# COMMUNITY IMPROVEMENT CORPORATION
# OF ASHLAND OHIO

## FINANCIAL STATEMENTS
## DECEMBER 31, 2010 AND 2009

# Dave Yost • Auditor of State

Board of Trustees
Community Improvement Corporation of Ashland Ohio
206 Claremont
Ashland Ohio 44805

We have reviewed the *Independent Auditor's Report* of the Community Improvement Corporation of Ashland Ohio, Ashland County, prepared by Baker, Bowman & Co., for the audit period January 1, 2010 through December 31, 2010. 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 Ashland Ohio is responsible for compliance with these laws and regulations.

Dave Yost
Auditor of State

September 15, 2011

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# INDEPENDENT AUDITOR'S REPORT

To the Officers and Trustees of the
Community Improvement Corporation of Ashland Ohio
Ashland, Ohio

We have audited the accompanying statement of financial position of the Ashland County Community Improvement Corporation (a nonprofit organization) as of December 31, 2010 and 2009, and the related statements of activities, and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 the 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 Ashland County Community Improvement Corporation as of December 31, 2010 and 2009, and the changes in its 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 5, 2011, on our consideration of the Ashland 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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or compliance. 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 audits.

Baker, Bowman & Co.

Ashland, Ohio
July 5, 2011

## COMMUNITY IMPROVEMENT CORPORATION OF ASHLAND OHIO

Statements of Financial Condition
December 31,

| | 2010 | 2009 |
|---|---|---|
| **Assets** | | |
| Current assets: | | |
| Cash | $ 171,193 | $ 146,316 |
| Loans receivable current portion | 169,531 | 176,695 |
| Prepaid insurance | 956 | 1,202 |
| Total current assets | 341,680 | 324,213 |
| Property and equipment: | | |
| Office equipment | 9,248 | 9,248 |
| Land | 76,500 | 76,500 |
| Building | 2,235,332 | 2,235,332 |
| Furniture and fixtures | | 400,000 |
| | 2,321,080 | 2,721,080 |
| Less accumulated depreciation | 214,153 | 264,937 |
| | 2,106,927 | 2,456,143 |
| Other assets: | | |
| Accounts receivable | 258,534 | 258,534 |
| Notes receivable, less current portion | 160,253 | 310,602 |
| | 418,787 | 569,136 |
| Total assets | $2,867,394 | $3,349,492 |
| **Liabilities and net assets** | | |
| Current liabilities: | | |
| Deferred revenues | $ 73,251 | $ 124,958 |
| Current portion of long-term debt | 42,607 | 275,438 |
| Total current liabilities | 115,858 | 400,396 |
| Long-term debt, less current portion | 1,807,796 | 2,281,120 |
| Net assets: | | |
| Temporarily restricted | 22,500 | |
| Unrestricted | 921,240 | 667,976 |
| Total net assets | 943,740 | 667,976 |
| Total liabilities and net assets | $2,867,394 | $3,349,492 |

See notes to financial statements

## COMMUNITY IMPROVEMENT CORPORATION OF ASHLAND OHIO

Statement of Activities
Year ended December 31, 2010

| | Unrestricted | Temporarily Restricted | Total |
|---|---|---|---|
| Revenues: | | | |
| Property lease | $ 348,956 | | $ 348,956 |
| Interest | 33,088 | | 33,088 |
| Excess revenue from ODOD | 3,536 | | 3,536 |
| Donations | 1,500 | 22,500 | 24,000 |
| Dues | 1,030 | | 1,030 |
| | 388,110 | 22,500 | 410,610 |
| Expenses: | | | |
| Interest | 198,153 | | 198,153 |
| Depreciation | 95,883 | | 95,883 |
| Professional fees | 11,049 | | 11,049 |
| Bank charges | 5,844 | | 5,844 |
| Insurance | 3,865 | | 3,865 |
| Office | 1,450 | | 1,450 |
| Meetings | 307 | | 307 |
| Other | 279 | | 279 |
| | 316,830 | | 316,830 |
| Change in net assets from operations | 71,280 | 22,500 | 93,780 |
| Other income – gain on sale of fixed assets | 181,984 | | 181,984 |
| Net assets – beginning of year | 667,976 | | 667,976 |
| Net assets – end of year | $ 921,240 | $ 22,500 | $943,740 |

