation, Highland County, Ohio, as of December 31, 2010 and 2009, and the respective changes in net assets and where applicable, cash flows, thereof 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 May 5, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

A handwritten signature in cursive script that reads "Balestra, Harr & Scherer".

Balestra, Harr & Scherer, CPAs, Inc.
May 5, 2011

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Highland County Community Improvement Corporation
Statement of Financial Position
December 31, 2010

Assets:

Cash and Cash Equivalents	\$ 56,789
Construction Costs in progress	574,867
Real Estate (net of depreciation)	<u>1,878,857</u>

Total Assets: \$ 2,510,513

Liabilities and Net Assets:

Current Liabilities

Accounts Payable	\$ 10,800
Deposits	<u>294,935</u>

Total Current Liabilities: 305,735

Notes Payable	<u>1,271,461</u>
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Total Liabilities: 1,577,196

Net Assets:

Unrestricted	<u>933,317</u>
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Total Liabilities and Net Assets: \$ 2,510,513

See accompanying notes to the financial statements.

Highland County Community Improvement Corporation

Statement of Activities

For the Year Ended December 31, 2010

Unrestricted Net Assets:

Revenues:

Condo Fee	\$ 223,139
Lease Income	119,872
Interest Income	246
Building Rent	27,439
Utilities	<u>2,042</u>

Total Revenues: 372,738

Expenses:

Accounting Fees	2,000
Building Management	2,200
Postage	44
Bank Service Charges	54
Depreciation	35,072
Dues and Subscriptions	1,050
Loan Interest	68,954
Janitorial	13,336
Miscellaneous	1,733
Pest Control	1,045
Maintenance and Repairs	39,617
Real Estate Taxes	23,576
Utilities	<u>115,439</u>

Total Expenses: 304,120

Decrease in Unrestricted Net Assets 68,618

Net Assets, Beginning of Year 864,699

Net Assets, End of Year \$ 933,317

See accompanying notes to the financial statements.

Highland County Community Improvement Corporation
Statement of Cash Flows
For the Year Ended December 31, 2010

Cash Flows From Operating Activities:

Change in Net Assets \$ 68,618

Adjustments to Reconcile Change
in Net Assets to Net Cash (Used In) Provided
By Operating Activities:

Depreciation 35,072

Increase in Accounts Payable (3,179)

Net Cash Used by Operating Activities: 100,511

Cash Flows From Financing Activities:

Principal Payments (95,735)

Net Cash Provided by Investing Activities: (95,735)

Net Change in Cash and Cash Equivalents: 4,776

Cash and Cash Equivalents at Beginning of Year 52,013

Cash and Cash Equivalents at End of Year \$ 56,789

See accompanying notes to the financial statements.

Highland County Community Improvement Corporation
Statement of Financial Position
December 31, 2009

Assets:

Cash and Cash Equivalents	\$ 52,013
Construction Costs in progress	574,867
Real Estate (net of depreciation)	<u>1,913,929</u>

Total Assets: \$ 2,540,809

Liabilities and Net Assets:

Current Liabilities

Accounts Payable	\$ 13,979
Deposits	<u>294,935</u>

Total Current Liabilities: 308,914

Notes Payable	<u>1,367,196</u>
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Total Liabilities: 1,676,110

Net Assets:

Unrestricted	<u>864,699</u>
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Total Liabilities and Net Assets: \$ 2,540,809

See accompanying notes to the financial statements.

Highland County Community Improvement Corporation

Statement of Activities

For the Year Ended December 31, 2009

Unrestricted Net Assets:

Revenues:

Condo Fee	\$ 147,683
Lease Income	113,070
Interest Income	73
Miscellaneous	<u>2,282</u>

Total Revenues: 263,108

Expenses:

Accounting Fees	10,600
Bank Service Charges	3
Depreciation	35,072
Loan Interest	74,992
Janitorial	9,989
Pest Control	1,140
Repairs	24,355
Real Estate Taxes	18,017
Utilities	88,888
Miscellaneous	<u>2,857</u>

Total Expenses: 265,913

Decrease in Unrestricted Net Assets (2,805)

Net Assets, Beginning of Year 867,504

Net Assets, End of Year \$ 864,699

See accompanying notes to the financial statements.

