

PUTNAM COUNTY COMMUNITY IMPROVEMENT CORPORATION

PUTNAM COUNTY

JANUARY 1, 2001 TO DECEMBER 12, 2001

PREPARED BY: LUDERMAN & KONST, INC.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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Board of Directors
Putnam County Community Improvement Corporation

We have reviewed the Independent Auditor's Report of the Putnam County Community Improvement Corporation, Putnam County, prepared by Luderman & Konst, Inc. for the audit period January 1, 2001 through December 31, 2001. 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 Putnam County Community Improvement Corporation is responsible for compliance with these laws and regulations.

A handwritten signature in black ink, appearing to read "Jim Petro".

JIM PETRO
Auditor of State

June 5, 2002

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PUTNAM COUNTY COMMUNITY IMPROVEMENT CORPORATION
(An Ohio Non-Profit Corporation)

FINANCIAL STATEMENTS
For The Year Ended December 31, 2001

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May 3, 2002

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Putnam County Community Improvement Corporation
240 East Main Street
Ottawa, Ohio 45875

We have audited the accompanying statement of financial position of Putnam County Community Improvement Corporation (An Ohio Non-Profit Corporation) as of December 31, 2001, and the related statement of activities and cash flows for the year then ended. These financial statements are the responsibility of the organization'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 also 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 above-mentioned financial statements present fairly in all material respects, the financial position of Putnam County Community Improvement Corporation as of December 31, 2001, and the result of its changes in net assets and 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 a report dated March 31, 2002, on our consideration of Putnam County Community Improvement Corporation'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.

Board of Directors
Putnam County Community Improvement Corporation
May 3, 2002
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Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplemental information contained in Schedule I is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the examination of the basic financial statements, and in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Luderman & Konst, Inc.
Certified Public Accountants

PUTNAM COUNTY COMMUNITY IMPROVEMENT CORPORATION
STATEMENT OF FINANCIAL POSITION
December 31, 2001

*Exhibit A***ASSETS****CURRENT ASSETS**

Cash	\$ 350,751
Total Current Assets	<u>\$ 350,751</u>

PROPERTY & EQUIPMENT

Land	\$ 246,448
Building	3,598,393
Furniture & Fixtures	21,340
Vehicles	30,430
Less: Accumulated Depreciation	<u>(510,469)</u>
Total Property & Equipment	<u>\$ 3,386,142</u>

OTHER ASSETS

Intangible Assets	\$ 3,200
Less: Accumulated Amortization	<u>(356)</u>
Total Intangible Assets	<u>\$ 2,844</u>

Total Assets	<u><u>\$ 3,739,737</u></u>
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LIABILITIES AND NET ASSETS**CURRENT LIABILITIES**

Accounts Payable	\$ 3,912
Accounts Payable - Other	73,811
Loans Payable	36,216
Mortgage Payable	135,258
Accrued Wages	2,186
Accrued Fringes	7,143
Total Current Liabilities	<u>\$ 258,526</u>

LONG-TERM LIABILITIES

Loan Payable	\$ 598,740
Mortgage Payable	<u>2,277,872</u>
Total Long-Term Liabilities	<u>\$ 2,876,612</u>

Total Liabilities	\$ 3,135,138
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NET ASSETS

Unrestricted Net Assets	<u>\$ 604,599</u>
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Total Liabilities & Net Assets	<u><u>\$ 3,739,737</u></u>
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"See Notes To Financial Statements"

PUTNAM COUNTY COMMUNITY IMPROVEMENT CORPORATION
STATEMENT OF ACTIVITIES
For The Year Ended December 31, 2001

Exhibit B**REVENUE - OPERATING**

Contributions	\$ 72,750
Miscellaneous Income	1,088
Rent Income	277,366
Enterprise Zone Revenue	43,033
Membership Dues	680
Overhead Reimbursement - Putnam County	16,784
Income - ODOD	15,000
Enterprise Zone Fees	24,200
Total Operating Revenue	<u>\$ 450,901</u>

OPERATING EXPENSES

Operating Expenses - Schedule I	<u>\$ 267,535</u>
Operating Revenue Less Expenses	\$ 183,366

OTHER REVENUE (EXPENSE)

Interest Income	\$ 8,389
Interest Expense	<u>(117,134)</u>
Total Other Revenue (Expense)	<u>\$ (108,745)</u>

Increase In Net Assets	\$ 74,621
Net Assets At Beginning Of Year	<u>529,978</u>
Net Assets At End Of Year	<u><u>\$ 604,599</u></u>

PUTNAM COUNTY COMMUNITY IMPROVEMENT CORPORATION
STATEMENT OF CASH FLOWS
For The Year Ended December 31, 2001

