

**The Community Improvement Corporation Of The
Steubenville, Ohio Area**

**Audit Report
December 31, 2006**



Mary Taylor, CPA

Auditor of State

Board of Trustees
Community Improvement Corporation of the Steubenville, Ohio Area
630 Market Street
Steubenville, Ohio 43952

We have reviewed the *Independent Auditor's Report* of the Community Improvement Corporation of the Steubenville, Ohio Area, Jefferson County, prepared by S.R Snodgrass, A.C., for the audit period January 1, 2006 through December 31, 2006. 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 Community Improvement Corporation of the Steubenville, Ohio Area is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

July 17, 2007

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**The Community Improvement Corporation of the
Steubenville, Ohio Area
Audit Report
December 31, 2006**

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Independent Auditor's Report

To the Board of Trustees
The Community Improvement Corporation of the
Steubenville, Ohio Area

We have audited the accompanying statement of financial position of the Community Improvement Corporation of the Steubenville, Ohio Area (a nonprofit organization) as of December 31, 2006, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Community Improvement Corporation of the Steubenville, Ohio Area's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in 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 audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Community Improvement Corporation of the Steubenville, Ohio Area as of December 31, 2006, and the changes in net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated June 15, 2007 on our consideration of the Community Improvement Corporation of Steubenville, Ohio Area's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

S. R. Snodgrass, A.C.

Steubenville, Ohio
June 15, 2007

**The Community Improvement Corporation of the
Steubenville, Ohio Area
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2006**

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$595,738
Accrued interest receivable	404
Current portion of loans receivable	<u>13,009</u>
Total current assets	<u>609,151</u>

LAND, BUILDING, FURNITURE, FIXTURES AND EQUIPMENT

Furniture, fixtures and office equipment	14,360
Accumulated depreciation	<u>(12,646)</u>
Total land, building, furniture, fixtures and equipment	<u>1,714</u>

OTHER ASSETS

Loans receivable	<u>105,834</u>
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Total assets	<u>\$716,699</u>
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 1,105
Deposits – Industrial Park Lot Sale	<u>30,000</u>
Total current liabilities	<u>31,105</u>

Total liabilities	<u>31,105</u>
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NET ASSETS

Unrestricted	103,833
Temporarily restricted	<u>581,761</u>
Total net assets	<u>685,594</u>

Total liabilities and net assets	<u>\$716,699</u>
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The accompanying notes are in integral part of these financial statements.

**The Community Improvement Corporation of the
Steubenville, Ohio Area
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE			
SUPPORT			
Contributions from local governments	\$400,000	\$142,066	\$542,066
Contributions from private donations	<u>-</u>	<u>115,156</u>	<u>115,156</u>
Total support	<u>400,000</u>	<u>257,222</u>	<u>657,222</u>
REVENUE			
Interest	4,151	5,781	9,932
Gain on sale of investment	<u>-</u>	<u>2,537</u>	<u>2,537</u>
Total revenue	<u>4,151</u>	<u>8,318</u>	<u>12,469</u>
NET ASSETS RELEASED FROM RESTRICTIONS			
Satisfaction of terms and conditions	<u>257,024</u>	<u>(257,024)</u>	<u>-</u>
Total support and revenue	<u>661,175</u>	<u>8,516</u>	<u>669,691</u>
EXPENSES			
Program services:			
Progress Alliance	256,692	-	256,692
Revolving Loan Program	<u>332</u>	<u>-</u>	<u>332</u>
Total program service expenses	<u>257,024</u>	<u>-</u>	<u>257,024</u>
Support services:			
Operations	<u>386,924</u>	<u>-</u>	<u>386,924</u>
Total expenses	<u>643,948</u>	<u>-</u>	<u>643,948</u>
Change in Net Assets	17,227	8,516	25,743
Net Assets as of Beginning of Year	<u>86,606</u>	<u>573,245</u>	<u>659,851</u>
Net Assets as of End of Year	<u>\$103,833</u>	<u>\$581,761</u>	<u>\$685,594</u>

The accompanying notes are an integral part of these financial statements.