Highland County Community Improvement Corporation
Statement of Cash Flows
For the Year Ended December 31, 2009

Cash Flows From Operating Activities:

Change in Net Assets \$ (2,805)

Adjustments to Reconcile Change
in Net Assets to Net Cash (Used In) Provided
By Operating Activities:

Depreciation 35,072
Decrease in Accounts Payable (1,127)

Net Cash Used by Operating Activities: 31,140

Cash Flows From Financing Activities:

Principal Payments (87,831)

Net Cash Provided by Investing Activities: (87,831)

Net Change in Cash and Cash Equivalents: (56,691)

Cash and Cash Equivalents at Beginning of Year 108,704

Cash and Cash Equivalents at End of Year \$ 52,013

See accompanying notes to the financial statements.

Highland County Community Improvement Corporation

Notes to the Financial Statements

For the Years Ended December 31, 2010 and 2009

NOTE 1-REPORTING ENTITY

Organization

The Highland County Community Improvement Corporation, Highland County (the Corporation) is an Ohio corporation established on March 15, 1968 under sections 1724.01 et seq. of the Ohio Revised Code for the purpose of advancing, encouraging, and promoting the industrial, economic, commercial and civic development of Highland County. The Corporation is a legally, separate, non-profit organization, served by an eleven member board comprised of County officials and community representatives.

The Corporation was created to advance, encourage, and promote the industrial, economic, commercial and civic development of Highland County and the surrounding community in whatever way and by such means as will improve the normal growth, employment opportunities, and the stability of employment in existing industries. The Corporation is empowered with the ability to carry out the actions it considers necessary to achieve its mission.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies is presented to assist the reader in understanding and evaluating the financial statements of the Corporation.

Basis of Accounting

The financial statements of the Corporation have been prepared on the accrual basis of accounting principals generally accepted in the United States of America (GAAP) as applied to not-for-profit organizations. The Financial Accounting Standards Board (FASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principals for non-profit organizations.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its statement of Financial Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations. Under SFAS No. 117, the Corporation is required to report information regarding its financial position and activities according to three classes; unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Currently, the Corporation has only unrestricted net assets.

Revenue Recognition

Contributions received are recorded as unrestricted support unless there are any donor-imposed restrictions.

Capital Assets

Capital assets are stated at cost and are depreciated over the estimated useful lives of 40 years by the straight-line method of depreciation for financial reporting purposes. Repairs and maintenance are charged to operations when incurred and improvements and additions are capitalized. The capitalization threshold is \$500.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

Highland County Community Improvement Corporation
Notes to the Financial Statements
For the Years Ended December 31, 2010 and 2009

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Tax Status

The Corporation has qualified for a tax exemption under the section 501 C (3) of the Internal Revenue Code and, accordingly, no provision for federal income tax has been recorded in the accompanying financial statements.

Cash and Cash Equivalents

The Corporation considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents. Cash and cash equivalents consisted of cash and interest bearing savings and checking accounts.

NOTE 3-CASH AND CASH EQUIVALENTS

At December 31, 2010 and 2009, cash and cash equivalents consisted of the following:

	2010	2009
Demand Deposits	\$56,789	\$52,013

At the end of each year, the carrying amount of the Corporation's deposits was insured by the Federal Depository Insurance Corporation.

NOTE 4-CAPITAL ASSETS

The Corporation's Capital Assets at December 31, 2010 and 2009 are as follows:

	1/1/2009 Balance	Additions	Deletions	12/31/2009 Balance
Land	\$ 264,911	\$ -	\$ -	\$ 264,911
Building	1,850,183	-	-	1,850,183
Total	2,115,094	-	-	2,115,094
Accumulated Depreciation	(166,093)	(35,072)	-	(201,165)
Total Net Real Estate	1,949,001	(35,072)	-	1,913,929
Construction in Progress	574,867	-	-	574,867
Total Capital Assets	\$ 2,523,868	\$ (35,072)	\$ -	\$ 2,488,796
	1/1/2010 Balance	Additions	Deletions	12/31/2010 Balance
Land	\$ 264,911	\$ -	\$ -	\$ 264,911
Building	1,850,183	-	-	1,850,183
Total	2,115,094	-	-	2,115,094
Accumulated Depreciation	(201,165)	(35,072)	-	(236,237)
Total Net Real Estate	1,913,929	(35,072)	-	1,878,857
Construction in Progress	574,867	-	-	574,867
Total Capital Assets	\$ 2,488,796	\$ (35,072)	\$ -	\$ 2,453,724

