

**ASHLAND COUNTY COMMUNITY
IMPROVEMENT CORPORATION**

**FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001**



**Auditor of State
Betty Montgomery**

To the Officers and Trustees of the
Ashland County Community Improvement Corporation
Ashland, OH 44805

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, 2002 through December 31, 2002. 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.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

October 22, 2003

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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, 2002 and 2001, 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, 2002 and 2001, 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 September 5, 2003, 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
September 5, 2003

ASHLAND COUNTY COMMUNITY IMPROVEMENT CORPORATION

Statements of Financial Condition December 31,

Assets	<u>2002</u>	<u>2001</u>
Current assets:		
Cash	\$ 282,393	\$ 392,431
Loans receivable – current portion	57,093	37,800
Accrued rent income		5,172
Accrued interest income	37	1,316
Prepaid insurance	<u>658</u>	<u>933</u>
	340,181	437,652
Railroad property, at cost	1,714,720	1,579,885
Loans receivable – net of current portion		177,967
Office equipment	<u>869</u>	<u>1,409</u>
	<u>1,715,589</u>	<u>1,759,261</u>
Total assets	\$2,055,770	\$2,196,913
Liabilities and net assets		
Current liabilities:		
Mortgage payable – current portion	\$ 19,990	\$ 18,224
Accrued expenses	<u>1,615</u>	<u>239</u>
	21,605	18,463
Shippers' advances	248,115	298,800
Mortgage payable – net of current portion	<u>154,863</u>	<u>175,450</u>
Total liabilities	402,978	474,250
Net assets:		
Unrestricted	<u>1,631,187</u>	<u>1,704,200</u>
Total liabilities and net assets	\$2,055,770	\$2,196,913

See notes to financial statements

ASHLAND COUNTY COMMUNITY IMPROVEMENT CORPORATION

Statements of Activities Years ended December 31,

	<u>Unrestricted</u>	
	<u>2002</u>	<u>2001</u>
Revenues:		
Railroad lease	\$ 62,065	\$ 59,092
Interest	6,152	14,627
Contributions from shippers	23,400	13,200
Grant		5,000
Dues	341	30
Miscellaneous	<u>111</u>	<u>353</u>
	92,069	92,302
Expenses:		
Bad debts	143,964	
ISCASH pledge		6,000
Insurance	2,850	3,496
Professional fees	4,601	3,677
Interest	8,115	5,213
Meetings and seminars	328	1,288
Depreciation	540	540
Railroad administration		1,737
Advertising and promotional	355	202
Office	4,000	1,096
Miscellaneous	<u>329</u>	<u>24</u>
	<u>165,082</u>	<u>23,273</u>
Change in net assets	(73,013)	69,029
Net assets – beginning of year	<u>1,704,200</u>	<u>1,635,171</u>
Net assets – end of year	\$1,631,187	\$1,704,200

See notes to financial statements

ASHLAND COUNTY COMMUNITY IMPROVEMENT CORPORATION

Statements of Cash Flows Years ended December 31,

	<u>2002</u>	<u>2001</u>
Cash flows from operating activities:		
Change in net assets	\$(73,013)	\$ 69,029
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	540	540
Bad debts	143,964	
Accrued rent income	5,172	13,818
Accrued interest income	1,279	(1,278)
Prepaid insurance	275	(3)
Accrued expenses	1,376	(5,761)
Shipper advances	<u>(50,685)</u>	<u>(13,200)</u>
Net cash provided by operating activities	28,908	63,145
Cash flows from investing activities:		
Disbursement of loan principal		(207,541)
Repayment of loan principal	14,710	12,232
Purchase of property	<u>(134,835)</u>	<u>(115,165)</u>
Net cash (used) by investing activities	(120,125)	(310,474)
Cash flows from financing activities:		
Proceeds from issuance of indebtedness		200,000
Repayment of principal indebtedness	<u>(18,821)</u>	<u>(6,326)</u>
Net cash provided (used) by financing activities	(18,821)	193,674
Net decrease in cash	(110,038)	(53,655)
Cash, beginning of year	<u>392,431</u>	<u>446,086</u>
Cash, end of year	<u>\$ 282,393</u>	<u>\$392,431</u>

See notes to financial statements

ASHLAND COUNTY COMMUNITY IMPROVEMENT CORPORATION

Notes to Financial Statements
December 31, 2002 and 2001

Note - 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 2002 or 2001.

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.

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, 2002, and 2001 amounted to \$1,830 and \$1,290.

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 one company forgave this obligation in the amount of \$23,400. Of the \$248,116 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>2002</u>	<u>2001</u>
Cash paid for interest	\$9,259	\$4,974

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.

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:

2004	\$ 21,015
2005	22,068
2006	<u>111,780</u>
	<u>\$154,863</u>

**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, 2002, and have issued our report thereon dated September 5, 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 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
September 5, 2003



**Auditor of State
Betty Montgomery**

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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
NOVEMBER 13, 2003**