



**Auditor of State  
Betty Montgomery**



**JACKSON CENTER COMMUNITY IMPROVEMENT CORPORATION  
SHELBY COUNTY**

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

Jackson Center Community Improvement Corporation  
Shelby County  
P.O. Box 669  
Jackson Center, Ohio 45334

To the Board of Trustees:

We have audited the accompanying general-purpose financial statements of the Jackson Center Community Improvement Corporation, Shelby County (the Corporation), as of and for the years ended December 31, 2002 and 2001, as listed in the table of contents. These general-purpose financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these general-purpose 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 general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Jackson Center Community Improvement Corporation, Shelby County, as of December 31, 2002 and 2001, and the results of its operations and the cash flows of its proprietary fund for the years 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 August 29, 2003, 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 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.

A handwritten signature in black ink that reads "Betty Montgomery".

**Betty Montgomery**  
Auditor of State

August 29, 2003

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**JACKSON CENTER COMMUNITY IMPROVEMENT CORPORATION  
SHELBY COUNTY**

**BALANCE SHEETS  
DECEMBER 31, 2002 AND 2001**

	<b>2002</b>	<b>2001</b>
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash	\$42,202	\$22,972
Certificates of Deposit		10,614
Total Current Assets	42,202	33,586
 Restricted Assets:		
Certificates of Deposit	16,461	15,599
 <b>Fixed Assets:</b>		
Land & Building	346,815	346,815
Less – Accumulated depreciation	(31,752)	(23,814)
Fixed Assts (net of accumulated depreciation)	315,063	323,001
 <b>TOTAL ASSETS</b>	<b>\$373,726</b>	<b>\$372,186</b>
 <b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities:</b>		
Notes Payable	23,574	8,893
 <b>Long Term Liabilities:</b>		
Notes Payable	303,588	326,301
Total Liabilities	327,162	335,194
 <b>EQUITY</b>		
Contributed Capital	13,597	13,597
Retained Earnings – reserved for note payable	16,461	15,599
Retained earnings – unreserved	16,506	7,796
Total Equity	46,564	36,992
 <b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$373,726</b>	<b>\$372,186</b>

*The accompanying Notes to Financial Statements are an integral part of the above Statements.*

**JACKSON CENTER COMMUNITY IMPROVEMENT CORPORATION  
SHELBY COUNTY**

**STATEMENTS OF REVENUES, EXPENSES AND  
CHANGES IN RETAINED EARNINGS  
FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001**

	<b>2002</b>	<b>2001</b>
<b>Operating Revenue:</b>		
Rental Income	\$38,407	\$37,025
Interest Income	1,301	1,615
Herman McBride Option 16.09 Acres	1,000	1,000
EMI Corp Option 10 Acres	50,000	1,000
Total Operating Revenues	90,708	40,640
<b>Operating Expenses:</b>		
Depreciation Expense	7,938	7,938
Professional Fees	3,200	3,582
Taxes	3,909	3,480
Jackson Center Option 16.09 Acres	1,000	1,000
Jackson Center Option 10 Acres	50,000	1,000
Insurance	942	765
Repairs		600
Postage and Delivery	8	17
Total Operating Expense	66,997	18,382
Operating Income	23,711	22,258
<b>Non-Operating Expenses:</b>		
Interest Expense	14,139	14,526
Net Income	9,572	7,732
Retained Earnings, January 1	36,992	29,260
<b>Retained Earnings, December 31</b>	<b>\$46,564</b>	<b>\$36,992</b>

*The accompanying Notes to Financial Statements are an integral part of the above Statements.*



**JACKSON CENTER COMMUNITY IMPROVEMENT CORPORATION  
SHELBY COUNTY**

**STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001**

	<b>2002</b>	<b>2001</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Operating Income	\$23,711	\$22,258
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation	7,938	7,938
Net Cash from Operating Activities	31,649	30,196
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net (Purchases) Redemptions of Certificate of Deposit	9,752	(11,429)
Net Cash from Investing Activities	9,752	(11,429)
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</b>		
Interest paid on Notes	14,139	14,526
Repayment of principal on Peoples Federal Loan	(8,032)	(7,646)
Net Cash from Financing Activities	(22,171)	(22,172)
Net Change in Cash and Cash Equivalents	19,230	(3,405)
Cash and Cash Equivalents at Beginning of Year	22,972	26,377
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$42,202</b>	<b>\$22,972</b>

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*The accompanying Notes to Financial Statements are an integral part of the above Statements.*

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**JACKSON CENTER COMMUNITY IMPROVEMENT CORPORATION  
SHELBY COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

**1. DESCRIPTION OF THE ENTITY**

The Jackson Center Community Improvement Corporation (the Corporation) was organized on December 18, 1989, under the laws of the State of Ohio as a not-for-profit corporation whose sole purpose is to advance, encourage, and promote the industrial, economic, commercial and civic development of the Village of Jackson Center, Ohio in accordance with Section 1724.10 of the Revised Code of the State of Ohio.

