MORGAN COUNTY COMMUNITY IMPROVEMENT CORPORATION

MORGAN COUNTY, OHIO

REGULAR AUDIT

For the Years Ended December 31, 2018 and 2017

Charles E. Harris & Associates, Inc.
CPAs and Government Consultants

OHIO AUDITOR OF STATE
KEITH FABER

88 East Broad Street
Columbus, Ohio 43215
IPAReport@ohioauditor.gov
(800) 282-0370

Board of Trustees
Morgan County Improvement Corporation
155 East Main Street
McConnelsville, Ohio 43756

We have reviewed the *Independent Auditor's Report* of the Morgan County Improvement Corporation, Morgan County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2017 through December 31, 2018. 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 Morgan County Improvement Corporation is responsible for compliance with these laws and regulations.

Keith Faber
Auditor of State
Columbus, Ohio

August 29, 2019

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MORGAN COUNTY COMMUNITY IMPROVEMENT CORPORATION
MORGAN COUNTY
December 31, 2018 and 2017

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INDEPENDENT AUDITOR'S REPORT

Morgan County Community Improvement Corporation
Morgan County
155 East Main Street
McConnelsville, Ohio 43756

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the Morgan County Community Improvement Corporation, Morgan County, Ohio (the Corporation), which comprise the statements of financial position as of December 31, 2018, 2017, and 2016 and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Morgan County Community Improvement Corporation, Morgan County, Ohio, as of December 31, 2018, 2017, and 2016, 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.

Emphasis of Matter

As discussed in Note A to the financial statements, in 2018, the Corporation adopted new accounting guidance, Financial Accounting Standards Board (FASB) issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2019, 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.

Charles E Harris Associates

Charles E. Harris & Associates, Inc.
June 28, 2019

MORGAN COUNTY IMPROVEMENT CORPORATION
MORGAN COUNTY

STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2018 AND 2017

	2018	2017
ASSETS		
Current Assets		
Cash and Cash Equivalents	$ 299,036	$ 482,969
Grants Receivable	-	250,000
Total Current Assets	299,036	732,969
Property and Equipment		
Buildings	15,275,000	15,275,000
Land Improvements	18,800	9,300
Land	440,414	440,414
	15,734,214	15,724,714
Less: Accumulated Depreciation	(3,089,976)	(2,697,094)
Net Property and Equipment	12,644,238	13,027,620
TOTAL ASSETS	12,943,274	13,760,589
LIABILITIES AND NET ASSETS		
Current Liabilities		
Current Portion of Long-Term Debt	496,719	823,277
Grants Payable	-	450,000
Total Current Liabilities	496,719	1,273,277
Long-Term Liabilities		
Note Payable - Ohio Dept of Development 148-02-01	2,051,295	2,325,165
Note Payable - Ohio Dept of Development 148-01-01	553,787	632,256
Note Payable - Ohio Dept of Development 706-01-01	1,479,904	1,617,509
Note Payable - Chase	-	3,861,111
Less: Current Portion of Long-Term Debt	(496,719)	(823,277)
Total Long-Term Liabilities	3,588,267	7,612,764
TOTAL LIABILITIES	4,084,986	8,886,041
NET ASSETS		
Without Donor Restrictions	8,858,288	4,874,548
Total Net Assets	8,858,288	4,874,548
TOTAL LIABILITIES AND NET ASSETS	$ 12,943,274	$ 13,760,589

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

MORGAN COUNTY IMPROVEMENT CORPORATION
MORGAN COUNTY

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
CHANGES IN NET ASETS WITHOUT DONOR RESTRICTIONS		
REVENUES		
Rental Income	$ 4,585,529	$ 1,130,497
Grant Income	-	250,000
Interest Income	4,898	2,456
Miscellaneous Income	317	109,014
Total Revenues	4,590,744	1,491,967
EXPENSES		
Advertising	50	975
Bank Charges	10	-
Depreciation	392,882	392,309
Dues & Subscriptions	150	100
Officers' Fees	42,400	42,400
Grant Expense	-	450,000
Insurance	6,959	6,873
Interest	137,044	232,446
Loan Service Fees	11,327	11,863
Meetings/Meals	154	1,288
Office Supplies	190	23
Professional Fees	8,784	36,607
Rent Expense	3,332	2,618
Safe Deposit Box Rental	86	86
Taxes	3,636	3,263
Total Expenses	607,004	1,180,851
Increase (Decrease) in Net Assets Without Donor Restrictions	3,983,740	311,116
NET ASSETS - BEGINNING OF YEAR	4,874,548	4,563,432
NET ASSETS - END OF YEAR	$ 8,858,288	$ 4,874,548

