MORGAN COUNTY IMPROVEMENT CORPORATION

MORGAN COUNTY, OHIO

REGULAR AUDIT

For the Years Ended December 31, 2020 and 2019

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 Morgan County Improvement Corporation, Morgan County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2019 through December 31, 2020. 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. Morgan County Improvement Corporation is responsible for compliance with these laws and regulations.

Keith Faber
Auditor of State
Columbus, Ohio

September 16, 2021

This page intentionally left blank.

MORGAN COUNTY IMPROVEMENT CORPORATION
MORGAN COUNTY
December 31, 2020 and 2019

TABLE OF CONTENTS

This page intentionally left blank.

Charles E. Harris & Associates, Inc.
Certified Public Accountants

5510 Pearl Road Ste 102
Parma OH 44129-2527
Office phone - (216) 575-1630
Fax - (216) 436-2411

INDEPENDENT AUDITOR'S REPORT

Morgan County 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 Improvement Corporation, Morgan County, Ohio (the Corporation), which comprise the statements of financial position as of December 31, 2020, 2019 and 2018 and the related statements of activities, cash flows, and functional expenses 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 Improvement Corporation, Morgan County, Ohio, as of December 31, 2020, 2019 and 2018 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 2020-2019 and 2019-2018 financial statements, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Corporation. We did not modify our opinions regarding this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 27, 2021, 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.
August 27, 2021

MORGAN COUNTY IMPROVEMENT CORPORATION
MORGAN COUNTY

STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2020 AND 2019

	2020	2019
ASSETS		
Current Assets		
Cash and Cash Equivalents	$ 592,582	$ 507,094
Total Current Assets	592,582	507,094
Property and Equipment		
Buildings	15,275,000	15,275,000
Land Improvements	18,800	18,800
Land	345,794	345,794
	15,639,594	15,639,594
Less: Accumulated Depreciation	(3,875,933)	(3,482,991)
Net Property and Equipment	11,763,661	12,156,603
TOTAL ASSETS	12,356,243	12,663,697
LIABILITIES AND NET ASSETS		
Current Liabilities		
Current Portion of Long-Term Debt	516,270	509,266
Total Current Liabilities	516,270	509,266
Long-Term Liabilities		
Note Payable - Ohio Dept of Development 148-01-01	1,624,848	1,769,154
Note Payable - Ohio Dept of Development 148-02-01	425,279	472,931
Note Payable - Ohio Dept of Development 706-01-01	1,278,995	1,346,242
Less: Current Portion of Long-Term Debt	(516,270)	(509,266)
Total Long-Term Liabilities	2,812,852	3,079,061
TOTAL LIABILITIES	3,329,122	3,588,327
NET ASSETS		
Without Donor Restrictions	9,027,121	9,075,370
Total Net Assets	9,027,121	9,075,370
TOTAL LIABILITIES AND NET ASSETS	$ 12,356,243	$ 12,663,697

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, 2020 AND 2019

	2020	2019
CHANGES IN NET ASETS WITHOUT DONOR RESTRICTIONS		
REVENUES		
Rental Income	$ 484,117	$ 688,622
Interest Income	5,329	3,344
Total Revenues	489,446	691,966
EXPENSES		
Advertising	50	700
Bank Charges	95	20
Depreciation	392,942	393,015
Donations	33,000	-
Dues & Subscriptions	-	100
Officers' Fees	42,400	42,400
Insurance	7,089	7,072
Interest	39,252	98,970
Loan Service Fees	5,192	10,788
Office Supplies	-	13
Professional Fees	5,430	19,244
Reimbursed Expenses	6,807	-
Repairs and Maintenance	200	-
Rent Expense	3,660	2,618
Safe Deposit Box Rental	86	86
Taxes	1,492	3,800
Total Expenses	537,695	578,826
Other Income		
Gain on Sale of Fixed Assets	-	103,942
Total Other Income	-	103,942
Increase (Decrease) in Net Assets Without Donor Restrictions	(48,249)	217,082
NET ASSETS - BEGINNING OF YEAR	9,075,370	8,858,288
NET ASSETS - END OF YEAR	$ 9,027,121	$ 9,075,370

