

**ADAMS COUNTY COMMUNITY IMPROVEMENT CORPORATION
FINANCIAL STATEMENTS
YEARS ENDED
DECEMBER 31, 2005 AND 2004
WITH REPORT OF INDEPENDENT AUDITORS**



**Auditor of State
Betty Montgomery**

Board of Directors
Adams County Community Improvement Corporation
West Union, Ohio

We have reviewed the *Independent Auditor's Report* of the Adams County Community Improvement Corporation, prepared by Cassidy Schiller & Associates Inc., for the audit period January 1, 2004 through December 31, 2005. 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 Adams County Community Improvement Corporation is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

June 23, 2006

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ADAMS COUNTY COMMUNITY IMPROVEMENT CORPORATION
YEARS ENDED DECEMBER 31, 2005 AND 2004

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Adams County Community Improvement Corporation



We have audited the accompanying statements of assets and net assets – cash basis of the Adams County Community Improvement Corporation, Adams County, Ohio (the Corporation), as of December 31, 2005 and 2004 and the related statements of revenue, expenses, and other changes in net assets – cash basis 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 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.

Ohio Revised Code Section 1724.05 requires the Corporation to prepare its financial statements in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 1, the accompanying financial statements and notes have been prepared on the basis of cash receipts and cash disbursements which is not in accordance with generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, equity and disclosures that, while material, cannot be determined at this time.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the assets and liabilities arising from cash transactions of the Adams County Community Improvement Corporation as of December 31, 2005 and 2004, and its revenue collected and expenses paid during the years then ended, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 24, 2006 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. 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 should be considered in assessing the results of our audits.

A handwritten signature in black ink that reads 'CSA'.

May 24, 2006

CERTIFIED PUBLIC ACCOUNTANTS

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**ADAMS COUNTY COMMUNITY IMPROVEMENT CORPORATION
 STATEMENTS OF ASSETS AND NET ASSETS - CASH BASIS
 DECEMBER 31, 2005 AND 2004**

| | <u>2005</u> | <u>2004</u> |
|------------------------|-------------------|-------------------|
| Assets | | |
| Cash | \$ <u>728,302</u> | \$ <u>827,778</u> |
| Net assets | | |
| Net assets: | | |
| Unrestricted | \$ 564,786 | \$ 555,318 |
| Temporarily restricted | <u>163,516</u> | <u>272,460</u> |
| | <u>\$ 728,302</u> | <u>\$ 827,778</u> |

ADAMS COUNTY COMMUNITY IMPROVEMENT CORPORATION
STATEMENTS OF REVENUES, EXPENSES, AND OTHER CHANGES IN NET ASSETS - CASH BASIS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

| | 2005 | | | 2004 | | |
|--------------------------------------|-------------------|------------------------|-------------------|-------------------|------------------------|-------------------|
| | Unrestricted | Temporarily Restricted | Total | Unrestricted | Temporarily Restricted | Total |
| Revenues | | | | | | |
| Grants | \$ - | \$ 1,250 | \$ 1,250 | \$ - | \$ 910,000 | \$ 910,000 |
| Building rental | - | - | - | 450 | - | 450 |
| Proceeds from real estate sales | - | - | - | 550,000 | - | 550,000 |
| Proceeds from sale of notes | - | - | - | - | 500,000 | 500,000 |
| Investment income | 9,049 | - | 9,049 | 4,368 | - | 4,368 |
| Donations | - | - | - | 500 | - | 500 |
| Miscellaneous | 419 | - | 419 | - | - | - |
| | <u>9,468</u> | <u>1,250</u> | <u>10,718</u> | <u>555,318</u> | <u>1,410,000</u> | <u>1,965,318</u> |
| Net assets released from restriction | <u>110,194</u> | <u>(110,194)</u> | <u>-</u> | <u>1,137,540</u> | <u>(1,137,540)</u> | <u>-</u> |
| Total revenues | 119,662 | (108,944) | 10,718 | 1,692,858 | 272,460 | 1,965,318 |
| Expenses | | | | | | |
| Program services: | | | | | | |
| Maintenance | 2,008 | - | 2,008 | 19,021 | - | 19,021 |
| Advertising | 612 | - | 612 | 33 | - | 33 |
| Consulting services | - | - | - | 3,668 | - | 3,668 |
| Taxes | 3,025 | - | 3,025 | 45,972 | - | 45,972 |
| Fees | 650 | - | 650 | 4,084 | - | 4,084 |
| Insurance | - | - | - | 4,175 | - | 4,175 |
| Engineering services | 103,899 | - | 103,899 | 39,856 | - | 39,856 |
| Utilities | - | - | - | 36,718 | - | 36,718 |
| Real estate purchases | - | - | - | 484,013 | - | 484,013 |
| Payments on notes | - | - | - | 500,000 | - | 500,000 |
| Total expenses | 110,194 | - | 110,194 | 1,137,540 | - | 1,137,540 |
| Change in net assets | 9,468 | (108,944) | (99,476) | 555,318 | 272,460 | 827,778 |
| Net assets, beginning of year | 555,318 | 272,460 | 827,778 | - | - | - |
| Net assets, end of year | <u>\$ 564,786</u> | <u>\$ 163,516</u> | <u>\$ 728,302</u> | <u>\$ 555,318</u> | <u>\$ 272,460</u> | <u>\$ 827,778</u> |

See accompanying notes and independent auditor's report.

