



**Auditor of State  
Betty Montgomery**



**FORT RECOVERY COMMUNITY IMPROVEMENT CORPORATION  
MERCER COUNTY**

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

Fort Recovery Community Improvement Corporation  
Mercer County  
PO Box 567  
Fort Recovery, OH 45846-0567

To The Board of Directors:

We have audited the accompanying financial statements of the Fort Recovery Community Improvement Corporation, Mercer County, (the Corporation), as of and for the years ended December 31, 2002 and December 31, 2001, as listed in the table of contents. 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.

Except as discussed in the following paragraph, 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.

We were unable to obtain sufficient evidential matter supporting the amounts recorded as Admissions – Tractor pulls of \$85,989 for the year ended December 31, 2001.

The Corporation did not present a statement of cash flows for the years ended December 31, 2002 and December 31, 2001. Presentation of such statement summarizing the Corporations operating, investing, and financing activities is required by generally accepted accounting principles.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to examine the evidence regarding the admissions tractor pull revenues and except that the omission of a statement of cash flows results in an incomplete presentation as explained in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the Fort Recovery Community Improvement Corporation as of December 31, 2002 and December 31, 2001, and the results of its operations for the year 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 28, 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, 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 black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

July 28, 2003

**FORT RECOVERY COMMUNITY IMPROVEMENT CORPORATION  
MERCER COUNTY**

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

	<b>ASSETS</b>	<b>2002</b>	<b>2001</b>
<b>Current Assets:</b>			
Cash - Checking Accounts		\$1,108	\$535
Cash - Money Market Fund		15,622	1,020
Prepaid World Pulling International Fees		1,500	1,500
Prepaid Insurance		296	564
Total Current Assets		18,526	3,619
<b>Property and Equipment:</b>			
Land, Land Improvements and Building		102,018	102,018
Equipment		42,852	42,852
Subtotal		144,870	144,870
Less Accumulated Depreciation		58,193	50,673
Total Fixed Assets		86,677	94,197
<b>Total Assets</b>		<b>105,203</b>	<b>97,816</b>
<b>LIABILITIES AND NET ASSETS</b>			
<b>Current Liabilities:</b>			
Accounts Payable		265	309
Short-Term Note Payable			12,515
Accrued Interest			117
<b>Total Current Liabilities</b>		265	12,941
<b>Net Assets - Unrestricted</b>		104,938	84,875
Total Liabilities and Net Assets		<b>\$105,203</b>	<b>\$97,816</b>

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

**FORT RECOVERY COMMUNITY IMPROVEMENT CORPORATION  
MERCER COUNTY**

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

	2002	2001
<b>Revenue and Support:</b>		
Beverage and Food Sales	\$22,785	\$28,555
Sales of Extra Food/Beverages	881	1,454
Admissions - Tractor Pulls	129,438	85,989
Utilities	2,642	2,750
Commission - Food/MDSE Sales	6,689	4,993
Sponsorships	0	350
Miscellaneous Donations	1,602	1,878
Interest Income	43	159
Other Receipts	20,110	8,336
	<hr/>	<hr/>
Total Revenue and Support	184,190	134,464
 <b>Expenses:</b>		
Professional and Technical	37,789	35,100
Contract Services	4,475	5,199
Advertising	18,670	23,955
Snowmobile Club Profit Share	0	1,779
Repair Services	1,614	783
Insurance	5,113	3,998
Licenses and Taxes	668	354
Telephone Services	783	760
Real Estate Taxes	1,940	1,744
Postage	2,209	1,568
Electric	4,355	4,843
Heating Oil	0	172
Printing	0	903
Purse Payout	56,025	57,075
Office Supplies	179	741
Food and Beverages	13,486	16,158
Supplies and Materials	2,125	4,434
Fuel-Lunch Stand/Water Heater	133	226
Fuel-Vehicles	1,058	1,076
Depreciation	7,520	7,716
Interest	781	547
Accounting and Auditing	1,354	1,639
NTPA Banquet/Entertainment	1,400	1,007
Donations	2,450	600
	<hr/>	<hr/>
Total Expenses	164,127	172,377
Change in Net Assets	20,063	(37,913)
Net Assets - January 1	84,875	122,788
	<hr/>	<hr/>
Net Assets - December 31	\$104,938	\$84,875
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*The notes to the financial statements are an integral part of this statement.*

