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COMMUNITY IMPROVEMENT CORPORATION OF ASHLAND OHIO

FINANCIAL STATEMENTS DECEMBER 31, 2011 AND 2010

Dave Yost • Auditor of State

Board of Trustees
Community Improvement Corporation of Ashland Ohio
211 Claremont Ave
Ashland, Ohio 44805

We have reviewed the *Independent Auditor's Report* of the Community Improvement Corporation of Ashland Ohio, Ashland County, prepared by Baker, Bowman & Co., for the audit period January 1, 2011 through December 31, 2011. 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.

Dave Yost
Auditor of State

September 13, 2012

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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, 2011 and 2010, 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, 2011 and 2010, 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 May 25, 2012, 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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or compliance. 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.

Baker Bowman & Co.

Ashland, Ohio
May 25, 2012

COMMUNITY IMPROVEMENT CORPORATION OF ASHLAND OHIO

Statements of Financial Condition
December 31,

	2011	2010
Assets		
Current assets:		
Cash	$ 45,506	$ 171,193
Loans receivable current portion	152,855	169,531
Prepaid expenses	5,363	956
Accrued interest income	11,146	
Total current assets	214,870	341,680
Property and equipment:		
Office equipment	9,248	9,248
Land	154,620	76,500
Building		2,235,332
	163,868	2,321,080
Less accumulated depreciation	9,248	214,153
	154,620	2,106,927
Other assets:		
Accounts receivable		258,534
Notes receivable, less current portion	169,741	160,253
	169,741	418,787
Total assets	$ 539,231	$2,867,394
Liabilities and net assets		
Current liabilities:		
Deferred revenues	$	$ 73,251
Current portion of long-term debt		42,607
Mural reimbursement	3,786	
Total current liabilities	3,786	115,858
Long-term debt, less current portion		1,807,796
Total liabilities	3,786	1,923,654
Net assets:		
Temporarily restricted	15,000	22,500
Unrestricted	520,445	921,240
Total net assets	535,445	943,740
Total liabilities and net assets	$ 539,231	$2,867,394

See notes to financial statements

COMMUNITY IMPROVEMENT CORPORATION OF ASHLAND OHIO

Statement of Activities
Year ended December 31, 2011

	Unrestricted	Temporarily Restricted	Total
Revenues:			
Donations	$ 164,294	15,000	$ 179,294
Property lease	73,251		73,251
Grants	46,464		46,464
Restrictions satisfied by payments	22,500	(22,500)	
Interest	12,300		12,300
Miscellaneous	2,294		2,294
	321,103	(7,500)	313,603
Expenses:			
Professional fees	47,086		47,086
Mural and signage projects	33,000		33,000
Interest	23,587		23,587
Depreciation	9,314		9,314
Insurance	4,506		4,506
Donations	1,500		1,500
Bank fees	568		568
Meetings	558		558
Recording fees	298		298
	120,417		120,417
Change in net assets from operations	200,686	(7,500)	193,186
Other expense – loss on sale of fixed assets	(601,481)		(601,481)
Total change in net assets	(400,795)	(7,500)	(408,295)
Net assets – beginning of year	921,240	22,500	943,740
Net assets – end of year	$ 520,445	$ 15,000	$ 535,445

See notes to financial statements

COMMUNITY IMPROVEMENT CORPORATION OF ASHLAND OHIO

Statement of Activities
Year ended December 31, 2010

	Unrestricted	Temporarily Restricted	Total
Revenues:			
Property lease	$ 348,956		$ 348,956
Interest	33,088		33,088
Excess revenue from ODOD	3,536		3,536
Donations	1,500	22,500	24,000
Dues	1,030		1,030
	388,110	22,500	410,610
Expenses:			
Interest	198,153		198,153
Depreciation	95,883		95,883
Professional fees	11,049		11,049
Bank charges	5,844		5,844
Insurance	3,865		3,865
Office	1,450		1,450
Meetings	307		307
Other	279		279
	316,830		316,830
Change in net assets from operations	71,280	22,500	93,780
Other income – gain on sale of fixed assets	181,984		181,984
Total change in net assets	253,264	22,500	275,764
Net assets – beginning of year	667,976		667,976
Net assets – end of year	$ 921,240	$ 22,500	$ 943,740

See notes to financial statements

COMMUNITY IMPROVEMENT CORPORATION OF ASHLAND OHIO

Statements of Cash Flows
Years ended December 31,

	2011	2010
Cash flows from operating activities:		
Change in net assets	$(408,295)	$ 275,764
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	9,314	95,883
Prepaid expenses	(4,407)	246
Accounts payable reclassification	(41,548)	
Donated land	(154,620)	
Loss (gain) on sale of fixed assets	601,481	(181,984)
Deferred revenue	(73,251)	(51,707)
Net cash (used) provided by operating activities	(71,326)	138,202
Cash flows from investing activities:		
Proceeds from sale of fixed assets	1,800,000	435,317
Receipt of loan principal	314,213	157,513
New loans	(307,025)	
Accrued investment income	(11,146)	
Net cash provided by investing activities	1,796,042	592,830
Cash flows from financing activities:		
Repayment of principal indebtedness	(1,850,403)	(706,155)
Net cash used by financing activities	(1,850,403)	(706,155)
Net decrease (increase) in cash	(125,687)	24,877
Cash, beginning of year	171,193	146,316
Cash, end of year	$ 45,506	$ 171,193

See notes to financial statements

COMMUNITY IMPROVEMENT CORPORATION OF ASHLAND OHIO

Notes to Financial Statements
December 31, 2011 and 2010

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 2011 or 2010.