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

MORGAN COUNTY IMPROVEMENT CORPORATION
MORGAN COUNTY

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
Cash Flows from Operating Activities		
Change in Net Assets	$ 3,983,740	$ 311,116
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation	392,882	392,309
(Increase) Decrease in Operating Assets:		
Grants Receivable	250,000	(250,000)
Increase (Decrease) in Operating Liabilities:		
Grants Payable	(450,000)	450,000
Total Adjustments	192,882	592,309
Net Cash Provided (Used) by Operating Activities	4,176,622	903,425
Cash Flows from Investing Activities		
Cash Paid for Fixed Assets	(9,500)	(21,154)
Net Cash Provided (Used) by Investing Activities	(9,500)	(21,154)
Cash Flows Used by Financing Activities		
Principals Payments on Notes Payable	(4,351,055)	(805,255)
Net Cash Provided (Used) by Financing Activities	(4,351,055)	(805,255)
Net Increase (Decrease) in Cash and Cash Equivalents	(183,933)	77,016
Cash and Cash Equivalents - Beginning of Year	482,969	405,953
Cash and Cash Equivalents - End of Year	$ 299,036	$ 482,969

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

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Corporation and Nature of Business

Morgan County Improvement Corporation (the Corporation) is a non-profit Corporation, exempt from Federal income tax under section 501(c)(4) of the Internal Revenue Code. Its purpose is to advance, encourage, and promote the industrial, economic, commercial, and civic development of the County of Morgan, and the Municipal Corporations located therein by acting as the designated agency of the County of Morgan, one or more Municipal Corporations located therein, or the County of Morgan and one or more Municipal Corporations located therein, for the industrial, commercial, distribution, and research development in such political subdivision in accordance with Section 1724.10, Revised Code.

To provide real property for an industrial building being financed in part by loans and grants from the State of Ohio. The Corporation shall have the right to raise money and expend funds for community projects in Morgan County, Ohio.

MCIC Sinter Property has been identified as a blended component unit of Morgan County Improvement Corporation as they have similar missions, boards of directors and record keeping. The two entities have been reported as one on the face of the financial statements and all inter-agency transactions are reported in Note D.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Corporation considers all highly liquid investments available for current use to be cash equivalents.

Impairment of Long-Lived Assets

The Corporation reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. Recoverability of these assets is determined by comparing the forecasted undiscounted net cash flows of the operation to which the assets relate to the carrying amount. If the operation is determined to be unable to recover the carrying amount of its assets, then assets are written down first, followed by other long-lived assets of the operation to fair value. Fair value is determined based on discounted cash flows or appraised values, depending on the nature of the assets. As of December 31, 2018 and 2017, there were no impairment losses recognized for long-lived assets.

Property and Equipment

The Corporation capitalizes expenditures for property and equipment which extend the originally estimated useful lives of the assets capitalized. Purchased property and equipment are capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Such assets are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Buildings are depreciated using the straight-line method over estimated useful lives of 39 years. Building improvements are depreciated using the straight-line method over estimated useful lives of 15 years.

Contributed Services

Contributed services are recognized as contributions if the services (1) create or enhance nonfinancial assets or (2) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Corporation. Volunteers also provide services that are not recognized as contributions in the financial statements since the recognition criteria were not met.

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

The Corporation is exempt from federal income tax under Section 501(c)(4) of the Internal Revenue Code. In addition, the Corporation has been classified as an Corporation that is not a private foundation under Section 509(a)(c).

The Corporation's Form 990, *Return of Corporation Exempt from Income Tax,* for the years ending 2018 through 2016 are subject to examination by the IRS, generally for three years after they are filed.

