



**Auditor of State
Betty Montgomery**

**WAYNESFIELD GOSHEN IMPROVEMENT LEAGUE
AUGLAIZE COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Waynesfield Goshen Improvement League
Auglaize County
PO Box 100
Waynesfield, OH 45896

To the Members of the League:

We have audited the accompanying statements of financial position of the Waynesfield Goshen Improvement League, Auglaize County, (the League) as of and for the years ended December 31, 2002 and December 31, 2001, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the League'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 Waynesfield-Goshen Improvement League as of December 31, 2002 and December 31, 2001, and the changes in net assets and its cash flows 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 July 31, 2003, on our consideration of the League's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, and contracts. 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 cursive script that reads "Betty Montgomery".

Betty Montgomery
Auditor of State

July 31, 2003

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**WAYNESFIELD GOSHEN IMPROVEMENT LEAGUE
AUGLAIZE COUNTY**

**STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2002 AND 2001**

	2002	2001
Assets		
Current Assets		
Certificate of Deposit	\$2,000	\$2,000
Checking Account	10,672	4,327
Total Current Assets	12,672	6,327
Long-Term Assets		
Note Receivable	785,149	965,819
Fixed Assets		
Land	27,500	27,500
Phase I Building	600,000	600,000
Phase II Addition	400,000	
Less: Accumulated Depreciation	(40,000)	(15,000)
Total Fixed Assets (Net)	987,500	612,500
Total Long-Term Assets	1,772,649	1,578,319
Total Assets	\$1,785,321	\$1,584,646
Liabilities and Net Assets		
Liabilities		
Long Term Liabilities		
Phase I Building Note	\$559,128	\$577,300
Equipment Note	785,149	965,819
Phase II Addition Note	397,280	
Total Long Term Liabilities	1,741,557	1,543,119
Total Liabilities	1,741,557	1,543,119
Net Assets (Unrestricted)	43,764	41,527
Total Liabilities and Net Assets	\$1,785,321	\$1,584,646

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

**WAYNESFIELD GOSHEN IMPROVEMENT LEAGUE
AUGLAIZE COUNTY**

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

	<u>2002</u>	<u>2001</u>
Revenue		
Contributions	\$6,500	\$6,025
Lease Income	27,208	16,291
Lease Interest Income	70,390	36,496
Loan Income	41,544	24,909
Interest	<u>77</u>	
Total Revenue	145,719	83,721
Expenses		
Depreciation	25,000	15,000
Office Supplies	15	150
Lease Interest Expense	76,923	36,496
Loan Interest Expense	<u>41,544</u>	<u>24,909</u>
Total Expenses	<u>143,482</u>	<u>76,555</u>
Change in Net Assets	2,237	7,166
Unrestricted Net Assets - Beginning of Year	<u>41,527</u>	<u>34,361</u>
Unrestricted Net Assets - End of Year	<u><u>\$43,764</u></u>	<u><u>\$41,527</u></u>

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

**WAYNESFIELD GOSHEN IMPROVEMENT LEAGUE
AUGLAIZE COUNTY**

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

	2002	2001
Cash Flows From Operating Activities:		
Change in Net Assets	\$2,237	\$7,166
Adjustments Necessary to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	25,000	15,000
Net Cash Provided by Operating Activities	27,237	22,166
Cash Flows From Investing Activities:		
Loan Income	180,670	14,181
Net Cash Provided by Investing Activities	180,670	14,181
Cash Flows from Noncapital Financing Activities:		
Note Principal Payments	(180,670)	(14,181)
Net Cash Provided by Noncapital Financing Activities	(180,670)	(14,181)
Cash Flows From Capital and Related Financing Activities:		
Acquisition and Construction of Capital Assets	(400,000)	
Proceeds of Notes	406,533	
Lease Principal Payments	(27,425)	(16,291)
Net Cash Used for Capital and Related Financing Activities	(20,892)	(16,291)
Net Increase in Cash and Cash Equivalents	6,345	5,875
Cash and Cash Equivalents-Beginning of Year	6,327	452
Cash and Cash Equivalents-End of Year	\$12,672	\$6,327

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

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**WAYNESFIELD GOSHEN IMPROVEMENT LEAGUE
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Waynesfield Goshen Improvement League (the League) was organized under the laws of the State of Ohio as a not-for-profit corporation whose purpose is to encourage, promote and assist the industrial, economic, commercial, and civic development of Waynesfield, Ohio. The League arranges financing for business development and may charge a fee to the beneficiary of the financing.

