COMMUNITY IMPROVEMENT CORPORATION
GALLIA COUNTY

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2012 - 2011

COMMUNITY IMPROVEMENT CORPORATION
GALLIA COUNTY

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INDEPENDENT AUDITOR'S REPORT

Community Improvement Corporation
Gallia County
16 State Street
P.O. Box 465
Gallipolis, Ohio 45631

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the Community Improvement Corporation, Gallia County, Ohio (the Corporation), as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements, which collectively comprise the Corporation's financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Corporation's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Corporation's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Community Improvement Corporation, Gallia County, Ohio, as of December 31, 2012 and 2011, and the changes in financial position and its cash flows for the years then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 16, 2013, on our consideration of the Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control over financial reporting and compliance.

Dave Yost

Dave Yost
Auditor of State

Columbus, Ohio

April 16, 2013

COMMUNITY IMPROVEMENT CORPORATION
GALLIA COUNTY

STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED DECEMBER 31, 2012

ASSETS:		
Current Assets:		
Cash	$	681,900
Total Current Assets		681,900
Noncurrent Assets:		
Property and Equipment, Net of Accumulated Depreciation		1,033
Land		1,691,187
Deposits		21
Total Noncurrent Assets		1,692,241
TOTAL ASSETS	**$**	**2,374,141**
LIABILITIES AND NET ASSETS:		
Current Liabilities:		
Intergovernmental Payable	$	71
Total Current Liabilities		71
TOTAL LIABILITIES		71
NET ASSETS		
Unrestricted		2,374,070
TOTAL NET ASSETS		2,374,070
TOTAL LIABILITIES AND NET ASSETS	**$**	**2,374,141**

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

COMMUNITY IMPROVEMENT CORPORATION
GALLIA COUNTY

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2012

Changes in Net Assets:		
Operating Revenues:		
Contributions	$	1,000
Interest Income		2,435
Other		1,500
Total Operating Revenues		4,935
Operating Expenses:		
Project Expense		2,552
General and Administrative Expense		36,422
Total Operating Expenses		38,974
Change in Net Assets from Operations		(34,039)
Net Assets- January 1		2,408,109
Net Assets - December 31	**$**	**2,374,070**

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

COMMUNITY IMPROVEMENT CORPORATION
GALLIA COUNTY

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2012

Cash Flows from Operating Activities:		
Change in Net Assets	$	(34,039)
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided by (Used by) Operating Activities:		
Increase (Decrease) in Intergovernmental Payable		21
Net Cash Provided by (Used by) Operating Activities		(34,018)
Cash Flows from Investing Activities:		
Purchase of Land		(50,088)
Net Cash Provided by (Used by) Investing Activities		(50,088)
Net Increase/(Decrease) in Cash		(84,106)
Cash and Cash Equivalents at the January 1, 2012		766,006
Cash and Cash Equivalents at the December 31, 2012	**$**	**681,900**

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

COMMUNITY IMPROVEMENT CORPORATION
GALLIA COUNTY

STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED DECEMBER 31, 2011

ASSETS:	
Current Assets:	
Cash	$ 766,006
Total Current Assets	766,006
Noncurrent Assets:	
Property and Equipment, Net of Accumulated Depreciation	1,033
Land	1,641,099
Deposits	21
Total Noncurrent Assets	1,642,153
TOTAL ASSETS	**$ 2,408,159**
LIABILITIES AND NET ASSETS:	
Current Liabilities:	
Intergovernmental Payable	$ 50
Total Current Liabilities	50
TOTAL LIABILITIES	50
NET ASSETS	
Unrestricted	2,408,109
TOTAL NET ASSETS	2,408,109
TOTAL LIABILITIES AND NET ASSETS	**$ 2,408,159**

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

COMMUNITY IMPROVEMENT CORPORATION
GALLIA COUNTY

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2011

Changes in Net Assets:	
Operating Revenues:	
Contributions	$ 13,500
Interest Income	7,746
Rent	210,131
Other	2,022
Total Operating Revenues	233,399
Operating Expenses:	
Project Expense	109,643
General and Administrative Expense	34,804
Interest Expense	4,003
Depreciation	27,824
Total Operating Expenses	176,274
Change in Net Assets from Operations	57,125
Other Changes:	
Loss on Abandoned Leasehold Improvements	(458,397)
Loss on Sale of Fixed Assets	(776,403)
Total Other Changes	(1,234,800)
Change in Net Assets	(1,177,675)
Net Assets- January 1	3,585,784
Net Assets - December 31	**$ 2,408,109**