Estimates

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

Description of Net Asset Classes

Net assets without donor restrictions represent revenues and expenses related to the operation and management of the Corporation's primary programs and supporting services. Net assets with donor restrictions are those whose use has been limited by the donors to a specific time period or purpose or to be maintained by the Corporation in perpetuity. The investment income on net assets with donor restrictions may be used for the support of the Corporation's purpose or restricted by the donor for a specific restricted purpose. For the years ended December 31, 2018 and 2017, the Corporation currently does not have any net assets with donor restrictions.

Date of Management's Review

Subsequent events have been evaluated through the date of this report.

Presentation of Expenses

The Corporation believes all of its expenses are all related to its programs and activities. Therefore, they do not recognize any of their expenses to be related to fundraising or management and general functions.

New Accounting Pronouncement

On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Corporation has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

NOTE B—CONCENTRATION OF CREDIT RISK

The Corporation may, from time to time, maintain cash balances that are not covered by insurance provided by the federal government (FDIC). Management understands the risks, but the solvency of the financial institution is not of particular concern at this time. At December 31, 2018, the carrying amount of the Corporation's deposits was $299,512 and the bank balance was $299,036. FDIC insurance covered $251,040 of the bank balance with the remaining balance collateralized by Citizens National Bank with securities in the Corporation's name.

NOTE C—CONTINGENCIES

The Corporation receives all of its rental income from two sources, MIBA Bearings and MIBA Sinter USA, LLC. The amount received from these Corporations was $4,581,749 and $1,130,497 for the years ended December 31, 2018 and 2017.

NOTE D—RELATED PARTY TRANSACTIONS

The Corporation has a blended component unit which they share a Board of Directors, Executive Director, and purpose with, MCIC Sinter Property. The Corporation transferred a parcel of land, and a building to this related party during 2013. The cost of the building was $5,250,000 with accumulated depreciation of $661,858, giving it a net book value of $4,588,142. The parcel of land had a cost of $163,300. They also agreed to have a Note Payable – MCIC Sinter Property in the amount of $3,378,464. The remaining difference of $1,372,978 was considered a contribution from Morgan County Improvement Corporation to MCIC Sinter Property.

In 2018 and 2017 respectively, there were payments of $300,000 and $66,877 made on the note payable from MCIC Sinter Property to Morgan County Improvement Corporation. The balances on this note was $2,801,187 and $3,101,187 at December 31, 2018 and 2017, respectively.

As mentioned above, all blended component unit transactions have been removed from the face of the financial statements and are only mentioned above in the footnote as the transactions would have no net effect on the financial statements.

The Board of Directors includes one member from MIBA Bearings, the sole tenant of lease with the Corporation.

NOTE E—GRANTS

During 2017, The Corporation applied, and received approval for, a $250,000 grant that will pass-through to MIBA Sinter USA, LLC. The grant was received and paid during 2018. During 2017, the Corporation also approved a $200,000 grant for a Roundabouts Project in Morgan County which was paid in 2018.

NOTE F—DESCRIPTION OF LEASING ARRANGEMENTS

The Corporation leases property to MIBA Bearings in an operating lease. The building has a cost of $2,775,000, accumulated depreciation of $984,296, leaving a net book value of $1,790,704.

MIBA Bearings is currently in a 15 year lease for $360,000 per year through August 2025. The lease will then be reduced to $5,000 per month through January 2029.

MCIC Sinter Property leases property to MIBA Sinter USA, LLC in an operating lease. The building has a cost of $12,250,000, accumulated depreciation of $2,045,405, leaving a net book value of $10,204,595.

MIBA Sinter USA, LLC is currently in a 15 year lease that includes a fixed lease payment in addition to a payment to cover both new loan payments for the newly constructed addition. The fixed lease payment is $10,033 per month through April 2015, $13,740.68 per month through August 2023, $11,740.68 per month through March 2025, $1,740.68 per month through August 2025, and finally $5,000 per month through January 2029. MIBA Sinter USA, LLC paid a large lump-sum payment to payoff one of the two notes, greatly increasing the typical rent income in 2018, but also significantly reducing future lease payments as well as the reduction of the Chase debt to zero.