The League may be directed by a board of three to twenty-five members; currently a nine member board serves. The Board is composed of the appointed and elected officials of the various subdivisions who are provided services and are elected at the annual meeting of the membership.

The Board of Trustees believe these financial statements present all activities for which the Corporation is financially responsible

B. Basis of Accounting

The League prepares its financial statements on the accrual basis of accounting in accordance with generally accepted accounting principles, consequently, revenues and the related assets are recognized when earned, and expenditures are recognized when the obligation is incurred.

C. Financial Statement Presentation

The League has adopted Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements for Not-for-Profit Organizations*. Under SFAS No. 117, the League 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. As permitted by the statement, the League does not use fund accounting.

D. Cash and Cash Equivalents

Cash is held in a checking account and a certificate of deposit. For purposes of the statements of cash flows and for presentation on the balance sheet, investments with original maturities of three months or less are considered to be cash and cash equivalents.

E. Property, Plant and Equipment

The land, building and capitalized building improvements are stated at cost. The building and building improvements are depreciated over an estimated useful life of forty years using a straight-line method of depreciation.

F. Use of Estimates

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

**WAYNESFIELD GOSHEN IMPROVEMENT LEAGUE
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

G. Non-Profit Organization – Income Tax Status

The League is a non-profit organization under IRC Section 501 (c) (4) and is exempt from paying federal income taxes.

2. CASH AND CASH EQUIVALENTS:

Cash and cash equivalents consist of amounts on deposit and the carrying amount at December 31, was as follows:

	2002	2001
Demand deposits	\$10,672	\$4,327
Certificates of deposit	<u>2,000</u>	<u>2,000</u>
Total deposits	<u>\$12,672</u>	<u>\$6,327</u>

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

3. NOTE RECEIVABLE

On May 9, 2001, a loan was granted to Fetter Finishing, in the amount of \$980,000 for the purpose of equipment purchases. The following represents the current amount outstanding:

Date	Amount Outstanding	Rate	Date Due
December 31, 2002	<u>\$785,149</u>	5.625%	November 1, 2008

4. FIXED ASSETS

A summary of the changes in fixed assets are as follows:

Asset Category	2002	2001
Land	\$27,500	\$ 27,500
Buildings and Improvements	<u>1,000,000</u>	<u>600,000</u>
Total	1,027,500	627,500
Less Accumulated Depreciation	<u>40,000</u>	<u>15,000</u>
Fixed Assets Net of Accumulated Depreciation	<u>\$987,500</u>	<u>\$612,500</u>

5. LONG-TERM OBLIGATIONS

The changes in the League's long-term obligations at December 31, 2002 were as follows:

	Outstanding 01/01/02	Additions	Deductions	Outstanding 12/31/02
Equipment Note	\$ 965,819	-	180,670	\$785,149
Phase I Building	577,300	-	18,172	559,128
Phase II Addition	<u>0</u>	<u>406,533</u>	<u>9,253</u>	<u>397,280</u>
Total Long Term Obligations	<u>\$1,543,119</u>	<u>\$ 406,533</u>	<u>\$207,961</u>	<u>\$1,741,557</u>

**WAYNESFIELD GOSHEN IMPROVEMENT LEAGUE
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001**

5. LONG-TERM OBLIGATIONS (Continued)

On January 11, 2000, the League entered into a mortgage in the amount of \$600,000 for the construction of a building. The notes were issued for a twenty year period with final maturity on July 10, 2020, with an interest rate of 6%. As of January 1, 2002, the notes were held by Premier Financial.

On May 9, 2001, the League obtained a note with Liberty National Bank in the amount of \$980,000 for an equipment loan to Fetter Finishing. The notes were issued for a seven year period with final maturity at November 1, 2008, with an interest rate of 5.625%.

On January 7, 2002, the League received an assignment of a note from David and Kathleen Whitaker in the amount of \$406,533 for the purpose of an addition to the building. The note was issued for a twelve year period with final maturity on December 25, 2012, with an interest rate of 7.50%.