Exhibit C**CASH FLOWS FROM OPERATING ACTIVITIES**

Increase In Net Assets	\$ 74,621
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ADJUSTMENTS TO RECONCILE CHANGE IN NET**ASSETS TO NET CASH USED BY OPERATING ACTIVITIES:**

Depreciation	\$ 97,033
Amortization	356
Decrease In Accounts Receivable - Putnam County	5,588
Decrease In Prepaid Expenses	4,000
Increase In Accrued Wages	619
Increase In Accrued Fringes	3,185
Decrease In Accounts Payable	(7,495)
Increase In Accounts Payable - Other	73,811
Decrease In Advances Payable	(22,630)
Total Adjustments	\$ 154,467
Net Cash Provided By Operating Activities	\$ 229,088

CASH FLOWS FROM INVESTING ACTIVITIES :

Purchase Of Property & Equipment	\$ (10,129)
Purchase Of Intangible Assets	(3,200)
Net Cash Provided By Investing Activities	\$ (13,329)

CASH FLOWS FROM FINANCING ACTIVITIES :

Payments On Loans Payable	\$ (28,619)
Payments On Long-Term Mortgage	(98,582)
Net Cash Used By Financing Activities	\$ (127,201)

NET INCREASE IN CASH AND CASH EQUIVALENTS	\$ 88,558
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CASH AND CASH EQUIVALENTS AT JANUARY 1,	262,193
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CASH AND CASH EQUIVALENTS AT DECEMBER 31,	\$ 350,751
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SUPPLEMENTAL DISCLOSURES :

Interest Paid	\$ 117,134
Income Taxes Paid	0

PUTNAM COUNTY COMMUNITY IMPROVEMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2001

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of Putnam County Community Improvement Corporation is presented to assist in understanding the Company's financial statements. The financial statements and notes are representations of the Company's management who is responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles and have been consistently applied in the preparation of the financial statements.

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.

Property & Equipment – All property and equipment are recorded at cost and are depreciated using the straight line method over the asset's estimated useful lives. Furniture & fixtures are depreciated using a 5-7 year life and the buildings a 40 year life. Expenditures for repairs and maintenance are charged to expense as incurred. Major improvements are capitalized. Depreciation expense is \$ 97,033 for the year ended December 31, 2001.

Accounts Receivable & Bad Debts – Accounts receivable is listed net of the bad debt allowance. There is no bad debt allowance at December 31, 2001. Management estimates that all accounts receivable will be collectible in full.

Basis Of Presentation – Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations. Under SFAS No. 117, the organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Management is of the opinion that there were no temporarily restricted or permanently restricted net assets at December 31, 2001.

Cash Equivalents – For the purpose of the statement of cash flows, the organization considers all investment instruments purchased with a maturity of three months or less to be cash equivalents.

NOTE 2 – BUSINESS ACTIVITY

Putnam County Community Improvement Corporation was formed in 1984 to advance, encourage, and promote the industrial, economic, commercial, and civic development of Putnam County.

NOTE 3 – EXEMPTION FROM FEDERAL INCOME TAX

The organization is considered exempt under code section 501(c)(3) and holds a letter of exemption from income tax dated September 4, 1986. Information returns, Form 990, have been filed for all years through December 31, 2000. The 2001 Form 990 will be filed prior to May 15, 2002. The organization is not considered a private foundation.

PUTNAM COUNTY COMMUNITY IMPROVEMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS – (CONTINUED)
December 31, 2001

NOTE 4 – LEASE COMMITMENTS

The organization entered into a lease agreement with the Putnam County Commissioners to lease office space at 240 East Main Street, Ottawa, Ohio. The organization paid \$ 30,000 prior to December 1, 1996, which was for a 5 year period (\$ 500 per month). In addition, \$ 1,000 per year was paid to cover overhead. This lease expired August 1, 2001. At that time, a new agreement was entered into. The lease is from August 26, 2001 to August 26, 2002 at a cost of \$ 666.67 per month. Total lease expense for the year was \$ 8,333.

NOTE 5 – PENSION

The organization established a Simplified Employee Pension Plan in April 1991 covering all employees. Each employee's contribution is limited to the lesser of 15 % of the first \$ 200,000 of compensation or \$30,000. The organization has elected to contribute 15% of each employee's gross wages. Pension Expense for 2001 was \$ 15,755.

NOTE 6 – LOAN PAYABLE

The loan payable for \$ 91,608 represents funds borrowed from the Putnam County revolving loan fund. The proceeds were applied toward the construction of a building in Ottoville, Ohio, leased to Alpharetta Properties. Monthly payment of \$ 777 will continue until September 2013. The loan is secured by a second mortgage on the land and building.

The loan payable for \$ 181,914 represents funds borrowed from Putnam County. The proceeds were applied toward the construction of a building in Ottoville, Ohio, leased to Alpharetta Properties. Monthly payments of \$ 1542 will continue until September 2013. The loan is secured by a second mortgage on the land and building.