At December 31, 2018, minimum rental payments due under the above mentioned leases are as follows:

Year Ending		
2019	$	688,008
2020		688,958
2021		688,617
2022		688,269
2023		679,914

NOTE G—NOTES PAYABLE

Notes payable at December 31, 2018 and 2017 consists of the following:

	2018	2017
Note payable – Ohio Dept. of Development 148-02-01 is payable in monthly installments including interest at 1.00% for 2013 and the first nine months of 2014, and 3.00% for the remainder of the life of the loan. The loan payoff is March 2025. This note is collateralized by all business assets.	$ 2,051,295	$ 2,325,165
Note payable – Ohio Dept. of Development 148-01-01 is payable in monthly installments including interest at 1.00% through February 2015, and 3.00% for the remainder of the life of the loan. The loan payoff is August 2025. This note is collateralized by all business assets.	553,787	632,256
Note payable – Ohio Dept. of Development 706-01-01 is payable in monthly installments including interest only at 1.00% through March 2015, principal and interest at 1.00% through March of 2019, principal and interest at 2.00% through March 2024, and principal and interest at 3.00% through February 2029. This note is collateralized by a building owned by MCIC Sinter Property, as described in Note F.	1,479,904	1,617,509
Note payable – Chase is payable in monthly installments including interest at 175 basis points over LIBOR, as of December 31, 2018 and 2017. The loan payments are based on a 15 year amortization with 66 monthly payments and a balloon payment due at the end of the 66th month. The loan was paid off early during 2018. This note was collateralized by a building owned by MCIC Sinter Property, as described in Note F.	—	3,861,111
Total Debt	4,084,986	8,436,041
Less current maturities	496,719	823,277
Net long-term debt	$ 3,588,267	$ 7,612,764

Future maturities of the long-term notes payable are as follows:

Year Ending December 31,	Amount
2019	$ 496,719
2020	509,266
2021	523,373
2022	537,881
2023	552,802
Thereafter	1,464,945
	$ 4,084,986

NOTE H—SUPPLEMENTAL DISCLOSURES OF CASH FLOW STATEMENT

During the years ended December 31, 2018 and 2017, cash payments for interest and income taxes were as follows:

	2018	2017
Interest Paid	$ 137,044	$ 232,446

NOTE I—LIQUDITY AND AVAILABILTY OF FINANCIAL ASSETS

The following reflect the Corporation's financial assets as of the balance sheet date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date.

	2018	2017
Total Assets, at year end	$ 12,943,274	$ 13,760,589
Less: Fixed and Non-Financial Assets	12,644,238	13,277,620
Financial Assets, at year end	299,036	482,969
Less those unavailable for general expenditures within one year due to contractual or donor-imposed restrictions	-	-
Financial assets available to meet cash needs for general expenditures within one year	$ 299,036	$ 482,969

MORGAN COUNTY IMPROVEMENT CORPORATION
MORGAN COUNTY

STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2017 AND 2016

	2017	2016
ASSETS		
Current Assets		
Cash and Cash Equivalents	$ 482,969	$ 405,953
Grants Receivable	250,000	-
Total Current Assets	732,969	405,953
Property and Equipment		
Buildings	15,275,000	15,275,000
Land Improvements	9,300	5,000
Land	440,414	423,560
	15,724,714	15,703,560
Less: Accumulated Depreciation	(2,697,094)	(2,304,785)
Net Property and Equipment	13,027,620	13,398,775
TOTAL ASSETS	13,760,589	13,804,728
LIABILITIES AND NET ASSETS		
Current Liabilities		
Current Portion of Long-Term Debt	823,277	811,507
Grants Payable	450,000	-
Total Current Liabilities	1,273,277	811,507
Long-Term Liabilities		
Note Payable - Ohio Dept. of Development 148-02-01	2,325,165	2,591,005
Note Payable - Ohio Dept. of Development 148-01-01	632,256	702,102
Note Payable - Ohio Dept. of Development 706-01-01	1,617,509	1,753,744
Note Payable - Chase	3,861,111	4,194,445
Less: Current Portion of Long-Term Debt	(823,277)	(811,507)
Total Long-Term Liabilities	7,612,764	8,429,789
TOTAL LIABILITIES	8,886,041	9,241,296
NET ASSETS		
Unrestricted Net Assets	4,874,548	4,563,432
Total Net Assets	4,874,548	4,563,432
TOTAL LIABILITIES AND NET ASSETS	$ 13,760,589	$ 13,804,728