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, 2020 AND 2019

	2020	2019
Cash Flows from Operating Activities		
Change in Net Assets	$ (48,249)	$ 217,082
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation	392,942	393,015
Gain on Sale of Fixed Assets	-	(103,942)
Total Adjustments	392,942	289,073
Net Cash Provided (Used) by Operating Activities	344,693	506,155
Cash Flows from Investing Activities		
Cash Received for Fixed Assets	-	198,562
Net Cash Provided (Used) by Investing Activities	-	198,562
Cash Flows Used by Financing Activities		
Principal Payments on Notes Payable	(259,205)	(496,659)
Net Cash Provided (Used) by Financing Activities	(259,205)	(496,659)
Net Increase (Decrease) in Cash and Cash Equivalents	85,488	208,058
Cash and Cash Equivalents - Beginning of Year	507,094	299,036
Cash and Cash Equivalents - End of Year	$ 592,582	$ 507,094

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

MORGAN COUNTY IMPROVEMENT CORPORATION
MORGAN COUNTY

STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2020 and 2019

For the Year Ended December 31, 2020

	Program Expenses	Management and General	Total
Advertising	$ 50	$ -	$ 50
Bank Charges	-	95	95
Depreciation	392,942	-	392,942
Donations	33,000	-	33,000
Officers' Fees	-	42,400	42,400
Insurance	7,089	-	7,089
Interest	39,252	-	39,252
Loan Service Fees	5,192	-	5,192
Professional Fees	-	5,430	5,430
Reimbursed Expenses	6,807	-	6,807
Repairs and Maintenance	200	-	200
Rent Expense	-	3,660	3,660
Safe Deposit Box Rental	-	86	86
Taxes	1,492	-	1,492
Total Expenses	$ 486,024	$ 51,671	$ 537,695

For the Year Ended December 31, 2019

	Program Expenses	Management & General	Total
Advertising	$ 700	$ -	$ 700
Bank Charges	-	20	20
Depreciation	393,015	-	393,015
Dues and Subscriptions	-	100	100
Officers' Fees	-	42,400	42,400
Insurance	7,072	-	7,072
Interest	98,970	-	98,970
Loan Service Fees	10,788	-	10,788
Office Supplies	-	13	13
Professional Fees	-	19,244	19,244
Rent Expense	-	2,618	2,618
Safe Deposit Box Rental	-	86	86
Taxes	3,800	-	3,800
Total Expenses	$ 514,345	$ 64,481	$ 578,826

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.

The Corporation provides 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 C.

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, 2020 and 2019, 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)

Fair Value of Financial Instruments

The Corporation's financial instruments consist primarily of cash. The carrying values of financial instruments are representative of their fair values due to their short-term maturities.

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 a 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 2020 through 2018 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 financial statements of the Corporation have been prepared in accordance with U.S. generally accepted accounting principles ("US GAAP"), which require the Corporation to report information regarding its financial position and activities according to the following net assets classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Corporation. The net assets may be used at the discretion of the Corporation's management and board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Corporation or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. As of December 31, 2020 and 2019, there were no net assets with donor restrictions.

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.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefitted. Management and general expense include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Corporation.

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Events

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

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic, which continues to spread throughout the United States of America. The Corporation has adjusted certain aspects of their operations to protect their staff and tenants while still meeting tenant's needs. While the disruption is currently expected to be temporary, there is uncertainty around the duration.

The duration of any business disruption and related financial impact cannot be reasonably estimated at this time but may materially affect the Corporation's operations. The extent to which the coronavirus pandemic may impact the Corporation's operating results, financial condition, and cash flows will depend on future developments, which are highly uncertain and cannot be predicted at this time, including new information that may emerge concerning the severity of the coronavirus and steps taken to contain the coronavirus or treat its impact, among others.

Presentation of Expenses

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

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, 2020 and 2019, the carrying amount of the Corporation's deposits was $592,582 and $507,094 and the bank balance was $592,582 and $507,094. FDIC insurance covered $332,043 of the 2020 bank balance with the remaining balance collateralized by Citizens National Bank with securities in the Corporation's name. FDIC covered all of the 2019 balance.

