

**ASHLAND COUNTY COMMUNITY
IMPROVEMENT CORPORATION**

**FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002**



**Auditor of State
Betty Montgomery**

Board of Trustees
Ashland County Community Improvement Corporation
206 Clearmont Avenue
Ashland, Ohio 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, 2003 through December 31, 2003. 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

September 23, 2004

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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, 2003 and 2002, 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 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, 2003 and 2002, 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 August 12, 2004, 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
August 12, 2004

ASHLAND COUNTY COMMUNITY IMPROVEMENT CORPORATION

Statements of Financial Condition December 31,

	<u>2003</u>	<u>2002</u>
Assets		
Current assets:		
Cash	\$ 231,552	\$ 282,393
Loans receivable	3,946	57,093
Accrued rent income	5,172	
Accrued interest income	215	37
Prepaid insurance	<u>869</u>	<u>658</u>
Total current assets	241,754	340,181
Railroad property, at cost	1,714,720	1,714,720
Office equipment	<u>6,442</u>	<u>869</u>
	<u>1,721,162</u>	<u>1,715,589</u>
Total assets	\$1,962,916	\$2,055,770
Liabilities and net assets		
Current liabilities:		
Mortgage payable – current portion	\$ 20,450	\$ 19,990
Accrued expenses	<u>2,515</u>	<u>1,615</u>
Total current liabilities	22,965	21,605
Shippers' advances	220,831	248,115
Mortgage payable – net of current portion	<u>133,054</u>	<u>154,863</u>
	353,885	402,978
Net assets:		
Unrestricted	<u>1,586,066</u>	<u>1,631,187</u>
Total liabilities and net assets	\$1,962,916	\$2,055,770

See notes to financial statements

ASHLAND COUNTY COMMUNITY IMPROVEMENT CORPORATION

Statements of Activities Years ended December 31,

	<u>Unrestricted</u>	
	<u>2003</u>	<u>2002</u>
Revenues:		
Railroad lease	\$ 62,065	\$ 62,065
Interest	1,867	6,152
Contributions from shippers		23,400
Donations	18,800	
Dues		341
Miscellaneous	<u>6</u>	<u>111</u>
	82,738	92,069
Expenses:		
Bad debts		143,964
Consulting	2,182	
Insurance	2,918	2,850
Professional fees	4,424	4,601
Interest	7,849	8,115
Meetings and seminars		328
Depreciation	977	540
Advertising and promotional		355
Office	1,403	4,000
Miscellaneous	<u>132</u>	<u>329</u>
	19,885	165,082
Transfers to governmental agencies	<u>107,974</u>	
Change in net assets	(45,121)	(73,013)
Net assets – beginning of year	<u>1,631,187</u>	<u>1,704,200</u>
Net assets – end of year	<u><u>\$1,586,066</u></u>	<u><u>\$1,631,187</u></u>

See notes to financial statements

ASHLAND COUNTY COMMUNITY IMPROVEMENT CORPORATION

Statements of Cash Flows Years ended December 31,

	<u>2003</u>	<u>2002</u>
Cash flows from operating activities:		
Change in net assets	\$(45,121)	\$ (73,013)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	977	540
Bad debts		143,964
Accrued rent income	(5,172)	5,172
Accrued interest income	(178)	1,279
Prepaid insurance	(211)	275
Accrued expenses	900	1,376
Shipper advances	<u>(27,284)</u>	<u>(50,685)</u>
Net cash (used) provided by operating activities	(76,089)	28,908
Cash flows from investing activities:		
Repayment of loan principal	53,147	14,710
Purchase of property	<u>(6,549)</u>	<u>(134,835)</u>
Net cash (used) provided by investing activities	46,598	(120,125)
Cash flows from financing activities:		
Repayment of principal indebtedness	<u>(21,350)</u>	<u>(18,821)</u>
Net cash (used) by financing activities	(21,350)	(18,821)
Net decrease in cash	(50,841)	(110,038)
Cash, beginning of year	<u>282,393</u>	<u>392,431</u>
Cash, end of year	\$ 231,552	\$ 282,393

See notes to financial statements

ASHLAND COUNTY COMMUNITY IMPROVEMENT CORPORATION

Notes to Financial Statements
December 31, 2003 and 2002

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 2003 or 2002.

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, 2003, and 2002 amounted to \$2,806 and \$1,830.

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 ended December 31, 2002 one company forgave this obligation which totaled \$23,400. Of the \$220,831 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>2003</u>	<u>2002</u>
Cash paid for interest	\$7,834	\$9,259
	=====	=====

Note 8 – 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 two years:

2005	\$ 23,180
2006	<u>109,874</u>
	\$133,054

Note 9 – Industrial Services Council

During the year ended December 31, 2003, Industrial Services Council of Ashland, Inc. (a non-profit organization) was disbanded. Residual funds in the amount of \$16,500 were received by the Corporation as a result of this action.

Note 10 – Transfers to governmental agencies

Pursuant to state law, county and city revolving loan fund monies were transferred back to the local governments.

**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, 2003, and have issued our report thereon dated August 12, 2004. 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
August 12, 2004



**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
OCTOBER 7, 2004**