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

There were no known related party transactions in 2011 or 2010.

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 extended the terms of the money loaned to The Ashland Railway, Inc. for railway extensions and upgrades. The note requires quarterly payments of $1,425 including interest at 4.75%. The note matures December 2014.	$ 15,571

The corporation financed the Novatex North America, Inc. balloon payment due per the terms of the prior note. The note requires monthly payments of interest only during the first year in the amount of $1,115 per month. During the second and third years, the note requires monthly payments of $11,736 including interest at 5%. The note matures February 2014.	267,500
The corporation loaned money to the Small Business Development Center to cover current costs until they received reimbursement from the State of Ohio. The corporation shall receive payment in full during or before September 2012 and includes no interest.	39,525
	322,596
Less current portion	152,855
	$ 169,741

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

2013	$ 141,247
2014	28,494
	$ 169,741

Note 4 – Concentration of credit risk

The Corporation's cash is placed in two financial 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:

	2011	2010
Cash paid for interest	$ 23,587	$198,153

Note 6 – Net assets

Temporarially restricted net assets at December 31, 2011 are available for the following purpose:

Rte 250 and I-71 signage project	$15,000

Note 7 – Subsequent events

The corporation evaluated subsequent events through May 25, 2012, the date which the financial statements were available to be issued.

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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, 2011, and have issued our report thereon dated May 25, 2012. 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. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying Communication of Significant Deficiencies that we consider to be significant deficiencies in internal control over financial reporting. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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* and which are described in the accompanying Communication of Significant Deficiencies.

We noted certain matters that we reported to management of Community Improvement Corporation of Ashland Ohio in a separate letter dated May 25, 2012. The Corporation's response to the findings identified in our audit is described in the accompanying Communication of Significant Deficiencies. We did not audit the Corporation's response and, accordingly, we express no opinion on it.

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
May 25, 2012

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May 25, 2012

The Board of Trustees
Community Improvement Corporation of Ashland, Ohio

In planning and performing our audit of the financial statements of Community Improvement Corporation of Ashland, Ohio (the Corporation) as of and for the year ended December 31, 2011, in accordance with auditing standards generally accepted in the United States of America, we considered the Corporation's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances 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 Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weakness or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A deficiency in internal control exists when 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. We did not identify any deficiencies in internal control that we consider to be material weakness.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe that a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies in the Corporation's internal control to be significant deficiencies:

1). The Board does not receive financial information on regular basis preventing them from detecting and correcting misstatements in a timely manner (See finding F-1).

2). The outside firm compiling the financial statements does not receive copies of the meeting minutes, potentially causing non-cash transactions to be omitted (See finding F-2).

This communication is intended solely for the information and use of The Board of Trustees of Community Improvement Corporation of Ashland, Ohio, and others within the organization, and is not intended to be, and should not be, used by anyone other than these specified parties.

Baker Bowman & Co.

Ashland, Ohio
May 25, 2012

COMMUNITY IMPROVEMENT CORPORATION OF ASHLAND OHIO
SCHEDULE OF COMMUNICATION OF SIGNIFICANT DEFICIENCIES
IN INTERNAL CONTROL OF COMPLIANCE
FOR THE YEAR ENDED DECEMBER 31, 2011

Finding F-1:

Condition:	Through conversation at a pre-engagement meeting, we were informed that the Novatex financing transaction was completed ahead of schedule and a new financing arrangement was in place to finance the balloon payment required in the previous note. The previous receivable was not relieved and the new note was not set up.
Costs:	Accounts receivable as a part of the initial transaction were overstated by \$582,770. Deferred revenue was overstated by \$73,251, and rental income was understated by the same amount. The loss on the transfer of fixed assets was understated by \$315,270, and the new note payable in the amount of \$267,500 was unrecorded.
Cause:	The Board of Directors does not receive financial information on a regular basis which prevents them from correcting misstatements in a timely manner.
Recommendation:	We recommend that the Board of Directors receive and review the financial statements on more regular basis. Additionally, we recommend that the Board of Directors communicate significant financial transactions to the outside firm so that they are recorded properly.
Response:	The Board Treasurer will contact the outside firm and provide background information on complex financial transactions.

COMMUNITY IMPROVEMENT CORPORATION OF ASHLAND OHIO
SCHEDULE OF COMMUNICATION OF SIGNIFICANT DEFICIENCIES IN INTERNAL CONTROL OF COMPLIANCE
FOR THE YEAR ENDED DECEMBER 31, 2011

Finding F-2:

Condition:	Upon review of the meeting minutes, it was discovered that the Corporation received land donated by Hospira, Inc. The land was not added to the fixed asset listing and the donation was not recorded.
Costs:	Fixed assets were understated by $154,620 and revenue was understated by the same amount.
Cause:	The outside firm does not receive a copy of the meeting minutes which caused the transaction to go unrecorded.
Recommendation:	We recommend better communication between the Board of Directors and the outside firm. Additionally, we recommend that the outside firm receives a copy of the meeting minutes so that non-cash transactions do not go unrecorded.
Response:	The Board Treasurer will contact the outside firm to discuss non-cash transactions. The outside firm will also receive a copy of the meeting minutes.

COMMUNITY IMPROVEMENT CORPORATION OF ASHLAND

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 27, 2012