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

MORGAN COUNTY IMPROVEMENT CORPORATION
MORGAN COUNTY

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
REVENUES		
Rental Income	$ 1,130,497	$ 1,114,527
Grant Income	250,000	-
Interest Income	2,456	20,358
Miscellaneous Income	109,014	-
Total Revenues	1,491,967	1,134,885
EXPENSES		
Advertising	975	120
Bank Charges	-	10
Depreciation	392,309	392,141
Donations	-	1,562
Dues & Subscriptions	100	125
Officers' Fees	42,400	42,400
Grant Expense	450,000	-
Insurance	6,873	6,751
Interest	232,446	219,533
Loan Service Fees	11,863	12,388
Meetings/Meals	1,288	2,806
Office Supplies	23	24
Professional Fees	36,607	9,720
Rent Expense	2,618	2,856
Safe Deposit Box Rental	86	86
Taxes	3,263	3,272
Total Expenses	1,180,851	693,794
Changes in Net Assets	311,116	441,091
NET ASSETS - BEGINNING OF YEAR	4,563,432	4,122,341
NET ASSETS - END OF YEAR	$ 4,874,548	$ 4,563,432

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

MORGAN COUNTY IMPROVEMENT CORPORATION
MORGAN COUNTY

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
Cash Flows from Operating Activities		
Change in Net Assets	$ 311,116	$ 441,091
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation	392,309	392,141
(Increase) Decrease in Operating Assets:		
Grants Receivable	(250,000)	-
Increase (Decrease) in Operating Liabilities:		
Grants Payable	450,000	-
Total Adjustments	592,309	392,141
Net Cash Provided (Used) by Operating Activities	903,425	833,232
Cash Flows from Investing Activities		
Cash Paid for Fixed Assets	(21,154)	-
Cash Received on Note Receivable - Metal Axis	-	145,825
Net Cash Provided (Used) by Investing Activities	(21,154)	145,825
Cash Flows Used by Financing Activities		
Principal Payments on Notes Payable	(805,255)	(800,059)
Net Cash Provided (Used) by Financing Activities	(805,255)	(800,059)
Net Increase (Decrease) in Cash and Cash Equivalents	77,016	178,998
Cash and Cash Equivalents - Beginning of Year	405,953	226,955
Cash and Cash Equivalents - End of Year	$ 482,969	$ 405,953

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

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Corporation and Nature of Business

Morgan County Improvement Corporation (the Corporation) is a non-profit Corporation, exempt from Federal income tax under section 501(c)(4) of the Internal Revenue Code. Its purpose is to advance, encourage, and promote the industrial, economic, commercial, and civic development of the County of Morgan, and the Municipal Corporations located therein by acting as the designated agency of the County of Morgan, one or more Municipal Corporations located therein, or the County of Morgan and one or more Municipal Corporations located therein, for the industrial, commercial, distribution, and research development in such political subdivision in accordance with Section 1724.10, Revised Code.

To provide real property for an industrial building being financed in part by loans and grants from the State of Ohio. The Corporation shall have the right to raise money and expend funds for community projections in Morgan County, Ohio.

MCIC Sinter Property has been identified as a blended component unit of Morgan County Improvement Corporation as they have similar missions, boards of directors and record keeping. The two entities have been reported as one on the face of the financial statements and all inter-agency transactions are reported in Note D.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Corporation considers all highly liquid investments available for current use to be cash equivalents.

Impairment of Long-Lived Assets

The Corporation reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. Recoverability of these assets is determined by comparing the forecasted undiscounted net cash flows of the operation to which the assets relate to the carrying amount. If the operation is determined to be unable to recover the carrying amount of its assets, then assets are written down first, followed by other long-lived assets of the operation to fair value. Fair value is determined based on discounted cash flows or appraised values, depending on the nature of the assets. As of December 31, 2017, there were no impairment losses recognized for long-lived assets.

Property and Equipment

The Corporation capitalizes expenditures for property and equipment which extend the originally estimated useful lives of the assets capitalized. Purchased property and equipment are capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Such assets are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Buildings are depreciated using the straight-line method over estimated useful lives of 39 years. Building improvements are depreciated using the straight-line method over estimated useful lives of 15 years.

Contributed Services

Contributed services are recognized as contributions if the services (1) create or enhance nonfinancial assets or (2) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Corporation. Volunteers also provide services that are not recognized as contributions in the financial statements since the recognition criteria were not met.