**The Community Improvement Corporation of the
Steubenville, Ohio Area
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Program Services</u>		Total		Total
	<u>Progress</u>	<u>RLP</u>	<u>Program</u>	<u>Support</u>	<u>Expenses</u>
	<u>Alliance</u>		<u>Services</u>	<u>Services</u>	
Salaries and wages	\$110,402	\$ -	\$110,402	\$ -	\$110,402
Payroll taxes and benefits	21,809	-	21,809	-	21,809
Travel/meeting expense	5,921	-	5,921	-	5,921
Interest expense	5,418	-	5,418	-	5,418
Office expense	6,994	-	6,994	-	6,994
Insurance	2,115	-	2,115	-	2,115
Telephone	2,839	-	2,839	-	2,839
Rent	6,542	-	6,542	-	6,542
Marketing and advertising	41,106	-	41,106	-	41,106
Professional fees	9,334	-	9,334	-	9,334
Other expenses	8,821	352	9,153	345	9,498
Small business development council	3,000	-	3,000	15,000	18,000
Loss on disposal of assets	<u>31,561</u>	<u>-</u>	<u>31,561</u>	<u>371,579</u>	<u>403,140</u>
 Total expenses before depreciation	 255,862	 332	 256,194	 386,924	 643,118
 Depreciation	 <u>830</u>	 <u>-</u>	 <u>830</u>	 <u>-</u>	 <u>830</u>
 Total expenses	 <u>\$256,692</u>	 <u>\$ 332</u>	 <u>\$257,024</u>	 <u>\$386,924</u>	 <u>\$643,948</u>

The accompanying notes are an integral part of these financial statements.

**The Community Improvement Corporation of the
Steubenville, Ohio Area
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2006**

OPERATING ACTIVITIES

Change in net assets	\$ 25,743
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	830
Gain on sale of investment	(2,537)
Loss on sale of fixed assets	403,140
Net change in:	
Accrued interest receivable	233
Accounts payable	(20,187)
Other liabilities	<u>(85,000)</u>
Net cash provided by operating activities	<u>322,222</u>

INVESTING ACTIVITIES

Proceeds from the sale of fixed assets	947,000
Improvements to land and building	(572,789)
Proceeds from the sale of investments	78,311
Payments on loans receivable	<u>13,692</u>
Net cash used in investing activities	<u>466,214</u>

FINANCING ACTIVITIES

Principal payments on note payable	<u>(709,323)</u>
Net cash used in financing activities	<u>(709,323)</u>
Net increase in cash and cash equivalents	79,113

CASH AND CASH EQUIVALENTS AS OF BEGINNING OF YEAR 516,625

CASH AND CASH EQUIVALENTS AS OF END OF YEAR \$595,738

The accompanying notes are an integral part of these financial statements.

**The Community Improvement Corporation of the
Steubenville, Ohio Area
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF ACTIVITIES

The Community Improvement Corporation of the Steubenville, Ohio Area is a nonprofit Organization established for the purpose of advancing, encouraging and promoting the industrial, commercial and civic development of the Steubenville, Ohio area. It has accomplished this function by maintaining the local revolving loan program, and acting as a conduit between prospective businesses and the state and local governments. The Organization's funding is provided mainly by administering and operating their ventures, as well as, Federal, State and Local grants for the revolving loan program and contributions from local government, local businesses and individuals for Progress Alliance.

BASIS OF PRESENTATION

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor or grant restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted net assets – Net assets that are not subject to donor or grantor imposed stipulations.

Temporarily restricted net assets – Net assets subject to donor-imposed restrictions that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

SUPPORT AND REVENUE - CONTRIBUTIONS

Contributions, including unconditional promises to give, are recorded as made. All contributions are available for unrestricted use unless specifically restricted by the donor. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unconditional promises to give due in the next year are recorded at their net realizable value. Unconditional promises to give due in subsequent years are reported at the present value of their net realizable value, using risk-free interest rates applicable to the years in which the promises are to be received.

LAND, BUILDING, FURNITURE, FIXTURES AND EQUIPMENT

Furniture, fixtures and equipment are carried at cost or donated fair value and include expenditures for major renewals and betterments. Maintenance, repairs, and minor renewals are charged to expense as incurred. When assets are sold, or otherwise disposed of, the related cost and accumulated depreciation are removed from the accounts and any profit or loss arising from such disposition is included as income or expense in the year in which it is disposed. Depreciation is computed by an accelerated method based upon the estimated useful lives of the assets.

Depreciation of \$830 has been charged to operations for the year ended December 31, 2006

**The Community Improvement Corporation of the
Steubenville, Ohio Area
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

LOANS RECEIVABLE

Loans receivable are stated at unpaid principal balances. The Organization uses the direct write off method for recording losses on loans receivable.

A loan receivable is written off based upon management's evaluation of its collectability based upon the nature of the loan's impairment and an analysis of its financial status and payment history.

INCOME TAXES

The Organization is exempt from federal income taxes under Internal Revenue Code 501(c)(6) and therefore has made no provision for federal income taxes in the accompanying financial statements.

