

***PUTNAM COUNTY COMMUNITY
IMPROVEMENT CORPORATION
(An Ohio Non-Profit Organization)
FINANCIAL STATEMENTS***

For The Year Ended December 31, 2002



**Auditor of State
Betty Montgomery**

Board of Directors
Putnam County Community Improvement Corporation
Ottawa, Ohio

We have reviewed the Independent Auditor's Report of the Putnam County Community Improvement Corporation, Putnam County, prepared by Luderman & Konst, 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 Putnam County Community Improvement Corporation is responsible for compliance with these laws and regulations.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

April 15, 2003

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PUTNAM COUNTY COMMUNITY IMPROVEMENT CORPORATION
(An Ohio Non-Profit Corporation)

FINANCIAL STATEMENTS
For The Year Ended December 31, 2002

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January 31, 2003

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Putnam County Community Improvement Corporation
240 East Main Street
Ottawa, Ohio 45875

We have audited the accompanying statement of financial position of Putnam County Community Improvement Corporation (An Ohio Non-Profit Corporation) as of December 31, 2002 and the related statement of activities and cash flows for the year then ended. These financial statements are the responsibility of the organization'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 also 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.

In our opinion, the above-mentioned financial statements present fairly in all material respects, the financial position of Putnam County Community Improvement Corporation as of December 31, 2002 and the result of its changes in net assets and cash flows 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 a report dated January 31, 2003, on our consideration of Putnam 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.

Board of Directors
Putnam County Community Improvement Corporation
January 31, 2003
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Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplemental information contained in Schedule I is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the examination of the basic financial statements, and in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Luderman & Konst, Inc.
Certified Public Accountants

PUTNAM COUNTY COMMUNITY IMPROVEMENT CORPORATION
STATEMENT OF FINANCIAL POSITION

December 31, 2002

Exhibit A

ASSETS

CURRENT ASSETS

Cash	\$ 310,403
Total Current Assets	\$ <u>310,403</u>

PROPERTY & EQUIPMENT

Land	\$ 204,822
Building	2,082,928
Furniture & Fixtures	21,931
Vehicles	30,430
Less: Accumulated Depreciation	(209,916)
Total Property & Equipment	\$ <u>2,130,195</u>

OTHER ASSETS

Intangible Assets	\$ 3,200
Less: Accumulated Amortization	(1,422)
Total Intangible Assets	\$ <u>1,778</u>

Total Assets	\$ <u><u>2,442,376</u></u>
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts Payable	\$ 488
Loans Payable	30,144
Mortgage Payable	143,883
Accrued Wages	2,454
Accrued Fringes	7,552
Total Current Liabilities	\$ <u>184,521</u>

LONG-TERM LIABILITIES

Loan Payable	\$ 331,290
Mortgage Payable	1,417,518
Total Long-Term Liabilities	\$ <u>1,748,808</u>

Total Liabilities	\$ 1,933,329
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NET ASSETS

Unrestricted Net Assets	\$ <u>509,047</u>
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Total Liabilities & Net Assets	\$ <u><u>2,442,376</u></u>
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PUTNAM COUNTY COMMUNITY IMPROVEMENT CORPORATION
STATEMENT OF ACTIVITIES
For The Year Ended December 31, 2002

Exhibit B

REVENUE - OPERATING

Contributions	\$ 88,122
Miscellaneous Income	6,911
Rent Income	61,452
Enterprise Zone Revenue	34,548
Membership Dues	1,185
Overhead Reimbursement - Putnam County	50,000
Enterprise Zone Fees	26,700
Total Operating Revenue	\$ <u>268,918</u>

OPERATING EXPENSES

Operating Expenses - Schedule 1	\$ <u>258,960</u>
Operating Revenue Less Expenses	\$ 9,958

OTHER REVENUE (EXPENSE)

Interest Income	\$ 5,700
Interest Expense	(27,295)
Loss on Disposal of Assets	(111,304)
Total Other Revenue (Expense)	\$ <u>(132,899)</u>

Decrease In Net Assets	\$ (122,941)
Net Assets At Beginning Of Year	604,599
Prior Period Adjustment	<u>27,389</u>
Net Assets At End Of Year	<u>\$ 509,047</u>

PUTNAM COUNTY COMMUNITY IMPROVEMENT CORPORATION
STATEMENT OF CASH FLOWS
For The Year Ended December 31, 2002