**FORT RECOVERY COMMUNITY IMPROVEMENT CORPORATION  
MERCER COUNTY**

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The Fort Recovery Community Improvement Corporation (the Corporation) is a non-profit organization established for advancing, encouraging and promoting industrial, economic, commercial, and civic development of Fort Recovery, Ohio.

**B. Basis of Accounting**

The Corporation's policy is to prepare its financial statements on the accrual basis of accounting. Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations. Under SFAS No. 117, the corporation 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. Management is of the opinion that there were no temporarily restricted or permanently restricted net assets.

**C. Property, Plant and Equipment**

Land, land improvements and building, and equipment are stated at cost, if purchased, or at fair market value, if donated. Property and equipment are depreciated using the straight-line method of depreciation over the following estimated useful lives:

Land Improvements and Buildings	10-40 years
Equipment	6-10 years

**D. Use of Estimates**

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

**E. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond year end, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount at the time of purchase and reflecting an expenditure/expense in the year in which services are consumed.

**F. Advertising Costs**

It is the Corporation's policy to expense all advertising cost when incurred.

**2. NON-PROFIT ORGANIZATION - TAX STATUS**

The Corporation is a non-profit organization under IRC Section 501 (c) (3) and is exempt from paying federal income taxes.

**FORT RECOVERY COMMUNITY IMPROVEMENT CORPORATION  
MERCER COUNTY**

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

**3. DONATED SERVICES**

The value of donated services is not reflected in the accompanying financial statements since there is no objective basis available to value them. There are a number of volunteers who have donated significant amounts of time for various events and improvements.

**4. SHORT-TERM DEBT**

The Corporation has an operating line of credit for \$36,000 which is renewable annually. The line of credit has a variable interest rate with interest payable bi-annually. The following table documents the amount drawn against the line of credit during the years ending December 31, 2002 and December 31, 2001.

**Debt Activity from January 1, 2001 to December 31, 2001**

Date	Amount Drawn Against Line of Credit	Repayment Date	Interest Rate
June 25, 2001	\$3,500	July 26, 2001	7.5 %
July 14, 2001	\$20,300	July 26, 2001	7.5 %
August 27, 2001	\$22,540	November 28, 2001	7.5 %
November 28, 2001	\$12,515	July 17, 2002	7.5%
Total Outstanding at December 31, 2001	\$12,515		

**Debt Activity from January 1, 2002 to December 31, 2002**

Date	Amount Drawn Against Line of Credit	Repayment Date	Interest Rate
January 10, 2002	\$1,000	July 17, 2002	7.5%
May 15, 2002	\$3,000	July 17, 2002	7.5%
June 17, 2002	\$5,000	July 17, 2002	7.5%
June 6, 2002	\$498	July 17, 2002	7.5%
July 9, 2002	\$1,000	July 17, 2002	7.5%
July 12, 2002	\$12,987	September 3, 2002	7.5%
August 26, 2002	\$16,283	September 3, 2002	7.5%
Total Outstanding at December 31, 2002	\$ 0		

The Community Improvement Corporation paid \$547 in interest during 2001 and \$781 during 2002.

**5. CONCENTRATION OF RISK - MAJOR REVENUE SOURCE**

Over 90% of the Corporation's funding comes from holding a national tractor pull during July and August of each year. Income is primarily generated from admissions and concession stand sales at these two events. The success of these two summer tractor pulls each year accounts for most of the profit the Corporation has available to carry out its mission.