See notes to financial statements

## COMMUNITY IMPROVEMENT CORPORATION OF ASHLAND OHIO

Statement of Activities
Year ended December 31, 2009

| | Unrestricted | Temporarily Restricted | Total |
|---|---|---|---|
| Revenues: | | | |
| Property lease | $ 344,478 | | $ 344,478 |
| Interest | 47,096 | | 47,096 |
| Excess revenue from ODOD | 6,800 | | 6,800 |
| Dues | 1,170 | | 1,170 |
| | 399,544 | | 399,544 |
| Expenses: | | | |
| Interest | 207,916 | | 207,916 |
| Depreciation | 95,883 | | 95,883 |
| Professional fees | 12,132 | | 12,132 |
| Bank fees | 5,905 | | 5,905 |
| Insurance | 3,810 | | 3,810 |
| Meetings | 162 | | 162 |
| Other | 471 | | 471 |
| | 326,279 | | 326,279 |
| Change in net assets from operations | 73,265 | | 73,265 |
| Net assets – beginning of year | 594,711 | | 594,711 |
| Net assets – end of year | $ 667,976 | | $ 667,976 |

See notes to financial statements

# COMMUNITY IMPROVEMENT CORPORATION OF ASHLAND OHIO

Statements of Cash Flows
Years ended December 31,

| | 2010 | 2009 |
|---|---|---|
| Cash flows from operating activities: | | |
| Change in net assets | $ 275,764 | $ 73,265 |
| Adjustments to reconcile change in net assets to net cash provided (used) by operating activities: | | |
| Depreciation | 95,883 | 95,883 |
| Prepaid insurance | 246 | ( 68) |
| Construction in progress | | 15,000 |
| Railway grant funds held | | ( 500,000) |
| Deposits held in escrow | | ( 433,989) |
| Gain on sale of fixed assets | (181,984) | |
| Deferred revenue | ( 51,707) | ( 51,707) |
| Net cash provided (used) by operating activities | 138,202 | ( 801,616) |
| Cash flows from investing activities: | | |
| Proceeds from sale of equipment | 435,317 | |
| Receipt of loan principal | 157,513 | 144,121 |
| Net cash provided by investing activities | 592,830 | 144,121 |
| Cash flows from financing activities: | | |
| Repayment of principal indebtedness | ( 706,155) | ( 255,615) |
| Net cash used by financing activities | ( 706,155) | ( 255,615) |
| Net increase (decrease) in cash | 24,877 | ( 913,110) |
| Cash, beginning of year | 146,316 | 1,059,426 |
| Cash, end of year | $ 171,193 | $ 146,316 |

See notes to financial statements

Notes to Financial Statements
December 31, 2010 and 2009

Note 1 - Summary of significant accounting policies

Basis of accounting – 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.

Property and depreciation – The Corporation capitalizes asset purchases having a cost of $500 or more. Depreciation is computed on the straight-line method over the estimated useful lives of the assets.

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.

Income taxes – The Corporation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and therefore has made no provision for federal income taxes in the accompanying financial statements. In addition, the Corporation has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) of the Internal Revenue Code. There was no unrelated business income for 2010 or 2009.

Nature of activities – The Corporation is a county wide entity whose purpose is to enhance the industrial base of the county while creating the opportunity for new industry and jobs.

Advertising costs – Advertising costs are charged to operations as incurred.

Note 2 – Related-party transactions

During 2009, the Corporation engaged Grindle & Bender, a local surveying firm, to survey the land to move forward with the rail siding project. The Corporation paid Grindle & Bender the sum of $3,000 in 2009. Board member, Lowell Bender, is a partner in Grindle & Bender. At December 31, 2009, all services were performed and the Corporation owed no money to Grindle & Bender. There were no know related party transactions in 2010.

