

**ASHLAND COUNTY COMMUNITY
IMPROVEMENT CORPORATION**

**FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000**



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P. O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490
www.auditor.state.oh.us

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

We have reviewed the Independent Auditor's Report of the Ashland County Community Improvement Corporation, Ashland County, prepared by Frank, Seringer, & Chaney, 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 Ashland 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

August 26, 2002

This Page is Intentionally Left Blank.

INDEPENDENT AUDITOR'S REPORT

To the Officers and Trustees of the
Ashland County Community Improvement Corporation
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, 2001 and 2000, 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 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 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, 2001 and 2000, 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 19, 2002, 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. 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.

Frank, Seringer & Chaney, Inc.

Ashland, Ohio
July 19, 2002

ASHLAND COUNTY COMMUNITY IMPROVEMENT CORPORATION

Statements of Financial Condition December 31,

	<u>2001</u>	<u>2000</u>
Assets		
Current assets:		
Cash	\$ 392,431	\$ 446,086
Loans receivable – current portion	37,800	8,838
Accrued rent income	5,172	18,990
Accrued interest income	1,316	38
Prepaid insurance	<u>933</u>	<u>930</u>
	437,652	474,882
Railroad property, at cost	1,579,885	1,464,720
Loans receivable – net of current portion	177,967	11,620
Office equipment	<u>1,409</u>	<u>1,949</u>
	<u>1,759,261</u>	<u>1,478,289</u>
	<u>\$2,196,913</u>	<u>\$1,953,171</u>
Liabilities and net assets		
Current liabilities:		
Mortgage payable – current portion	\$ 18,224	\$
Accrued expenses	<u>239</u>	<u>6,000</u>
	18,463	6,000
Shippers’ advances	298,800	312,000
Mortgage payable – net of current portion	<u>175,450</u>	<u></u>
	474,250	312,000
Net assets:		
Unrestricted	<u>1,704,200</u>	<u>1,635,171</u>
	<u>\$2,196,913</u>	<u>\$1,953,171</u>

See notes to financial statements

ASHLAND COUNTY COMMUNITY IMPROVEMENT CORPORATION

Statements of Activities
Years ended December 31,

	<u>Unrestricted</u>	
	<u>2001</u>	<u>2000</u>
Revenues:		
Railroad lease	\$ 59,092	\$ 38,680
Interest	14,627	13,948
Contributions form shippers	13,200	
Grant	5,000	7,500
Miscellaneous	353	60
Dues	<u>30</u>	<u>280</u>
	92,302	60,468
Expenses:		
ISCASH pledge	6,000	6,000
Interest	5,213	
Professional fees	3,677	2,310
Insurance	3,496	3,484
Railroad administration	1,737	
Meetings and seminars	1,288	562
Office	1,096	446
Depreciation	540	460
Advertising and promotional	202	200
Miscellaneous	24	78
Real estate contingency	<u> </u>	<u>3,000</u>
	<u>23,273</u>	<u>16,540</u>
Increase in net assets	69,029	43,928
Net assets – beginning of year	<u>1,635,171</u>	<u>1,591,243</u>
Net assets – end of year	<u><u>\$1,704,200</u></u>	<u><u>\$1,635,171</u></u>

See notes to financial statements

ASHLAND COUNTY COMMUNITY IMPROVEMENT CORPORATION

Statements of Cash Flows Years ended December 31,

	<u>2001</u>	<u>2000</u>
Cash flows from operating activities:		
Change in net assets	\$ 69,029	\$ 43,928
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	540	460
Accrued rent income	13,818	(864)
Accrued interest income	(1,278)	126
Prepaid insurance	(3)	
Accrued expenses	(5,761)	6,000
Forgiveness of shipper advance	<u>(13,200)</u>	<u> </u>
Net cash provided by operating activities	63,145	49,650
Cash flows from investing activities:		
Disbursement of loan principal	(207,541)	
Repayment of loan principal	12,232	14,876
Purchase of property	<u>(115,165)</u>	<u>(529)</u>
Net cash (used) provided by investing activities	(310,474)	14,347
Cash flows from financing activities:		
Proceeds from issuance of indebtedness	200,000	
Repayment of principal indebtedness	<u>(6,326)</u>	<u> </u>
Net cash provided by financing activities	193,674	
Net (decrease) increase in cash	(53,655)	63,997
Cash, beginning of year	<u>446,086</u>	<u>382,089</u>
Cash, end of year	<u>\$392,431</u>	<u>\$446,086</u>