Principal and interest requirements to retire debt outstanding at December 31, 2002, are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2003	\$153,000	\$108,417	\$261,417
2004	162,010	99,407	261,417
2005	171,984	89,433	261,417
2006	182,348	79,069	261,417
2007	193,353	68,064	261,417
2008-2012	308,175	236,362	544,537
2013-2017	447,675	68,713	516,388
2018-2020	123,012	10,301	133,313
Total	<u>\$1,741,557</u>	<u>\$759,766</u>	<u>\$2,501,323</u>

6. LEASE AGREEMENT

On January 11, 2000, the League (as the lessor) entered into a lease-option to purchase agreement with Fetter Finishing, LLC, for the lease of a building with the term of the lease ending on January 10, 2020. The terms of the lease require the lessee to pay a monthly sum based on the amount necessary to discharge the debt obligation that was secured by the lessor for the construction of the building plus \$500. The lessor is required to convey the title to the property to the lessee upon the conclusion of the lease if no default has occurred and all terms, conditions and covenants have been fulfilled.

The lease agreement requires the lessee to maintain comprehensive general liability insurance covering injury and property damage with the lessor named as the insured. In addition, real property is required to be insured at an amount equal to the fair insurable value of the leased premises, with both the lessee and the lessor named as the insured according to their interest.

The lease agreement contains an option to purchase at anytime after the expiration of one hundred twenty months. At the exercise of the option, the purchase price shall be an amount equal to the amount of outstanding unamortized principal, accrued interest, fees and costs. The lessee had requested the League to allow an acceleration of the early option to purchase, and on December 10, 2002, a purchase agreement was signed.

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**Auditor of State
Betty Montgomery**

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

Waynesfield Goshen Improvement League
Auglaize County
P.O. Box 100
Waynesfield, OH 45896

To the Members of the League:

We have audited the financial statements of the Waynesfield Goshen Improvement League (the "League") as of and for the years ended December 31, 2002 and December 31, 2001, and have issued our report thereon dated July 31, 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 League'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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2002-001. We also noted an immaterial instance of noncompliance that we have reported to management of the League in a separate letter dated July 31, 2003.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the League'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. However, we noted a matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the League's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings as item 2002-002.

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the League in a separate letter dated July 31, 2003.

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

July 31, 2003

**WAYNESFIELD GOSHEN IMPROVEMENT LEAGUE
AUGLAIZE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2002**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2002-001

Ohio Rev. Code Section 1724.05 requires the League to file an annual financial report consistent with the rules prescribed by the Auditor of State pursuant to generally accepted accounting principles (GAAP). The report must be filed with the Auditor of State within 120 days of the fiscal year end, unless the Auditor of State extends the deadline.

The League did not file its report for either the fiscal year ending December 31, 2002 or December 31, 2001, and the reports provided by the client included incorrect balance sheets, income statements, and did not include cash flow statements, as required by GAAP (See Finding Number 2002-002).

Pursuant to Ohio Revised Code Section 1724.06, the League's failure to prepare an annual financial report requires the Auditor of State to report the League's failure to the Secretary of State. The result may be the cancellation of its articles of incorporation by the Secretary of State

The League should file the annual report with the Auditor of State of Ohio within 120 days of the fiscal year end. The financial statement presentation should include all statements and disclosures to conform with GAAP, and according to Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements for Not-for-Profit Organizations*.

FINDING NUMBER 2002-002

The financial statements prepared for each year end did not reflect the year's complete transaction activity. The debt amounts had not been reduced by the principal payments, and the statement of activities reported the entire amount of lease income and expense rather than reducing the income and expense by the amount attributable to the debt principal portion and reporting the lease interest income and expense as required. In addition, the note receivable was not reduced by the principal amounts received, nor was depreciation reported.

The lack of proper accounting procedures and financial reporting leads to inaccurate financial statement presentation, and as a result, the officials do not receive proper information to make sound financial decisions. The required adjustments have been made and are reflected in the accompanying financial statements.

Proper accounting and reporting procedures should be researched and implemented, or the League should consider contracting with an accounting professional to prepare the financial statements.



**Auditor of State
Betty Montgomery**

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WAYNESFIELD GOSHEN IMPROVEMENT LEAGUE

AUGLAIZE 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
SEPTEMBER 16, 2003**