FUNCTIONAL ALLOCATION OF EXPENSES

Costs are reported by function under program services and support services in the schedule of functional expenses.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include all monies in banks and highly liquid investments with maturity dates of less than three months.

Cash payments for interest for the year ended December 31, 2006 was \$5,418.

ESTIMATES

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

INVESTMENT SECURITIES

The Organization has classified all of its investment securities as Available for Sale Securities. Realized security gains and losses are computed using the specific identification method. Interest and dividends on investment securities are recognized as income when earned.

**The Community Improvement Corporation of the
Steubenville, Ohio Area
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006**

2. CASH AND CASH EQUIVALENTS

	<u>Per Bank</u>	<u>Per Books</u>
Sky Bank – General Operating	\$153,961	\$153,961
Sky Bank – RLP (county)	111,167	111,167
Sky Bank – RLP (city)	123,340	123,340
Sky Bank – Progress Alliance (operating)	28,831	25,859
Sky Bank – Progress Alliance (payroll)	6,178	2,066
Sky Bank – Progress Alliance (marketing)	3,206	3,206
Chase – Economic Development	37,650	37,650
National City Bank – Economic Development (savings)	<u>138,489</u>	<u>138,489</u>
 Total cash and cash equivalents	 <u>\$602,822</u>	 <u>\$595,738</u>

At December 31, 2006 the Community Improvement Corporation of the Steubenville, Ohio Area had deposits with Sky Bank in excess of FDIC limits for \$326,683 and deposits with National City Bank in excess of FDIC limits for \$38,489.

3. LAND, BUILDING, FURNITURE, FIXTURES AND EQUIPMENT

In 1997 Jefferson County gave The Community Improvement Corporation of the Steubenville, Ohio Area land appraised at \$100,000 to be used to build a “Spec” building. Construction of the “Spec” building began in the fall of 1999. The structure was complete and ready for occupancy in the year ended December 31, 2000. During 2006, the organization received funding in the amount of \$400,000 to prepare the building for sale. The building and associated land were subsequently sold in May 2006 to a small manufacturer relocating from Pennsylvania. A loss on sale of \$449,158 was realized during 2006.

Also, the organization acted as an agent for the Jefferson County Commissioners and sold vacant land in the Industrial Park to a trucking company. The gain realized on that sale was \$46,018.

**The Community Improvement Corporation of the
Steubenville, Ohio Area
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006**

4. LOANS RECEIVABLE

The Organization began a revolving loan fund in 1990 with the first loan activity occurring in 1991. The revolving loan fund was established to provide loans to industrial, manufacturing and retail entities in order to retain or create jobs and promote economic development.

The project loans are funded with local matching dollars wherein one (1) local dollar of Community Development Block Grant Funds is matched with three (3) federal dollars from the Economic Development Administration.

The loan program consists of available loan funding maximized at \$400,000 for two (2) specific programs. Program One consists of available loan funding for those projects located exclusively within the City limits of Steubenville, Ohio while Program Two consists of available loan funding for those projects located exclusively in Jefferson County, Ohio excluding the City limits of Steubenville, Ohio. Each program began with a maximum loan funding of \$200,000.

The loans are secured and collateralized, when applicable, by the underlying properties and other assets of the loan recipients. The organization is usually in a secondary position on collateral.

The loan receivable balances regarding the revolving loan fund at December 31, 2006 was \$118,843. The principal payments to be received by the Organization from these loans receivable over the next five years is as follows:

<u>Year</u>	<u>Amount</u>
2007	\$ 13,009
2008	8,759
2009	9,116
2010	9,488
2011 and after	<u>78,471</u>
	<u>\$118,843</u>

The following schedule shows the status of the loans receivable at December 31, 2006:

<u>Current</u>	<u>Days Delinquent</u>				<u>Total</u>
	<u>30 to 59</u>	<u>60 to 89</u>	<u>90 to 119</u>	<u>120 and Over</u>	
<u>\$118,843</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$118,843</u>

**The Community Improvement Corporation of the
Steubenville, Ohio Area
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006**

5. DEPOSITS – INDUSTRIAL PARK LOT SALE

On July 7, 2005, the Jefferson County Commissioners approved the transfer of a six-acre parcel of land in the Jefferson County Industrial Park to The Community Improvement Corporation, which in turn, acted as a conduit between the county and a proposed buyer, Douglas Don Snyder and Lora Faye Snyder of Wildfire Motors, and entered into a purchase agreement to sell the landsite to the proposed buyer. The agreement entered into provided a sum of \$30,000 to The Community Improvement Corporation, which had previously entered into a written agreement with the Jefferson County Commissioners to use the proceeds from the sale or lease of lots in the Jefferson County Industrial Park, or from other sources, to fully extend the access road through the Jefferson County Industrial Park. If The Community Improvement Corporation fails to do so, the recipient may be required to compensate the U.S. Department of Commerce in the amount of the award disbursed for the Project.