ADAMS COUNTY COMMUNITY IMPROVEMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2005 AND 2004

1. Summary of significant accounting policies

A. Description of the entity

The Adams County Community Improvement Corporation, Adams County, Ohio (the Corporation), is a not-for-profit corporation formed under the laws of the State of Ohio. The purpose of the Corporation is to promote and encourage economic, industrial, commercial and civic development in Adams County, Ohio.

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

B. Basis of accounting

These financial statements were prepared on the cash receipts and cash disbursements basis of accounting which is a comprehensive basis of accounting other than accounting principles 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. Under Ohio Revised Code Section 1724.05, Community Improvement Corporations are required to prepare their financial statements in accordance with generally accepted accounting principles. The financial statements prepared by the Corporation as of and for the years ended December 31, 2005 and 2004 were not in compliance with this requirement.

Under the cash receipts and cash disbursements basis of accounting, receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred.

C. Financial statement presentation

The Corporation reports 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 following classes of net assets are maintained:

Unrestricted – Includes general and board designated assets and liabilities of the Corporation. The unrestricted net assets of the Corporation may be used at the discretion of management to support the Corporation's purposes and operations.

Temporarily restricted - Includes funds restricted by donor-imposed restrictions on their use.

D. Contributions

The Corporation records contributions and grants when they are received.

E. Cash deposits

During the fiscal years 2005 and 2004, the Corporation's funds were in interest bearing accounts. Included in cash and cash equivalents are amounts in financial institutions in excess of the federally insured \$100,000 limit. The amounts in excess of the insurance limit are an uninsured credit risk, thereby exposing those funds to potential loss.

F. Donated services

Office space and utilities are provided by Adams County to the Corporation at no charge.

G. Income taxes

No provision has been made for income taxes in the financial statements. The Corporation is in the process of applying for tax exempt status under Section 501 (c)(6) of the Internal Revenue Code.

H. Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

I. Functional expenses

The costs of providing various programs and other activities have been summarized on a natural basis in the statements revenues, expenses, and other changes in net assets. All of the Corporation's expenses relate to program services.

2. Financial support

The Corporation receives significantly all of its support from grants. In 2004, the Corporation received a \$500,000 rural development initiative grant from the Ohio Department of Development and two separate grants (\$210,000 and \$200,000) from the Southern Ohio Agricultural and Community Development Foundation. In 2005, the Corporation received grants totaling \$1,250 from various sources.

3. Net assets

Temporarily restricted net assets were \$163,516 and \$272,460 at December 31, 2005 and December 31, 2004, respectively. The assets were restricted for the purpose of construction and development. During the years ended December 31, 2005 and December 31, 2004, the Corporation expended \$110,194 and \$1,137,540, respectively, in restricted funds in accordance with the related restrictions.

4. Real estate transactions

In January of 2004, the Corporation issued \$500,000 in notes to purchase land (approximately 94 acres) and building for \$484,013. The land and building were to be converted and marketed to manufacturers for economic development. The building and a parcel of land (24 acres) were sold for \$550,000 on December 17, 2004. Proceeds from the sale were used to payoff the outstanding note balance. As of December 31, 2005, the Corporation is still developing the remaining 70 acres of land to be known as Commerce Park. The land is valued at \$159,575.

**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**



To the Board of Directors
Adams County Community Improvement Corporation

We have audited the accompanying financial statements of the Adams County Community Improvement Corporation as of and for the years ended December 31, 2005 and 2004, and have issued our report thereon dated May 24, 2006, wherein we noted that the Corporation prepared its financial statements using the cash receipts and disbursements basis of accounting which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. 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 audits, we considered the Corporation's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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 statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Audit Standards* and which are described in the accompanying schedule of findings and responses as item 2005-001.

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

A handwritten signature in black ink, consisting of the letters 'CSA' in a stylized, cursive font.

May 24, 2006

CERTIFIED PUBLIC ACCOUNTANTS

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**ADAMS COUNTY COMMUNITY IMPROVEMENT CORPORATION
SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2005 AND 2004**

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

FINDING NUMBER 2005 - 001

Criteria:

Under Ohio Revised Code Section 1724.05, Community Improvement Corporations are required to file financial reports with the Auditor of State using generally accepted accounting principles (GAAP).

Condition:

The Corporation's financial statements were prepared on the cash receipts and cash disbursements basis of accounting.

Context:

During testing related to the Ohio Compliance Supplement, we noted that the Corporation was required to file and prepare their financial statements in accordance with GAAP and submit those financial statements to the Auditor of State. We noted that the Corporation was not aware of such a requirement and had prepared their financial statements on the cash receipts and cash disbursements basis of accounting.

Effect:

The Corporation is in violation of Ohio Revised Code Section 1724.05.

Cause:

The Corporation was funded in early 2004 and has limited activity to report since that time and was unaware of the requirement to file on a GAAP basis. Retrospectively converting and reporting on a GAAP basis for the years ended December 31, 2005 and 2004 would put excessive strain on the Corporation's resources.

Recommendation:

The Corporation should prospectively convert to a GAAP basis for financial statement reporting to the Auditor of State on a going forward basis beginning with the year ending December 31, 2006.

Views of Responsible Officials and Planned Corrective Actions:

We concur with the comments and recommendations.



**Auditor of State
Betty Montgomery**

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ADAMS COUNTY COMMUNITY IMPROVEMENT CORPORATION

ADAMS 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
JULY 6, 2006**