The loan payable for \$ 361,434 to the Putnam County Commissioners represents the balance due on \$390,000 borrowed May 28, 1999 to purchase the building leased to American Weatherseal. Monthly payments of \$ 2,563 include principle and interest and are due until May 2019. The interest rate is 5.00 %. The loan is secured by a second mortgage on the land and building.

The loans are as follows:

<u>Lender</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Monthly Payment</u>
Putnam County	\$ 181,914	3.0 %	\$ 1,542
Putnam County - Revolving Loan fund	91,608	3.0 %	777
Putnam County	<u>361,434</u>	5.0 %	2,563
Total	\$ 634,956		
Less: Current Portion	<u>(36,216)</u>		
Long Term Portion	<u>\$ 598,740</u>		

PUTNAM COUNTY COMMUNITY IMPROVEMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS – (CONTINUED)
December 31, 2001

NOTE 6 – LOAN PAYABLE (CONTINUED)

Maturities of loans payable for the next 5 years are as follows:

2002	36,216
2003	34,308
2004	35,639
2005	37,024
2006	38,467
Thereafter	<u>453,302</u>
Total	<u>\$ 634,956</u>

NOTE 7 – MORTGAGE PAYABLE

The mortgage payable to the Ottoville Bank represents the balance due on \$ 1,124,762 borrowed to construct a building in Ottoville, Ohio, leased to Alpharetta Properties. Monthly payments of \$ 9,430 include principle and interest and are due until March 2012. The interest rate is variable with a maximum rate of 12.5%. The rate cannot change more than 1% per year. The loan is secured by a first mortgage on the land and building.

The mortgage payable to the State of Ohio represents the balance due on \$1,737,750 borrowed May 28, 1999 to purchase a building and land in Ottawa, Ohio, leased to American Weatherseal. Monthly payments will vary year to year. Payments are \$8,751, which included both interest and principle. Monthly payments are due until July 1, 2004, when a balloon payment of \$1,414,561 is due. The interest rate is currently 2.00 %. The loan is secured by a first mortgage on the land and building. The loans are as follows:

<u>Lender</u>	<u>Amount</u>	<u>Rate</u>	<u>Payment</u>
Ottoville Bank	\$ 824,340	8.00 %	\$ 9,430
State of Ohio	<u>1,588,790</u>	2.00 %	8,751
Total	\$ 2,413,130		
Less: Current Portion	<u>(135,258)</u>		
Long-Term Portion	<u>\$ 2,277,872</u>		

Maturities of mortgages payable for the next 5 years are as follows:

2002	135,258
2003	115,219
2004	1,502,713
2005	62,604
2006	67,800
Thereafter	<u>529,536</u>
Total	<u>\$ 2,410,130</u>

PUTNAM COUNTY COMMUNITY IMPROVEMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS – (CONTINUED)
December 31, 2001

NOTE 8 – RENTAL INCOME UNDER OPERATING LEASES

During March, 1993, the Putnam County Community Improvement Corporation (lessor) entered into a lease agreement with Alpharetta Properties, Inc., (lessee) to lease the building constructed in Ottoville, Ohio. The lease was for a period of 5 years and was renewed for an additional 5 years in March 1998. The agreement permits the lessee to terminate the lease without penalty, provided the lessor is given 1 year's written notice. Lease payments are \$ 11,784 per month. Should the interest rate change on the mortgage from the Ottoville Bank, (Note 7) either the cost or savings shall be passed on to the lessee in the form of a lease adjustment. In case of default Alpharetta Properties, Inc. has also established an irrevocable Letter of Credit with Bank One, Lima, for \$ 69,000. Putnam County Community Improvement Corporation is the beneficiary. If the lessee complies with all the terms of the lease, the letter of credit will be reduced by \$ 11,500 annually until it reaches a balance of \$ 20,000. The letter of credit will be cancelled at the time the premises is vacated, provided the building is left in an acceptable condition. The lessee has the option to purchase the property after having leased it for a period of 18 months. The purchase price will be the unpaid principal and interest on the 2 loans mentioned in note 6 and the Ottoville Bank loan mentioned in note 7. Total rent received in 2001 was \$ 141,412.

During May 1999, the organization also entered into a lease with American Weatherseal to lease the building recently purchased in Ottawa, Ohio. The lease is for a period of 7 years. The monthly lease payment is \$ 13,955. The lessee has an option to purchase the building at the end of the lease term for the unpaid principal balance and accrued interest. Total rent received in 2001 was \$ 133,955. In December, 2000 American Weatherseal filed Chapter 11 Bankruptcy and in 2001 vacated the premises (see Note 12).