6. UNRESTRICTED NET ASSETS

The unrestricted net assets represents results of activities for the following programs that have no grantor or donor stipulations. The balances at December 31 consist of the following:

	2006
General operating	<u>\$103,833</u>

7. TEMPORARILY RESTRICTED NET ASSETS

The temporarily restricted net assets represents results of activities for the following programs that have grantor or donor stipulations. The balances at December 31 consist of the following:

	2006
Revolving loan program	\$356,791
Progress Alliance Economic Development	<u>224,970</u>
	<u>\$581,761</u>

8. PROGRESS ALLIANCE

The City of Steubenville, Ohio, the County of Jefferson, Ohio and the Jefferson County Area Chamber of Commerce formed an alliance for economic development of the Steubenville, Ohio area, including all of Jefferson County, Ohio during 1996. The alliance called for the formation of an economic development plan known as Progress Alliance to advance, encourage and promote industrial, economic, commercial and civic development. The Community Improvement Corporation of the Steubenville, Ohio Area was chosen to operate the Progress Alliance program on behalf of the three entities.

The agreement for the alliance calls for each of the parties to contribute sums from time to time to cover the organization's expenditures incurred in the operation of the project. For 2006 the Government entities contributed a total of \$125,000, and the Chamber did not contribute during 2006.

**The Community Improvement Corporation of the
Steubenville, Ohio Area
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006**

9. PENSION PLAN

The Organization adopted a prototype simplified employee pension plan covering all employees 21 years of age, zero years of service, and whose compensation was greater than \$395 for the year. During 2006, the Organization had 2 individuals covered under the plan. The total amount contributed and expensed by the organization for 2006 was \$10,986.

10. RENT

The Community Improvement Corporation of The Steubenville, Ohio Area currently rents space from Greg and Debbie Froelich. The Froelich's would be considered a related party since they participate in the revolving loan program. Rent expense for 2006 was \$6,542.

The lease for the new office location began on December 16, 2006 and will expire on December 15, 2007. Rent expense for this period will be \$1,000 per month. In addition, the tenant has the option for two one year extensions.

11. CONCENTRATION OF CREDIT RISK AND OFF BALANCE SHEET RISK

The Organization's programs are maintained in the Jefferson County, Ohio geographical area. The performance of its lending and operational activity are dependent on the performance of the participating companies and projects. The results of these companies and the operations of the Organization's projects are dependent on the economic conditions in the local trade area.

12. CONTINGENCIES

The Community Improvement Corporation of the Steubenville, Ohio Area receives restricted funds under the revolving loan program. The operation of this program is subject to review by the granting Organization. The ultimate determination of amounts received under this program is based upon criteria established and reviewed by the granting Organization. Until such reviews have been made, there exists a contingency to refund any amount received that does not meet grant specifications. Management is of the opinion that no material liability will result from such reviews.

13. RISK MANAGEMENT

The Organization is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, flood and earthquake, errors and omissions, employment matters, injuries to employees and employee theft and fraud.

The Organization participates in the Ohio Bureau of Workers' Compensation for workers compensation coverage and with the Ohio Department of Job and Family Services for unemployment coverage. The Organization continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years and there has been no significant reduction in insurance coverage from coverage in prior years.



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 Trustees
The Community Improvement Corporation of the
Steubenville, Ohio Area

We have audited the financial statements of The Community Improvement Corporation of the Steubenville, Ohio Area (a nonprofit organization) as of and for the year ended December 31, 2006 and have issued our report thereon dated June 15, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered The Community Improvement Corporation of the Steubenville, Ohio Area's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of The Community Improvement Corporation of the Steubenville, Ohio Area's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of The Community Improvement Corporation of the Steubenville, Ohio Area's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether The Community Improvement Corporation of the Steubenville, Ohio Area'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 statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

S. R. Smolgrass, A.C.

Steubenville, Ohio
June 15, 2007



Mary Taylor, CPA
Auditor of State

COMMUNITY IMPROVEMENT CORPORATION OF THE STEUBENVILLE, OHIO AREA

JEFFERSON 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 31, 2007**