NOTE C—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 2020 and 2019 respectively, there were payments of $0 and $150,000 made on the note payable from MCIC Sinter Property to Morgan County Improvement Corporation. The balance on this note was $2,651,187 at December 31, 2020 and 2019. There was a transfer from Morgan County Improvement Corporation to MCIC Sinter Property in the amount of $91,543 in 2020.

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

NOTE D—CONTINGENCIES

The Corporation receives nearly all of its rental income from two sources, MIBA Bearings and MIB Sinter USA, LLC. The amount received from these organizations was $484,117 and $688,622 for the years ended December 31, 2020 and 2019.

NOTE E—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 $1,126,604, leaving a net book value of $1,648,396.

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 $2,673,610, leaving a net book value of $9,576,390.

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, 2020, minimum rental payments due under the above mentioned leases are as follows:

Year Ending		
2021	$	661,413
2022		664,169
2023		658,980
2024		644,704
2025		469,300

NOTE F—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.

	2020	2019
Total Assets, at year end	$ 12,356,243	$ 12,663,697
Less: Fixed and Non-Financial Assets	11,763,661	12,156,603
Financial Assets, at year end	592,582	507,094
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	$ 592,582	$ 507,094

NOTE G—SUPPLEMENTAL DISCLOSURES OF CASH FLOW STATEMENT

During the years ended December 31, 2020 and 2019, cash payments for interest were as follows:

	2020	2019
Interest Paid	$ 39,252	$ 98,970

NOTE H—NOTES PAYABLE

Notes payable at December 31, 2020 and 2019 consists of the following:

	2020	2019
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.	$ 1,624,848	$ 1,769,154
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.	425,279	472,931
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 E.	1,278,995	1,346,242
Total Debt	3,329,122	3,588,327
Less current maturities	516,270	509,266
Net long-term debt	$ 2,812,852	$ 3,079,061

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

Year Ending December 31,	Amount
2021	$ 606,610
2022	606,044
2023	605,465
2024	608,247
2025	584,873
Thereafter	663,937
	$ 3,675,177

MORGAN COUNTY IMPROVEMENT CORPORATION
MORGAN COUNTY

STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2019 AND 2018

	2019	2018
ASSETS		
Current Assets		
Cash and Cash Equivalents	$ 507,094	$ 299,036
Total Current Assets	507,094	299,036
Property and Equipment		
Buildings	15,275,000	15,275,000
Land Improvements	18,800	18,800
Land	345,794	440,414
	15,639,594	15,734,214
Less: Accumulated Depreciation	(3,482,991)	(3,089,976)
Net Property and Equipment	12,156,603	12,644,238
TOTAL ASSETS	12,663,697	12,943,274
LIABILITIES AND NET ASSETS		
Current Liabilities		
Current Portion of Long-Term Debt	509,266	496,719
Total Current Liabilities	509,266	496,719
Long-Term Liabilities		
Note Payable - Ohio Dept of Development 148-01-01	1,769,154	2,051,295
Note Payable - Ohio Dept of Development 148-02-01	472,931	553,787
Note Payable - Ohio Dept of Development 706-01-01	1,346,242	1,479,904
Less: Current Portion of Long-Term Debt	(509,266)	(496,719)
Total Long-Term Liabilities	3,079,061	3,588,267
TOTAL LIABILITIES	3,588,327	4,084,986
NET ASSETS		
Without Donor Restrictions	9,075,370	8,858,288
Total Net Assets	9,075,370	8,858,288
TOTAL LIABILITIES AND NET ASSETS	$ 12,663,697	$ 12,943,274