The Board of Trustees believes these financial statements present all activities for which the corporation is financially responsible.

**2. SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies followed in the preparation of these financial statements are summarized below. These policies conform to U.S. generally accepted accounting principles for governmental units as prescribed in the statements issued by the Governmental Accounting Standards Board and other recognized authoritative sources. The operations of Jackson Center Community Improvement Corporation applies Financial Accounting Standards Board Statements and Interpretations issued prior to November 30, 1989, provided they do not conflict with or contradict GASB pronouncements.

**A. Revenue and Expense Recognition**

Jackson Center Community Improvement Corporation prepares its financial statements on the accrual basis of accounting, consequently certain revenues and related assets are recognized when earned rather than when received, and certain expenses are recognized when incurred rather than when the obligation is paid.

**B. Cash and Cash Equivalents**

The Corporation's cash funds are held in checking and savings accounts.

For purposes of the Statements of Cash Flows, the Corporation considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

**C. Donated Services**

No amounts have been reflected in the financial statements for donated services. The Corporation generally pays for services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Corporation with specific assistance programs, and various committee assignments.

**D. Tax Exempt Status**

The Corporation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Corporation's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Corporation qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(3).

The Corporation is registered under Ohio Revised Code Chapter 1702 which exempts corporations from Ohio income tax.

**JACKSON CENTER COMMUNITY IMPROVEMENT CORPORATION  
SHELBY COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
(Continued)**

**2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Fixed Assets and Depreciation**

All acquisitions of property and equipment in excess of \$1,000 and all expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Interest incurred during the construction of fixed assets is not capitalized. Depreciation is computed using primarily the straight-line method over the estimated useful life. Improvements to fixed assets are depreciated over the remaining useful lives of the related fixed asset.

**F. Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**3. RESTATEMENT DUE TO PRIOR PERIOD ADJUSTMENT**

Retained earnings have been restated. This restatement is due to the incorrect reporting of depreciation. Retained earnings were restated at January 1, 2001, from \$27,350 to \$29,260.

**4. DEPOSITS AND INVESTMENTS**

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3 "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements."

The carrying amount of cash and investments at December 31 was as follows:

	<b>2002</b>	<b>2001</b>
Cash	\$42,202	\$22,972
Certificates of deposit	16,461	26,213
Total deposits	\$58,663	\$49,185

**Deposits:** Deposits are insured by the Federal Depository Insurance Corporation.

**5. FIXED ASSETS**

A summary of the Corporation's fixed assets at December 31, 2002, follows:

Land	\$37,233
Building	309,582
Less: Accumulated Depreciation	
Depreciation	(31,752)
Net Fixed Assets	\$315,063

**JACKSON CENTER COMMUNITY IMPROVEMENT CORPORATION  
SHELBY COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
(Continued)**

**5. FIXED ASSETS (Continued)**

A summary of the Corporation's fixed assets at December 31, 2001, follows:

Land	\$37,233
Building	309,582
Less: Accumulated Depreciation	<u>(23,814)</u>
Net Fixed Assets	<u><u>\$323,001</u></u>

**6. OPERATING LEASE COMMITMENTS:**

The Corporation leases office space to tenants under noncancellable operating leases with terms of three to ten years. The following is a schedule by years of future minimum rentals under the leases at December 31, 2002:

**Year Ending December 31:**

2003	\$32,874
2004	24,271
2005	24,271
2006	24,271
2007	24,271
2008	<u>16,181</u>
	<u><u>\$146,139</u></u>

**7. NOTES PAYABLE**

The Corporation's obligation under notes payable at December 31, 2002 consists of the following:

Note payable to Peoples Federal Savings and Loan	\$60,701
Note payable to Jackson Center United Methodist Church	16,461
Note payable to the Village of Jackson Center	<u>250,000</u>
Total Notes Payable	<u><u>\$327,162</u></u>

**JACKSON CENTER COMMUNITY IMPROVEMENT CORPORATION  
SHELBY COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
(Continued)**

**7. NOTES PAYABLE (Continued)**

The Jackson Center Community Improvement Corporation purchased the land and building located at 115 East Pike Street, Jackson Center, Ohio, from the Village of Jackson Center, Ohio, a municipal corporation, on August 24, 1998. As consideration for the purchase, the Jackson Center Community Improvement Corporation executed a Note and Mortgage in favor of the Village of Jackson Center, for Two Hundred Fifty Thousand and 00/100 Dollars (\$250,000.00). The Mortgage was recorded at Volume 711, Page 84 of the Mortgage Records of the Shelby County Recorder's Office on September 2, 1998. The Note has a principal amount of Two Hundred Fifty Thousand and 00/100 Dollars (\$250,000.00), with interest thereon at the rate of Four percent (4%) per annum. Interest payments are to be paid annually on the anniversary date of the note in equal annual installments of Ten Thousand and 00/100 Dollars (\$10,000.00), until August 23, 2008, when the entire unpaid balance of principal and any and all interest accrued thereon shall be finally due and payable. Interest expense paid to the Village of Jackson Center on this Note in December 2002 was Ten Thousand and 00/100 Dollars (\$10,000.00).