See notes to financial statements

ASHLAND COUNTY COMMUNITY IMPROVEMENT CORPORATION

Notes to Financial Statements
December 31, 2001 and 2000

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.

Depreciation – The cost of depreciable property is being depreciated over the estimated useful lives of the assets on the straight-line method for financial reporting purposes.

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 2001 or 2000.

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 – 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.

Long-term maturities of loans receivable over the next five years are as follows:

2003	\$ 29,412
2004	28,418
2005	29,871
2006	31,401
2007, and thereafter	<u>58,865</u>
	\$177,967
	<u><u> </u></u>

Note 3 – Railroad property

The Corporation currently leases railroad property to Ashland Railway on a monthly basis. If Ashland Railway were to exercise their option to purchase the railroad property the Corporation would be obligated to repay the \$840,000 grant from the Ohio Department of Transportation, in addition to any unpaid shippers' advances, and indebtedness.

Note 4 – Office equipment

Office equipment is recorded at cost and is being depreciated over the estimated useful lives of the assets using the straight-line method. Accumulated depreciation at December 31, 2001, and 2000 amounted to \$1,290 and \$750.

Note 5 – Concentration of credit risk

The Corporation's cash is placed with several institutions with high credit ratings. This investment policy limits the Corporation's exposure to concentrations of credit risk. However, at various times throughout the year the Corporation carried amounts in excess of federally insured limits with a local bank.

Note 6 – Shipper advances

Pursuant to agreements executed in 1986, the Corporation and several area entities advanced funds on behalf of Ashland Railway in order that it may continue operating in the community. The agreement also called for a one-time charge for interest in the amount of 20%. These advances become due in the event the railroad is sold, the original loan to re-establish service is paid in full, or as of December 1, 2000. During the year two companies forgave this obligation which totaled \$13,200. Of the \$298,800 remaining liability, only one entity has elected not to defer repayment until 2006.

Note 7 – Cash flows

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

Supplemental cash flows disclosures:

	<u>2001</u>	<u>2000</u>
Cash paid for interest	\$4,974	-0-
	=====	====

Note 8 – Change in accounting principle

During the year ended December 31, 2001 the records of the Corporation were converted from the cash basis of accounting to the accrual basis of accounting to be in accordance with accounting principles generally accepted in the United States of America.

Unrestricted net assets at the beginning of the year ended December 31, 2000 has been restated to reflect monies owed under the shipper agreements and the matching of revenues and expenses to the proper period.

The financial statements for the year ended December 31, 2000 have been restated to reflect the conversion to accrual basis. The restatement resulted in an increase to net unrestricted assets in the amount of \$13,028.

Note 9 – Mortgage payable

The Corporation entered into a shared mortgage agreement with nine area banks to facilitate capital improvements to the railroad property. A shared mortgage in the amount of \$200,000 was executed with an interest rate at prime, secured by the railroad property, and is due in August of 2006.

Following is a schedule of long-term maturities for the next four years:

2003	\$ 2,228
2004	2,335
2005	2,452
2006	<u>163,525</u>
	\$170,540
	=====

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

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

We have audited the financial statements of Ashland County Community Improvement Corporation (a nonprofit organization) as of and for the year ended December 31, 2001, and have issued our report thereon dated July 19, 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 Ashland 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.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Ashland 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. 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.

This report is intended solely for the information and use of the audit committee, management, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

Frank, Seringer & Chaney, Inc.

Ashland, Ohio
July 19, 2002



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

ASHLAND COUNTY COMMUNITY IMPROVEMENT CORPORATION

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 5, 2002**