**6. RISK MANAGEMENT**

The Corporation has obtained commercial insurance for the following risks:

- Comprehensive general liability
- Vehicles
- Comprehensive property liability



## **Auditor of State Betty Montgomery**

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

Fort Recovery Community Improvement Corporation  
Mercer County  
P.O. Box 567  
Fort Recovery, Ohio 45846-0567

To the Board of Directors:

We have audited the financial statements of the Fort Recovery Community Improvement Corporation (the Corporation) as of and for the years ended December 31, 2002 and December 31, 2001, and have issued our report thereon dated July 28, 2003 which was qualified for lack of evidential matter for the 2001 admissions tractor pull revenues and wherein we noted the Corporation did not present a statement of cash flows. Except for the limitation in the scope of 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.

#### **Compliance**

As part of obtaining reasonable assurance about whether 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 one 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 Corporation in a separate letter dated July 28, 2003.

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

In planning and performing our audit, we considered the 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. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant efficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Corporation's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2002-002 and 2002-003.

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, of the reportable conditions described above, we consider item 2002-002 to be a material weakness. We also noted matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Corporation in a separate letter dated July 28, 2003.

This report is intended for the information and use of the management and Board of Directors 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 28, 2003

**FORT RECOVERY COMMUNITY IMPROVEMENT CORPORATION  
MERCER COUNTY**

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

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2002-001**

**Ohio Rev. Code Sections 1724.05** requires each community improvement corporation to prepare an annual financial report that is prepared according to generally accepted accounting principles (GAAP).

The Corporation filed its reports on the accrual basis of accounting, however the report did not include a cash flow statement which is a required statement.

The Corporation should modify its financial statement presentation to conform with GAAP for the year ended December 31, 2003 and prepare a cash flow statement. The presentation should include all statements and disclosures required by GAAP.

**FINDING NUMBER 2002-002**

**Reportable Condition / Material Weakness**

**Ticket Accountability**

The Corporation hosts a tractor pull twice a year. Tickets are issued to each person entering the grounds, however the ticket stubs and unused tickets are not maintained at the end of each event, nor was a ticket log documenting the first and last number used in each roll maintained available for 2001. Also, the tickets sold for the 50/50 raffle drawing are not maintained. The admissions accounted for 63.9% of the revenue during 2001.

The lack of ticket accountability, such as not maintaining a ticket log nor the corresponding ticket stubs and the leftover tickets after each event, could allow for errors and irregularities to go undiscovered during the normal course of business.

A ticket log should be maintained to document each event, the event date, the type of the tickets used, and the first and last number of each roll used. This log should provide support for the number of tickets sold and allows the Treasurer to follow the numerical sequence of tickets used from one event to the next. It also allows the Treasurer to determine if the amount of revenue collected is reasonable. The leftover tickets for each event should be maintained in order to support the last ticket used. In addition, a ticket log, the leftover tickets, and the ticket stubs from the 50/50 raffle drawing should also be maintained.

**FINDING NUMBER 2002-003**

**Reportable Condition**

**Lunch Stand**

The Corporation operates a lunch stand at the tractor pulls held each year, however an inventory sheet documenting the amount of food purchased, sold, returned, and disposed of is not maintained and sales prices are not approved by the Board of Directors. Also, they provide free food and beverages to all event workers, but do not document the amount of food consumed by them. The lunch stand accounts for 12.8% of the revenue during 2002 and 22.3% of the revenue during 2001.

Lack of supporting documentation for the amount of food and beverages given away to event workers could allow for errors and irregularities that could go undetected during the normal course of business. Also, the lack of inventory sheets does not allow the Treasurer to determine if the amount of revenue collected for food sales is reasonable.

The Board should approve all lunch stand prices in order to ensure that the proper prices are being charged, and an inventory list should also be maintained. The Board should also give its approval for event workers to receive free food during the event. The amount of food purchased, the amount sold, the amount that was consumed by the workers, the amount returned, and the amount spoiled should be documented on this sheet. This will enable the Treasurer to recalculate the revenues and determine if the amount actually collected was reasonable.



**Auditor of State  
Betty Montgomery**

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140

Telephone 614-466-4514  
800-282-0370

Facsimile 614-466-4490

**FORT RECOVERY COMMUNITY IMPROVEMENT CORPORATION**

**MERCER 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 23, 2003**