To complete improvements to the real property located at 115 East Pike Street, Jackson Center, Ohio, the Jackson Center Community Improvement Corporation borrowed Ninety-five Thousand Six Hundred Fifteen and 00/100 Dollars (\$95,615.00) from Peoples Federal Savings & Loan, Sidney, Ohio on September 4, 1998. This loan was also secured by a Note and Mortgage on the property. The Note has a term of One Hundred Twenty (120) months from September 4, 1998, and bears interest at the rate of Five percent (5%) per annum. The monthly principal and interest payment of the Note is One Thousand Fourteen and 26/100 Dollars (\$1,014.26). Interest expense paid to Peoples Federal on this Note throughout 2002 totaled Three Thousand Two Hundred Seventy Seven and 08/100 (\$3,277.08). The principal balance due Peoples Federal on December 31, 2002, was Sixty Thousand Seven Hundred and 91/100 (\$60,700.91).

The future scheduled maturities of long-term debt are as follows:

<u>Years ending December 31:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2003	\$ 9,348	\$12,823	\$ 22,171
2004	19,820	20,662	40,482
2005	10,329	11,842	22,171
2006	10,858	11,313	22,171
2007	11,413	10,758	22,171
2008	258,933	10,190	269,123
	<u>\$320,701</u>	<u>\$77,588</u>	<u>\$398,289</u>

**8. PURCHASE OF REAL ESTATE:**

The Jackson Center Community Improvement Corporation, an Ohio nonprofit corporation, received a certificate of deposit pursuant to an Assignment of Agreement For Sale And Purchase Of Real Estate ("Assignment") executed on October 14, 1998, between the Village of Jackson Center, Ohio, a municipal corporation, as Assignor, the Jackson Center Community Improvement Corporation as Assignee, and the Jackson Center United Methodist Church as the party consenting to the assignment. The Assignment concerns an agreement for sale and purchase of real estate ("Agreement") dated August 6, 1991, between the Jackson Center United Methodist Church as Seller; and the Village of Jackson Center as Purchaser, for the sale of certain real estate located in the Village. The Assignment calls for the Jackson Center Community Improvement Corporation to complete the Agreement by purchasing the real estate located in Jackson Center, Ohio, for a purchase price of Ten Thousand and 00/100 Dollars (\$10,000.00), plus the accrued interest on the certificate of deposit, until November 8, 2004. The certificate of deposit, plus the accrued interest through November 8, 2004, will enable the Jackson Center Community Improvement Corporation to complete the terms of the Assignment without further liability.

**JACKSON CENTER COMMUNITY IMPROVEMENT CORPORATION  
SHELBY COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
(Continued)**

**9. RESTRICTED ASSETS/CONTRIBUTED CAPITAL**

The amount of the certificate of deposit and interest accrued is presented as a restricted asset and a reservation of retained earnings. Contributed capital represents resources from other governments that are not subject to repayment. These assets are recorded at their fair market value on the date contributed. The amount of the certificate of deposit received and accrued interest received in 1998 is presented as contributed capital. See Note 8 for additional information regarding contributed capital.

**10. SUBSEQUENT EVENTS**

On September 4, 2003, the Jackson Center Community Improvement Corporation approved the sale of the land and building owned by the Corporation.

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## **Auditor of State Betty Montgomery**

### **INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

Jackson Center Community Improvement Corporation  
Shelby County  
P.O. Box 669  
Jackson Center, Ohio 45334

To the Board of Trustees:

We have audited the financial statements of the Jackson Center Community Improvement Corporation, Shelby County (the Corporation), as of and for the years ended December 31, 2002 and 2001, and have issued our report thereon dated August 29, 2003. 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 Jackson Center 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 an immaterial instance of noncompliance that we have reported to management of the Corporation in a separate letter dated August 29, 2003.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Jackson Center 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. 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 a matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of the Corporation in a separate letter dated August 29, 2003.

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Jackson Center Community Improvement Corporation  
Shelby County  
Independent Accountants' Report on Compliance and on Internal Control  
Required by *Government Auditing Standards*  
Page 2

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

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**Betty Montgomery**  
Auditor of State

August 29, 2003

**JACKSON CENTER COMMUNITY IMPROVEMENT CORPORATION  
SHELBY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2002 AND 2001**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain:</i></b>
2000-50275-001	Failure to report in accordance with generally accepted accounting principles.	Fully Corrected.	Finding No Longer Valid.





**Auditor of State  
Betty Montgomery**

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**JACKSON CENTER COMMUNITY IMPROVEMENT CORPORATION**

**SHELBY 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  
OCTOBER 14, 2003**