

COMMUNITY IMPROVEMENT CORPORATION OF ASHLAND OHIO

ASHLAND COUNTY

JANUARY 1, 2009 TO DECEMBER 31, 2009

REGULAR AUDIT



Mary Taylor, CPA
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 prepared by Baker & Bowman & Co., for the audit period January 1, 2009 through December 31, 2009. 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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

October 7, 2010

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, 2009 and 2008, 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, 2009 and 2008, 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 22, 2010, 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 audits.

Ashland, Ohio
July 22, 2010

BAKER, BOWMAN & CO.

COMMUNITY IMPROVEMENT CORPORATION OF ASHLAND OHIO

Statements of Financial Condition December 31,

	<u>2009</u>	<u>2008</u>
Assets		
Current assets:		
Cash	\$ 146,316	\$ 1,059,426
Loans receivable current portion	176,695	169,103
Prepaid insurance	<u>1,202</u>	<u>1,134</u>
Total current assets	324,213	1,229,663
Property and equipment:		
Construction in progress		15,000
Office equipment	9,248	9,248
Land	76,500	76,500
Building	2,235,332	2,235,332
Furniture and fixtures	<u>400,000</u>	<u>400,000</u>
	2,721,080	2,736,080
Less accumulated depreciation	<u>264,937</u>	<u>169,054</u>
	2,456,143	2,567,026
Other assets:		
Accounts receivable	258,534	258,534
Notes receivable, less current portion	<u>310,602</u>	<u>462,315</u>
	<u>569,136</u>	<u>720,849</u>
Total assets	<u>\$3,349,492</u>	<u>\$4,517,538</u>
	=====	=====
Liabilities and net assets		
Current liabilities:		
Deposits held in escrow		\$ 433,989
Deferred revenues	\$ 124,958	176,665
Railway grant funds held		500,000
Current portion of long-term debt	<u>275,438</u>	<u>254,158</u>
Total current liabilities	400,396	1,364,812
Long-term debt, less current portion	2,281,120	2,558,015
Net assets:		
Unrestricted	<u>667,976</u>	<u>594,711</u>
Total net assets	<u>667,976</u>	<u>594,711</u>
Total liabilities and net assets	<u>\$3,349,492</u>	<u>\$4,517,538</u>
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See notes to financial statements

COMMUNITY IMPROVEMENT CORPORATION OF ASHLAND OHIO

Statement of Activities Years ended December 31,

	<u>2009</u>	<u>2008</u>
Revenues:		
Property lease	\$ 344,478	\$ 361,777
Interest	47,096	67,412
Excess revenue from ODOD	6,800	
Donations		3,000
Dues	<u>1,170</u>	<u>100</u>
	399,544	432,289
Expenses:		
Interest	207,916	240,689
Depreciation	95,883	96,755
Signage project expense		27,189
Professional fees	12,132	16,825
Bank charges	5,905	5,890
Insurance	3,810	3,609
Meetings	162	293
Other	<u>471</u>	<u>75</u>
	<u>326,279</u>	<u>391,325</u>
Change in net assets	73,265	40,964
Net assets – beginning of year	<u>594,711</u>	<u>553,747</u>
Net assets – end of year	<u>\$ 667,976</u>	<u>\$ 594,711</u>

See notes to financial statements

COMMUNITY IMPROVEMENT CORPORATION OF ASHLAND OHIO

Statements of Cash Flows Years ended December 31,

	<u>2009</u>	<u>2008</u>
Cash flows from operating activities:		
Change in net assets	\$ 73,265	\$ 40,964
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	95,883	96,755
Prepaid insurance	(68)	(313)
Construction in progress	15,000	12,189
Railway grant funds held	(500,000)	
Deposits held in escrow	(433,989)	433,989
Deferred revenue	<u>(51,707)</u>	<u> </u>
Net cash provided (used) by operating activities	(801,616)	583,584
Cash flows from investing activities:		
Repayment of loan principal	<u>144,121</u>	<u>131,863</u>
Net cash provided by investing activities	<u>144,121</u>	<u>131,863</u>
Cash flows from financing activities:		
Repayment of principal indebtedness	<u>(255,615)</u>	<u>(280,007)</u>
Net cash used by financing activities	<u>(255,615)</u>	<u>(280,007)</u>
Net increase (decrease) in cash	(913,110)	435,440
Cash, beginning of year	<u>1,059,426</u>	<u>623,986</u>
Cash, end of year	<u>\$ 146,316</u>	<u>\$1,059,426</u>

See notes to financial statements

COMMUNITY IMPROVEMENT CORPORATION OF ASHLAND OHIO

Notes to Financial Statements
December 31, 2009 and 2008

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 2009 or 2008.

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.

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 loaned money to Edge Plastics for railway extensions and upgrades. The note requires quarterly payments of \$1,425 including interest at 4.75%. The note matures January 2010.

\$ 24,982

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.

462,315

487,297

Less current portion

176,695

\$ 310,602

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

2011 \$ 163,967

2012 146,635

\$ 310,602

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Note 4 – 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. 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:

	<u>2009</u>	<u>2008</u>
Cash paid for interest	\$207,916	\$240,689
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Note 6 – Notes payable

The corporation purchased furniture and fixtures during the year which were financed by local banks. The note is secured by the furniture and fixtures and requires monthly payments of \$8,134 including interest at 8.0%. The note matures April 2012.

\$206,992

The corporation purchased land during the year 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.

48,890

The corporation purchased a building during the year 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.

1,838,361

The corporation borrowed money to loan to Novatex North America, Inc. for the purchase of equipment, to be permanently funded by the Ohio Department of Development on an Ohio 166 Program Loan. The note is secured by equipment in the name of Novatex North America, Inc. and requires monthly payments of \$15,342 including interest at 8.25%. The note matures October 2012.

462,315

2,556,558

Less current portion

275,438

\$2,281,120

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As of December 31, 2009, long term debt matures as follows:

2011	\$ 298,506
2012	1,950,742
2013	<u>31,872</u>

\$2,281,120

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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 – Prior period adjustment

During the year it was discovered that certain assets previously accounted for as temporarily restricted net assets for railroad improvements should have been reported as a liability to the corporation. The effect of the prior period adjustment was to increase liabilities at the beginning of 2008 by \$500,000 and decrease temporarily restricted net assets at the beginning of 2008 by the same amount.

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, 2009, and have issued our report thereon dated July 22, 2010. 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 22, 2010

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Mary Taylor, CPA
Auditor of State

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
NOVEMBER 4, 2010**