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

The Corporation is exempt from federal income tax under Section 501(c)(4) of the Internal Revenue Code. In addition, the Corporation has been classified as an Corporation that is not a private foundation under Section 509(a)(c).

The Corporation's Form 990, *Return of Corporation Exempt from Income Tax,* for the years ending 2017 through 2015 are subject to examination by the IRS, generally for three years after they are filed.

Estimates

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

Financial Statement Presentation

The Corporation reports 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.

Unrestricted net assets represent revenues and expenses related to the operation and management of the Corporation's primary programs and supporting services. If funds are raised and set aside by the Board for future use, these are considered unrestricted. Temporarily restricted contributions that are expended for their restricted purpose in the same reporting period as received may be recorded as unrestricted.

Temporarily restricted net assets represent resources available for use, but expendable only for the purposes specifically stated by the donor. As of December 31, 2017 and 2016, the Corporation had no temporarily restricted net assets.

Permanently restricted net assets are assets subject to donor-imposed stipulations that they be maintained permanently by the Corporation. Generally, the donors of these assets permit the Corporation to use all or part of the income earned on any related investments for general or specific purposes. As of December 31, 2017 and 2016, the Corporation had no permanently restricted net assets.

NOTE B—CONCENTRATION OF CREDIT RISK

The Corporation may, from time to time, maintain cash balances that are not covered by insurance provided by the federal government (FDIC). Management understands the risks, but the solvency of the financial institution is not of particular concern at this time. At December 31, 2017, the carrying amount of the Corporation's deposits was $483,963 and the bank balance was $482,969. FDIC insurance covered $309,151 of the bank balance with the remaining balance collateralized by Citizens National Bank with securities in the Corporation's name.

NOTE C—CONTINGENCIES

The Corporation receives all of its rental income from two sources, MIBA Bearings and MIBA Sinter USA, LLC. The amount received from these Corporations was $1,130,497 and $1,114,527 for the years ended December 31, 2017 and 2016.

NOTE D—RELATED PARTY TRANSACTIONS

The Corporation has a blended component unit which they share a Board of Directors, Executive Director, and purpose with, MCIC Sinter Property. The Corporation transferred a parcel of land, and a building to this related party during 2013. The cost of the building was $5,250.000 with accumulated depreciation of $661,858, giving it a net book value of $4,588,142. The parcel of land had a cost of $163,300. They also agreed to have a Note Payable – MCIC Sinter Property in the amount of $3,378,464. The remaining difference of $1,372,978 was considered a contribution from Morgan County Improvement Corporation to MCIC Sinter Property.

In 2017 and 2016 respectively, there were payments of $66,877 and $50,000 made on the note payable from MCIC Sinter Property to Morgan County Improvement Corporation. The balances on this note was $3,101,187 and $3,168,064 at December 31, 2017 and 2016, respectively.

As mentioned above, all blended component unit transactions have been removed from the face of the financial statements and are only mentioned above in the footnote as the transactions would have no net effect on the financial statements.

The Board of Directors includes one member from MIBA Bearings, the sole tenant of lease with the Corporation.

NOTE E—NOTES RECEIVABLE

At December 31, 2017 and 2016, the Corporation had a Note Receivable-MetalAxis with an interest rate of 3.00%. The note is payable in variable annual installments. This note was scheduled to be paid off in 2029, but a lump sum payment was made during 2016 to pay this note off in full. The collateral of this loan was the building that was constructed by MIBA with these loan proceeds for MetalAxis.

NOTE F—GRANTS

During 2017, The Corporation applied, and received approval for, a $250,000 grant that will pass-through to MIBA Sinter USA, LLC. The grant will be received and paid during 2018. The Corporation also approved a $200,000 grant for a Roundabouts Project in Morgan County to be paid in 2018.

NOTE G—DESCRIPTION OF LEASING ARRANGEMENTS

The Corporation leases property to MIBA Bearings in an operating lease. The building has a cost of $2,775,000, accumulated depreciation of $913,142, leaving a net book value of $1,861,858.

MIBA Bearings is currently in a 15 year lease for $360,000 per year through August 2025. The lease will then be reduced to $5,000 per month through January 2029.