Note 3 – Loans receivable

Low interest loans are funded from Community Development Block Grant money. These funds are administered in agreement with Ashland County and the City of Ashland. Loans are made to qualifying businesses in Ashland County. In the opinion of management, all loans are collectible and no allowance for doubtful accounts is deemed necessary.

| | |
|---|---|
| The corporation extended the terms of the money loaned to The Ashland Railway, Inc. for railway extensions and upgrades. The note requires quarterly payments of $1,425 including interest at 4.75%. The note matures December 2014. | $ 20,387 |
| The corporation loaned money to Novatex North America, Inc. for the purchase of equipment. The note requires monthly payments of $15,342 including interest at 8.25%. The note matures October 2012. | 309,397 |
| | 329,784 |
| Less current portion | 169,531 |
| | $ 160,253 |

The following is a schedule of the long term maturities for the years ending December 31,

| | |
|---|---|
| 2012 | $ 149,650 |
| 2013 | 5,309 |
| 2014 | 5,294 |
| | $ 160,253 |

Note 4 – Concentration of credit risk

The Corporation's cash is placed in two financial institutions with high credit ratings. This investment policy limits the Corporation's exposure to concentrations of credit risk. At times, the Corporation carries amounts in excess of federally insured limits with a local bank.

Note 5 – Cash flows

For purposes of reporting cash flows, cash includes cash in checking accounts, money market accounts, and savings accounts.

Supplemental cash flows disclosures:

| | 2010 | 2009 |
|---|---|---|
| Cash paid for interest | $198,153 | $207,916 |

Note 6 – Notes payable

| | |
|---|---|
| The corporation purchased land which was financed by the seller. The note is secured by the land and requires monthly payments of $730 including interest at 5.0%. The note matures April 2012. | $ 42,570 |
| The corporation purchased a building which was financed by local banks. The note is secured by the building and requires monthly payments of $14,876 including interest at 8.0%. The note matures April 2012. | 1,807,833 |
| | 1,850,403 |
| Less current portion | 42,607 |
| | $1,807,796 |

As of December 31, 2010, long term debt matures as follows:

| | |
|---|---|
| 2012 | $ 1,807,796 |

Note 7 – Property Lease

In 2007 the Corporation entered into a lease with Novatex North America, Inc. The lease calls for monthly rentals of $24,771 for a five year period ending in April 2012. The lease grants the lessee an exclusive right and option to purchase the property at the end of the lease period. The final lease payment provides for additional rents in the amount of approximately $258,534. The rents due in April 2012 represent deferred revenues and are being realized over the five year period.

Note 8 – Subsequent events

On February 4, 2011 the Corporation sold the real estate to Ashland Property Resources, Inc., the real estate holding company for Novatex North America, Inc., for $1,800,000. The Corporation will use some of the proceeds to pay off the note payable due the City of Ashland for the land. Additionally, the Corporation retooled the note receivable from Novatex North America, Inc. The first year requires interest only payment of $1,114.58 per month. During the second and third year, monthly installments of principal and interest of no less than $11,735.60 shall be due. The entire unpaid principal and interest balance is due on or before March 1, 2014.

Note 9 – Net assets

Temporarially restricted net assets at December 31, 2010 are available for the following purpose:

| | |
|---|---|
| Signage in business park | $22,500 |

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*

The Board of Trustees
Community Improvement Corporation of Ashland Ohio

We have audited the financial statements of Community Improvement Corporation of Ashland Ohio (a nonprofit organization) as of and for the year ended December 31, 2010, and have issued our report thereon dated July 5, 2011. 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 Community Improvement Corporation of Ashland Ohio'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 Ashland Ohio's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Community Improvement Corporation of Ashland Ohio's internal control over financial reporting.

A *deficiency in internal control* 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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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 Community Improvement Corporation of Ashland Ohio'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 these specified parties.

Baker, Bowman & Co.

Ashland, Ohio
July 5, 2011

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**COMMUNITY IMPROVEMENT CORPORATION OF ASHLAND OHIO**

**ASHLAND 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 27, 2011**