NOTE 9 – RELATED PARTY TRANSACTION

Putnam County would be considered a related party in regard to the Putnam County Community Improvement Corporation. The County Commissioners of Putnam County are on the 21 member Board of the Community Improvement Corporation.

The organization leases office space from Putnam County (see Note 4) and have also borrowed funds from Putnam County (see Note 6). In addition the revolving loan which is a part of Putnam Company reimburses the organization for wages, fringes, and some overhead expense. The total reimbursed for 2001 was \$ 16,784.

NOTE 10 – CONCENTRATIONS

Approximately 26% of the organization's support was provided by two organizations who are leasing buildings. One of these tenants has filed for bankruptcy and the other tenant has exercised its option to purchase the building (see Note 12).

NOTE 11 – PROGRAM SERVICES AND ADMINISTRATIVE EXPENSES

Total expenses for 2001 consist of expenses related to program services and administrative expenses and are as follows:

Program Services	\$ 330,130
Administrative	<u>54,539</u>
Total	<u>\$ 384,669</u>

PUTNAM COUNTY COMMUNITY IMPROVEMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS – (CONTINUED)
December 31, 2001

NOTE 12 – SUBSEQUENT EVENT

The organization has previously leased a building to American Weatherseal. In conjunction with this building, the organization has a loan with Putnam County (Note 6) and a mortgage with State of Ohio (Note 7). In December, 2000, American Weatherseal filed Chapter 11 Bankruptcy and in 2001 defaulted and vacated the premises after paying approximately 10 months rent. Efforts to find a new tenant have not been successful and the building is expected to be auctioned.

The loan and mortgage provide that neither the organization nor its officers, directors, agents and employees shall be personally liable on the debt, nor can the state seek or take judgment against this organization or any of its officers, directors, agents or employees, but must rely on the collateral for repayment in the event of default.

On May 3, 2002, Alpharetta Properties, Inc. exercised its option to purchase the building under the terms noted in Note 8.

NOTE 13 – CONTINGENT LIABILITY

The organization has cash in the bank exceeding the FDIC insurance limit in the amount of \$ 250,751 at December 31, 2001.

NOTE 14 – PRIOR PERIOD ADJUSTMENT

During 1999, the Ohio Department of Development advanced \$ 22,630 to the organization in regards to the Weatherseal Project. The amount was improperly recorded as revenue since the intent was that it would be paid back. Net assets at beginning of year has been adjusted from \$ 552,608 to \$ 529,978 as a result of the prior period adjustment.

NOTE 15 – ENTERPRISE ZONE REVENUE

The organization has gross enterprise zone revenue of \$ 658,612 and payouts of \$ 615,579, resulting in net revenue of \$ 43,033. This represents a fee to the organization for administering the enterprise zone agreements.

PUTNAM COUNTY COMMUNITY IMPROVEMENT CORPORATION
SCHEDULE OF OPERATING EXPENSES
For The Year Ended December 31, 2001

Schedule IOPERATING EXPENSES

Economic Development	\$ 3,926
Bond	376
Supplies & Postage	4,187
Professional Services	2,838
Salary & Wages	94,034
Fringes - Payroll Taxes	7,499
Telephone	5,802
Auto Expense	3,064
Seminars	230
Depreciation	97,033
Repairs - Office Equipment	250
Pension	15,755
Other Employee Benefits	6,965
Marketing	1,663
Rent	8,333
Services Charges	9,871
Dues & Subscriptions	1,865
Annual Dinner	820
Cable & Internet	665
Amortization	356
Utilities	1,121
Miscellaneous Expense	882
Total Operating Expenses	\$ <u>267,535</u>

PUTNAM COUNTY COMMUNITY IMPROVEMENT CORPORATION

March 31, 2002

***INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS***

Board of Directors
Putnam County Community Improvement Corporation
240 East Main Street
Ottawa, Ohio 45875

We have audited the financial statements of Putnam County Community Improvement Corporation (A Nonprofit Organization) as of and for the year ended December 31, 2001, and have issued our report thereon dated March 31, 2002. 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.

COMPLIANCE

As part of obtaining reasonable assurance about whether Putnam County Community Improvement Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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 that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of noncompliance, which we have reported to management of Putnam County Community Improvement Corporation in a separate letter dated March 31, 2002.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered Putnam County Community Improvement Corporation's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance 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 over financial reporting that might be material weaknesses.

Board of Directors
Putnam County Community Improvement Corporation
March 31, 2002
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A material weakness is a 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 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. However, we noted other matters involving the internal control over financial reporting, which we have reported to management of Putnam County Community Improvement Corporation in a separate letter dated March 31, 2002.

This report is intended for the information and use of the audit committee, management, others within the organization and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Luderman & Konst, Inc.
Certified Public Accountants



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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PUTNAM COUNTY COMMUNITY IMPROVEMENT CORPORATION

PUTNAM 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
JUNE 18, 2002**