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

COMMUNITY IMPROVEMENT CORPORATION
GALLIA COUNTY

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2011

Cash Flows from Operating Activities:		
Change in Net Assets from Operations	$	57,125
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided by (Used by) Operating Activities:		
Increase (Decrease) in Accumulated Depreciation		27,824
(Increase) Decrease in Interest Receivable		5,947
Increase (Decrease) in Intergovernmental Payable		(336)
Net Cash Provided by (Used by) Operating Activities		90,560
Cash Flows from Investing Activities:		
Sale of Assets		311,857
Net Cash Provided by (Used by) Investing Activities		311,857
Cash Flows from Financing Activities:		
Principal Payment on Debt		(390,352)
Net Cash Provided by (Used by) Financing Activities		(390,352)
Net Increase/(Decrease) in Cash		12,065
Cash and Cash Equivalents at the January 1, 2011		753,941
Cash and Cash Equivalents at the December 31, 2011	**$**	**766,006**
Supplemental Disclosure Information:		
Interest Paid During the Year	**$**	**4,003**

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

1. Summary of Significant Accounting Policies

A. Description of the Entity

The Community Improvement Corporation, Gallia County, Ohio (the Corporation), is a not-for-profit corporation and was incorporated on December 2, 1964, under the authority of Ohio Rev. Code Section 1702.01. The Corporation is governed by an appointed Board of Trustees, comprised of business, professional, government and community leaders. The Corporation was formed to advance, encourage, and promote industrial, economic, commercial and civic development of Gallia County, Ohio.

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

B. Accounting Basis

The financial statements of the Corporation have been prepared on the accrual basis.

In 1994, the Corporation adopted Statement of Financial Accounting Standards No. 116, "Accounting for Contributions Received and Contributions Made" (SFAS No. 116) and Statement of Financial Accounting Standards No. 117, "Financial Statements for Non-For-Profit Organizations" (SFAS No. 117). The statements of the new standards have been applied to the years presented.

Under these provisions, net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the organization and changes therein are classified and reported as follows:

- **Unrestricted net assets** – Net assets that are not subject to donor-imposed stipulations.
- **Temporary restricted net assets** – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the organization and/or the passage of time.
- **Permanently restricted net assets** – Net assets subject to donor-imposed stipulation that they be maintained permanently or until all donor imposed restrictions are met by the organization. Generally, the donors of these assets permitted organizations to use all or part of the income earned on related investments for general or specific purposes.

As of December 31, 2012, all assets were unrestricted.

C. Tax Status

The Corporation has been recognized by the State of Ohio as a tax-exempt organization and by the Internal Revenue Service as a Section 501(C)(4) nonprofit organization. Accordingly, the federal tax status would reflect the Corporation's tax exempt status. By virtue of Ohio law, the Corporation is not subject to Ohio income taxes.

1. Summary of Significant Accounting Policies (Continued)

D. Depreciation

The organization provides for depreciation in amounts adequate to amortize costs over the estimated useful lives of the assets. Certain assets are being depreciated under the straight line method for both financial book and tax purposes. The lives of the assets and depreciation expenses under this method are in accordance with generally accepted accounting principles. Depreciation charged to operations was $27,824 the year ended December 31, 2011.

E. Use of Estimates

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

2. Property, Plant, Equipment and Land

Property and equipment and related accumulated depreciation at December 31, 2012 and 2011 are as follows:

	2012	2011
Land and Improvements	$ 1,691,187	$ 1,641,099
Leasehold Improvements	2,000	2,000
Furniture, Fixtures, & Equipment	19,807	19,807
Less: Accumulated Depreciation	(20,774)	(20,774)
	$ 1,692,220	$ 1,642,132

3. Industrial Park

This property consists of raw land and development costs expended to date on the Industrial Park and sewer project on State Route 850 in Gallia County, Ohio. Several businesses have moved into the Industrial Park as of December 31, 2012.

4. Cash

The Corporation maintains a checking account and market watch account. The carrying amount of cash at December 31 was as follows:

	2012	2011
Demand deposits	$ 681,800	$ 765,906
Petty Cash	100	100
Total deposits	$ 681,900	$ 766,006

4. Cash (Continued)

Deposits: Deposits are insured by the Federal Deposit Insurance Corporation up to $250,000 for 2012 and 2011. Deposits in excess of these amounts are uninsured.

At December 31, 2012, $383,917 of deposits were not insured or collateralized, contrary to Ohio law.

Concentration of Credit Risk: The Corporation's cash is placed with institutions with high credit ratings. This policy limits the Corporation's exposure to credit risk. However, at various times throughout the year, the Corporation carried amounts in excess of federally insured limits with a local bank.

5. Loss on Abandoned Leasehold Improvements

The Corporation entered into a three year building lease with John L. and Ann Cornett and George R. and Margaret Cornett on August 8, 2000. The lease was extended several times through April 2010. After April 2010, no new lease was entered into. Instead, rental payments of $6,300 were made on a month by month basis through July 2011. Effective July 31, 2011, the lease was terminated and no more monthly rental payments were made.

During the years 2001 through 2003, the Corporation invested in numerous improvements in the leased building. The total original cost of these leasehold improvements was $614,458. At July 31, 2011, the effective date of the lease termination, the total accumulated depreciation on these leasehold improvements was $156,061. Upon termination of the lease, the Corporation abandoned the improvements and the property became the possession of the lessor. As a result of this transaction, the Corporation incurred a loss of $458,397, the amount of the original cost less total accumulated depreciation at July 31, 2011.