MCIC Sinter Property leases property to MIBA Sinter USA, LLC in an operating lease. The building has a cost of $12,250,000, accumulated depreciation of $1,731,303, leaving a net book value of $10,518,697.

MIBA Sinter USA, LLC is currently in a 15 year lease that includes a fixed lease payment in addition to a payment to cover both new loan payments for the newly constructed addition. The fixed lease payment is $10,033 per month through April 2015, $13,740.68 per month through August 2023, $11,740.68 per month through March 2025, $1,740.68 per month through August 2025, and finally $5,000 per month through January 2029.

NOTE G—DESCRIPTION OF LEASING ARRANGEMENTS (CONTINUED)

At December 31, 2017, minimum rental payments due under the above mentioned leases are as follows:

Year Ending		
2018	$	1,086,991
2019		1,086,674
2020		1,081,224
2021		1,074,483
2022		1,067,735

NOTE H—NOTES PAYABLE

Notes payable at December 31, 2017 and 2016 consists of the following:

	2017	2016
Note payable – Ohio Dept. of Development 148-02-01 is payable in monthly installments including interest at 1.00% for 2013 and the first nine months of 2014, and 3.00% for the remainder of the life of the loan. The loan payoff is March 2025. This note is collateralized by all business assets.	$ 2,325,165	$ 2,591,005
Note payable – Ohio Dept. of Development 148-01-01 is payable in monthly installments including interest at 1.00% through February 2015, and 3.00% for the remainder of the life of the loan. The loan payoff is August 2025. This note is collateralized by all business assets.	632,256	702,102
Note payable – Ohio Dept. of Development 706-01-01 is payable in monthly installments including interest only at 1.00% through March 2015, principal and interest at 1.00% through March of 2019, principal and interest at 2.00% through March 2024, and principal and interest at 3.00% through February 2029. This note is collateralized by a building owned by MCIC Sinter Property, as described in Note F.	1,617,509	1,753,744
Note payable – Chase is payable in monthly installments including interest at 175 basis points over LIBOR, as of December 31, 2016 and 2015. The loan payments are based on a 15 year amortization with 66 monthly payments and a balloon payment due at the end of the 66th month. The loan payoff is January 2020. This note is collateralized by a building owned by MCIC Sinter Property, as described in Note F.	3,861,111	4,194,445
Total Debt	8,436,041	9,241,296
Less current maturities	823,277	811,507
Net long-term debt	$ 7,612,764	$ 8,429,789

NOTE H—NOTES PAYABLE (CONTINUED)

Future maturities of the long-term notes payable are as follows:

Year Ending December 31,	Amount
2018	$ 823,277
2019	830,052
2020	3,703,711
2021	523,373
2022	537,881
Thereafter	2,017,747
	$ 8,436,041

NOTE I—SUPPLEMENTAL DISCLOSURES OF CASH FLOW STATEMENT

During the years ended December 31, 2017 and 2016, cash payments for interest and income taxes were as follows:

	2017	**2016**
Interest Paid	$ 232,446	$ 219,533

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

Morgan County Community Improvement Corporation
Morgan County
155 East Main Street
McConnelsville, Ohio 43756

To the Board of Trustees:

We have audited, 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, the financial statements the Morgan County Improvement Corporation, Morgan County, Ohio (the Corporation) which comprise the statements of financial position as of December 31, 2018 and 2017 and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements and have issued our report thereon dated June 28, 2019. We noted the Corporation implemented Financial Accounting Standards Board ASU 2016-14.

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 opinions 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.

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 a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Corporation's financial statements. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

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*.

There is a certain matter not requiring inclusion in this report that we reported to the Corporation's management in a separate letter dated June 28, 2019.

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.

Charles E. Harris & Associates, Inc.
June 28, 2019

MORGAN COUNTY COMMUNITY IMPROVEMENT CORPORATION
MORGAN COUNTY

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS – Prepared by Management
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

Finding Number	Finding Summary	Status	Additional Information
2016-001	Payments for Alcohol	Corrective Action Taken and Finding is Fully Corrected	

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OHIO AUDITOR OF STATE
KEITH FABER

MORGAN COUNTY COMMUNITY IMPROVEMENT CORPORATION

MORGAN 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
SEPTEMBER 12, 2019