Highland County Community Improvement Corporation

Notes to the Financial Statements

For the Years Ended December 31, 2010 and 2009

NOTE 5-DEBT

The Corporation's debt outstanding at December 31, 2010 and 2009 was as follows:

	<u>12/31/2010</u>	<u>12/31/2009</u>
	<u>Principal</u>	<u>Principal</u>
Merchants National Bank # 84654	\$ 763,147	\$ 798,825
Merchants National Bank # 86769	363,688	411,326
Hillsboro Revolving Loan	144,626	157,045
	<u>\$ 1,271,461</u>	<u>\$ 1,367,196</u>

The Merchants National Bank #84654 was approved to pay off a loan with Fifth Third Bank that was for the purchase of 9.556 acres and a building. This note is renewable each year. The amount outstanding as of December 31, 2008 is due January 17, 2009.

The Merchants National Bank #86769 was approved to make improvements to the office space that has been leased by the Highland District Hospital for doctor offices.

The Hillsboro Revolving Loan was approved to finance the renovation of the HVAC and office space at the 9.556 acre property.

The annual requirements to amortize debt outstanding as of December 31, 2010, are as follows:

<u>Year ending December 31:</u>	<u>Principal</u>	<u>Interest</u>
2011	\$97,406	\$75,160
2012	103,817	68,750
2013	111,044	61,523
2014	118,590	53,976
2015	126,665	45,901
2016-2020	382,834	140,878
2021-2025	324,860	51,623
2026	6,245	89
Total	<u>\$1,271,461</u>	<u>\$497,900</u>

NOTE 6-CONSTRUCTION IN PROGRESS

The Corporation is developing a building with office condominiums that can be purchased or leased from the organization. All costs invested in this development are capitalized as work in process until condominiums are completed and available for purchase or lease. There have been no changes to work in process during the audit period due to office condominiums that have been committed for purchase.

NOTE 7- DEPOSITS

All deposits of money for condos are shown as a current liability until the purchase of the condominium is completed and a real estate settlement transaction has occurred.

NOTE 8 – RELATED PARTY TRANSACTIONS

James Evans, the Treasurer of the Highland County Community Improvement Corporation, is also the vice-president of Merchants National Bank in Hillsboro, Ohio. The Highland County Community Improvement Corporation utilizes Merchants National Bank for their banking services for their checking account and debt issues.

Highland County Community Improvement Corporation

Notes to the Financial Statements

For the Years Ended December 31, 2010 and 2009

NOTE 9 – CONCENTRATIONS

The Highland County Community Improvement Corporation depends on condo fees and building rent for its continued existence.

NOTE 10 – INSURANCE

The Highland County Community Improvement Corporation maintains property insurance through a private insurance carrier. There has been no significant change in coverage in the past three years. There has been no claims that canceled coverage in the past three years.



**Report on Internal Control Over Financial Reporting and on Compliance and
Other Matters Required by *Government Auditing Standards***

Board of Directors
Highland County Community Improvement Corporation
100 North High Street
PO Box 10
Hillsboro, Ohio 45133

We have audited the financial statements of the Highland County Community Improvement Corporation, Highland County, Ohio (a nonprofit corporation - the Corporation), as of and for the years ended December 31, 2010 and December 31, 2009, and have issued our report thereon dated May 5, 2011. 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 Corporation's internal control over financial reporting.

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 combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the Corporation's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

Board of Directors
Highland County Community Improvement Corporation
Report on Internal Control Over Financial Reporting and on Compliance and
Other Matters Required by *Government Auditing Standards*
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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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We intend this report solely for the information and use of management, the Board of Directors, and others within the Corporation. We intend it for no one other than these specified parties.



Balestra, Harr & Scherer, CPAs, Inc.
May 5, 2011



Dave Yost • Auditor of State

HIGHLAND COUNTY COMMUNITY IMPROVEMENT CORPORATION

HIGHLAND 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
JUNE 21, 2011**