6. Loss on Sale of Fixed Assets

The Corporation leased a speculative building and land to Jackson Pike Associates, LLC. The property was situated in Dan Evans Industrial Park, Gallia County, Ohio. The lease term was 10.8 years, commencing on January 2, 2004, with payments of $10,416.67 per month. The lease agreement provided that ownership of the property was to be transferred to the lessee at the end of lease term. Jackson Pike Associates, LLC opted to pay off the lease early in September 2011, remitting a final payment of $221,361 to the Corporation. In accordance with the lease agreement, the title to the property was transferred to Jackson Pike Associates, LLC.

The original cost of the land to the Corporation was $134,442 and the original cost of the speculative building was $946,673. Total accumulated depreciation taken on the building at September 30, 2011 was $175,982 giving the building a carrying value of $770,691 at September 30, 2011. The combined land and building carrying value was $905,133 at September 30, 2011. After accounting for the lease payoff amount of $221,361, the Corporation incurred a loss of $683,772 as a result of the property transfer.

In addition, the Corporation sold two lots from the Dan Evans Industrial Park during 2011. The total cost of the land to the Corporation was $183,131, with the total amount received in the sales being $90,499. The net loss on the sale of these two lots was $92,632.

6. Loss on Sale of Fixed Assets (Continued)

The total loss on sale of fixed assets was $776,403 for 2011.

7. Advertising and Marketing

The Corporation's policy is to currently expense all advertising and marketing costs as the benefit is directly related to current periods with minimal future benefit.

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

Community Improvement Corporation
Gallia County
16 State Street
P.O. Box 465
Gallipolis, Ohio 45631

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Community Improvement Corporation, Gallia County, Ohio (the Corporation), as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements, and have issued our report thereon dated April 16, 2013.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Corporation's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Corporation's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying Schedule of Findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

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 internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Corporation's financial statements. We consider Findings 2012-01 and 2012-02 described in the accompanying Schedule of Findings to be material weaknesses.

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, opining 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*.

Entity's Response to Findings

The Corporation's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. We did not audit the Corporation's responses and, accordingly, we express no opinion on them.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Corporation's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Dave Yost

Dave Yost
Auditor of State

Columbus, Ohio

April 16, 2013

SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011

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

FINDING NUMBER 2012-01

Material Weakness

Sound financial reporting is the responsibility of the Board of Trustees and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

As a result of the audit procedures performed, the financial statements had the following errors that required audit adjustment or reclassification:

For the year ended December 31, 2012:
- General and Administrative Expenses were increased by $2,375 to account for a 2012 check that was not posted.

For the year ended December 31, 2011:
- Retained Earnings and General and Administrative Expenses were decreased by $3,298 to agree beginning balances to prior audited balances.
- Project Expenses and Rent were increased by $45,878 to properly record taxes paid related to Holzer Project.
- Project Expense decreased and Loss on Abandoned Leasehold Improvements increased by $458,397 to properly classify Loss on Abandoned Leasehold Improvements.

To ensure the Corporation's financial statements and notes to the financial statements are complete and accurate, the Corporation should adopt policies and procedures, including a final review of the statements and notes by the Board of Trustees to identify and correct errors or omissions.

Officials' Response:
Appropriate adjustments will be made to correct all the above findings.

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

FINDING NUMBER 2012-02

Material Weakness

During the audit period, the Corporation maintained a checking account, market watch accounts and certificates of deposit. Deposits in noninterest-bearing transaction accounts were temporarily insured by the Federal Deposit Insurance Corporation for an unlimited amount, effective for the period December 31, 2010 to December 31, 2012. During this period, FDIC coverage for interest bearing accounts was $250,000.

Cash and certificates of deposit held by Ohio Valley Bank may not have been adequately protected during the audit period. From January till the beginning of December 2011, the Corporation held money market accounts and certificates of deposit with a combined total exceeding $250,000. From December 2011 through December 31, 2012, the Corporation held money market accounts in excess of $250,000. The Corporation provided no evidence of additional protection in excess of FDIC coverage for these balances. At December 31, 2012, $297,983 of the $681,900 cash balance was adequately protected.

Cash, like any other asset, should be safeguarded through FDIC or additional collateral pledged by the Corporation's financial institution. We recommend the Corporation contact Ohio Valley Bank to ensure adequate securities are pledged to cover balances exceeding FDIC coverage or take other measures to ensure adequate coverage. We further recommend management periodically review and verify the amount pledged is adequate.

Officials' Response:
The Board of Trustees will contact Ohio Valley Bank regarding obtaining appropriate pledged collateral to cover all bank balances exceeding FDIC coverage.

COMMUNITY IMPROVEMENT CORPORATION
GALLIA COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2012 AND 2011

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; ***Explain***
2010-01	Inaccurate Financial Reporting.	No	Not Corrected. Repeated as 2012-01.

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COMMUNITY IMPROVEMENT CORPORATION

GALLIA 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 9, 2013