Exhibit C

CASH FLOWS FROM OPERATING ACTIVITIES

Decrease In Net Assets \$ (122,941)

ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH USED BY OPERATING ACTIVITIES:

Depreciation	\$ 71,508
Amortization	1,067
Loss on Disposal of Assets	111,304
Increase In Accrued Wage:	268
Increase In Accrued Fringe:	409
(Decrease) In Accounts Payable	(3,424)
(Decrease) in Accounts Payable - Othe:	(73,811)
Total Adjustments	<u>\$ 107,321</u>
Net Cash Used For Operating Activities:	<u>\$ (15,620)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchase Of Property & Equipment	\$ (6,415)
Sale of Property & Equipment	267,073
Net Cash Provided By Investing Activitie:	<u>\$ 260,658</u>

CASH FLOWS FROM FINANCING ACTIVITIES:

Payments On Loans Payable	\$ (273,522)
Payments On Long-Term Mortgage	(11,864)
Net Cash Used By Financing Activitie:	<u>\$ (285,386)</u>

NET DECREASE IN CASH AND CASH EQUIVALENTS \$ (40,348)

CASH AND CASH EQUIVALENTS AT JANUARY 1 350,751

CASH AND CASH EQUIVALENTS AT DECEMBER 31, \$ 310,403

SUPPLEMENTAL DISCLOSURES:

Interest Paid	\$ 27,295
Income Taxes Paid	0

PUTNAM COUNTY COMMUNITY IMPROVEMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2002

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of Putnam County Community Improvement Corporation is presented to assist in understanding the Company's financial statements. The financial statements and notes are representations of the Company's management who is responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles and have been consistently applied in the preparation of the financial statements.

Estimates – The preparation of financial statements in conformity with 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.

Property & Equipment – All property and equipment are recorded at cost and are depreciated using the straight line method over the asset's estimated useful lives. Furniture & fixtures are depreciated using a 5-7 year life and the buildings a 40 year life. Expenditures for repairs and maintenance are charged to expense as incurred. Major improvements are capitalized. Depreciation expense is \$ 71,508 for the year ended December 31, 2002.

Basis Of Presentation – 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 organization 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 at December 31, 2002.

Cash Equivalents – For the purpose of the statement of cash flows, the Organization considers all investment instruments purchased with a maturity of three months or less to be cash equivalents.

NOTE 2 – BUSINESS ACTIVITY

Putnam County Community Improvement Corporation was formed in 1984 to advance, encourage, and promote the industrial, economic, commercial, and civic development of Putnam County.

NOTE 3 – EXEMPTION FROM FEDERAL INCOME TAX

The Organization is considered exempt under code section 501(c)(3) and holds a letter of exemption from income tax dated September 4, 1986. Information returns, Form 990, have been filed for all years through December 31, 2001. The 2002 Form 990 will be filed prior to May 15, 2003. The Organization is not considered a private foundation.

PUTNAM COUNTY COMMUNITY IMPROVEMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS – (CONTINUED)
December 31, 2002

NOTE 4 – LEASE COMMITMENTS

The Organization entered into a lease agreement with the Putnam County Commissioners to lease office space at 240 East Main Street, Ottawa, Ohio. This lease expired August 1, 2001. At that time, a new agreement was entered into. The lease is from August 26, 2001 to August 26, 2002 at a cost of \$ 666.67 per month. The lease was renewed for an additional year on August 26, 2002. Total lease expense for the year was \$ 8,000.

NOTE 5 – PENSION

The Organization established a Simplified Employee Pension Plan in April 1991 covering all employees. Each employee's contribution is limited to the lesser of 15 % of the first \$ 200,000 of compensation or \$30,000. The organization has elected to contribute 15% of each employee's gross wages. Pension Expense for 2002 was \$ 12,628.

NOTE 6 – LOAN PAYABLE

The loan payable for \$ 361,434 to the Putnam County Commissioners represents the balance due on \$390,000 borrowed May 28, 1999 to purchase the building leased to American Weatherseal. Monthly payments of \$ 2,563 include principle and interest and are due until May 2019. The interest rate is 5.00 %. The loan is secured by a second mortgage on the land and building. There were no payments on the loan during 2002 and the property is currently for sale (see note 12).