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, 2019 AND 2018

	2019	2018
CHANGES IN NET ASETS WITHOUT DONOR RESTRICTIONS		
REVENUES		
Rental Income	$ 688,622	$ 4,585,529
Interest Income	3,344	4,898
Miscellaneous Income	-	317
Total Revenues	691,966	4,590,744
EXPENSES		
Advertising	700	50
Bank Charges	20	10
Depreciation	393,015	392,882
Dues & Subscriptions	100	150
Officers' Fees	42,400	42,400
Insurance	7,072	6,959
Interest	98,970	137,044
Loan Service Fees	10,788	11,327
Meetings/Meals	-	154
Office Supplies	13	190
Professional Fees	19,244	8,784
Rent Expense	2,618	3,332
Safe Deposit Box Rental	86	86
Taxes	3,800	3,636
Total Expenses	578,826	607,004
Other Income		
Gain on Sale of Fixed Assets	103,942	-
Total Other Income	103,942	-
Increase (Decrease) in Net Assets Without Donor Restrictions	217,082	3,983,740
NET ASSETS - BEGINNING OF YEAR	8,858,288	4,874,548
NET ASSETS - END OF YEAR	$ 9,075,370	$ 8,858,288

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, 2019 AND 2018

	2019	2018
Cash Flows from Operating Activities		
Change in Net Assets	$ 217,082	$ 3,983,740
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation	393,015	392,882
Gain on Sale of Fixed Assets	(103,942)	-
(Increase) Decrease in Operating Assets:		
Grants Receivable	-	250,000
Increase (Decrease) in Operating Liabilities:		
Grants Payable		(450,000)
Total Adjustments	289,073	192,882
Net Cash Provided (Used) by Operating Activities	506,155	4,176,622
Cash Flows from Investing Activities		
Cash Received (Paid) for Fixed Assets	198,562	(9,500)
Net Cash Provided (Used) by Investing Activities	198,562	(9,500)
Cash Flows Used by Financing Activities		
Principal Payments on Notes Payable	(496,659)	(4,351,055)
Net Cash Provided (Used) by Financing Activities	(496,659)	(4,351,055)
Net Increase (Decrease) in Cash and Cash Equivalents	208,058	(183,933)
Cash and Cash Equivalents - Beginning of Year	299,036	482,969
Cash and Cash Equivalents - End of Year	$ 507,094	$ 299,036

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

MORGAN COUNTY IMPROVEMENT CORPORATION
MORGAN COUNTY

STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2019 and 2018

For the Year Ended December 31, 2019

	Program Expenses	Management and General	Total
Advertising	$ 700	$ -	$ 700
Bank Charges	-	20	20
Depreciation	393,015	-	393,015
Dues and Subscriptions	-	100	100
Officers' Fees	-	42,400	42,400
Insurance	7,072	-	7,072
Interest	98,970	-	98,970
Loan Service Fees	10,788	-	10,788
Office Supplies	-	13	13
Professional Fees	-	19,244	19,244
Rent Expense	-	2,618	2,618
Safe Deposit Box Rental	-	86	86
Taxes	3,800	-	3,800
Total Expenses	$ 514,345	$ 64,481	$ 578,826

For the Year Ended December 31, 2018

	Program Expenses	Management & General	Total
Advertising	$ 50	$ -	$ 50
Bank Charges	-	10	10
Depreciation	392,882	-	392,882
Dues and Subscriptions	-	150	150
Officers' Fees	-	42,400	42,400
Insurance	6,959	-	6,959
Interest	137,044	-	137,044
Loan Service Fees	11,327	-	11,327
Meetings / Meals		154	154
Office Supplies	-	190	190
Professional Fees	-	8,784	8,784
Rent Expense	-	3,332	3,332
Safe Deposit Box Rental	-	86	86
Taxes	3,636	-	3,636
Total Expenses	$ 551,898	$ 55,106	$ 607,004

The notes to the 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.

The Corporation provides 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, 2019 and 2018, 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)

Fair Value of Financial Instruments

The Corporation's financial instruments consist primarily of cash. The carrying values of financial instruments are representative of their fair values due to their short-term maturities.

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 a 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 2019 through 2017 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 financial statements of the Corporation have been prepared in accordance with U.S. generally accepted accounting principles ("US GAAP"), which require the Corporation to report information regarding its financial position and activities according to the following net assets classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Corporation. The net assets may be used at the discretion of the Corporation's management and board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Corporation or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. As of December 31, 2019 and 2018, there were no net assets with donor restrictions.

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.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefitted. Management and general expense include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Corporation.

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Events

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

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic, which continues to spread throughout the United States of America. The Corporation has adjusted certain aspects of their operations to protect their staff and tenants while still meeting tenant's needs. While the disruption is currently expected to be temporary, there is uncertainty around the duration.

The duration of any business disruption and related financial impact cannot be reasonably estimated at this time but may materially affect the Corporation's operations. The extent to which the coronavirus pandemic may impact the Corporation's operating results, financial condition, and cash flows will depend on future developments, which are highly uncertain and cannot be predicted at this time, including new information that may emerge concerning the severity of the coronavirus and steps taken to contain the coronavirus or treat its impact, among others.

Presentation of Expenses

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

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, 2019 and 2018, the carrying amount of the Corporation's deposits was $507,094 and $299,512 and the bank balance was $507,094 and $299,036. FDIC insurance covered the entire bank balances.

NOTE C—CONTINGENCIES

The Corporation receives nearly all of it rental income from two sources, MIBA Bearings and MIBA sinter USA, LLC. The amount received from these organization was $688,622 and $4,585,529 for the years ended December 31, 2019 and 2018.

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 2019 and 2018 respectively, there were payments of $150,000 and $300,000 made on the note payable from MCIC Sinter Property to Morgan County Improvement Corporation. The balances on this note were $2,651,187 and $2,801,187 at December 31, 2019 and 2018, 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.

NOTE D—RELATED PARTY TRANSACTIONS (CONTINUED)

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

NOTE E—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 $1,055,450, leaving a net book value of $1,719,550.

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 $2,359,508, leaving a net book value of $9,890,492.

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 pay off 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, 2019, minimum rental payments due under the above mentioned leases are as follows:

Year Ending		
2020	$	660,056
2021		662,784
2022		665,568
2023		660,407
2024		644,729

NOTE F—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.

NOTE F—LIQUDITY AND AVAILABILTY OF FINANCIAL ASSETS (CONTINUED)

	2019	2018
Total Assets, at year end	$ 12,663,697	$ 12,943,274
Less: Fixed and Non-Financial Assets	12,156,603	12,644,238
Financial Assets, at year end	507,094	299,036
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	$ 507,094	$ 299,036

NOTE G—SUPPLEMENTAL DISCLOSURES OF CASH FLOW STATEMENT

During the years ended December 31, 2019 and 2018, cash payments for interest were as follows:

	2019	2018
Interest Paid	$ 98,970	$ 137,044

NOTE H—NOTES PAYABLE

Notes payable at December 31, 2019 and 2018 consists of the following:

	2019	2018
Note payable – Ohio Dept. of Development 148-01-01 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.	$ 1,769,154	$ 2,051,295
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.	472,931	553,787
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.	1,346,242	1,479,904
Total Debt	3,588,327	4,084,986
Less current maturities	509,266	496,719
Net long-term debt	$ 3,079,061	$ 3,588,267

NOTE H—NOTES PAYABLE (CONTINUED)

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

Year Ending December 31,	Amount
2020	$ 607,162
2021	606,610
2022	606,044
2023	605,465
2024	608,247
Thereafter	945,219
	$ 3,978,748

5510 Pearl Road Ste 102
Parma OH 44129-2527
Charles E. Harris & Associates, Inc. Office phone - (216) 575-1630
Certified Public Accountants Fax - (216) 436-2411

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

Morgan County 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, 2020 and 2019 and the related statements of activities, cash flows and functional expenses for the years then ended, and the related notes to the financial statements and have issued our report thereon dated August 27, 2021. We noted the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Corporation.

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 August 27, 2021.

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.
August 27, 2021

OHIO AUDITOR OF STATE
KEITH FABER

MORGAN COUNTY IMPROVEMENT CORPORATION

MORGAN COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

This is a true and correct copy of the report, which is required to be filed pursuant to Section 117.26, Revised Code, and which is filed in the Office of the Ohio Auditor of State in Columbus, Ohio.

Certified for Release 9/28/2021

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370