The loans are as follows:

<u>Lender</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Monthly Payment</u>
Putnam County	\$ 361,434	5.0 %	\$ 2,563
Less: Current Portion	(30,144)		
Long Term Portion	<u>\$ 331,290</u>		

Maturities of loans payable for the next 5 years are as follows:

2003	\$ 30,144
2004	14,523
2005	15,266
2006	16,047
2007	16,868
Thereafter	<u>268,586</u>
Total	<u>\$ 361,434</u>

PUTNAM COUNTY COMMUNITY IMPROVEMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS – (CONTINUED)
December 31, 2002

NOTE 7 – MORTGAGE PAYABLE

The mortgage payable to the State of Ohio represents the balance due on \$1,737,750 borrowed May 28, 1999 to purchase a building and land in Ottawa, Ohio, leased to American Weatherseal. Monthly payments will vary year to year. Payments are \$8,751, which included both interest and principle. Monthly payments are due until July 1, 2004, when a balloon payment of \$1,414,561 is due. The interest rate is currently 2.00 %. The loan is secured by a first mortgage on the land and building. There were no payments made on this loan in 2002 and the property is currently for sale (see note 12). The loan is as follows:

<u>Lender</u>	<u>Amount</u>	<u>Rate</u>	<u>Payment</u>
State of Ohio	\$ 1,561,401	2.00 %	\$ 8,751
Less: Current Portion	<u>(143,883)</u>		
Long-Term Portion	<u>\$ 1,417,518</u>		

Maturities of mortgages payable for the next 5 years are as follows:

2003	\$ 143,883
2004	<u>1,417,518</u>
Total	<u>\$ 1,561,401</u>

NOTE 8 – RENTAL INCOME UNDER OPERATING LEASES

During March, 1993, the Putnam County Community Improvement Corporation (lessor) entered into a lease agreement with Alpharetta Properties, Inc., (lessee) to lease the building constructed in Ottoville, Ohio. The lease was for a period of 5 years and was renewed for an additional 5 years in March 1998. The agreement permits the lessee to terminate the lease without penalty, provided the lessor is given 1 year's written notice. Lease payments are \$ 11,784 per month. Should the interest rate change on the mortgage from the Ottoville Bank, (Note 7) either the cost or savings shall be passed on to the lessee in the form of a lease adjustment. In case of default Alpharetta Properties, Inc. has also established an irrevocable Letter of Credit with Bank One, Lima, for \$ 69,000. Putnam County Community Improvement Corporation is the beneficiary. If the lessee complies with all the terms of the lease, the letter of credit will be reduced by \$ 11,500 annually until it reaches a balance of \$ 20,000. The letter of credit will be cancelled at the time the premises is vacated, provided the building is left in an acceptable condition. The lessee has the option to purchase the property after having leased it for a period of 18 months. The purchase price will be the unpaid principal and interest on the 2 loans mentioned in note 6 and the Ottoville Bank loan mentioned in note 7. Alpharatta Properties exercised this option and purchased the property in 2002. Total rent received in 2002 was \$ 45,752.

During May 1999, the organization also entered into a lease with American Weatherseal to lease the building recently purchased in Ottawa, Ohio. The lease is for a period of 7 years. The monthly lease payment is \$ 13,955. The lessee has an option to purchase the building at the end of the lease term for the unpaid principal balance and accrued interest. In December, 2000 American Weatherseal filed Chapter 11 Bankruptcy and in 2001 vacated the premises (see Note 12). The Organization has leased the building throughout the year to several other tenants and collected a total of \$ 15,700.

PUTNAM COUNTY COMMUNITY IMPROVEMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS – (CONTINUED)
December 31, 2002

NOTE 9 – RELATED PARTY TRANSACTION

Putnam County would be considered a related party in regard to the Putnam County Community Improvement Corporation. The County Commissioners of Putnam County are on the 21 member Board of the Community Improvement Corporation.

The organization leases office space from Putnam County (see Note 4) and have also borrowed funds from Putnam County (see Note 6). In addition the revolving loan which is a part of Putnam Company reimburses the organization for wages, fringes, and some overhead expense. The total reimbursed for 2002 was \$ 50,000.

NOTE 10 – CONCENTRATIONS

Approximately 17% of the organization's support was provided by an organization who is leasing a building. This tenant has exercised its option to purchase the building (see Note 12). Total reimbursed expenses from Putnam County comprises 17% of current year revenue.

NOTE 11 – PROGRAM SERVICES AND ADMINISTRATIVE EXPENSES

Total expenses for 2002 consist of expenses related to program services and administrative expenses and are as follows:

Program Services	\$ 226,281
Administrative	<u>59,974</u>
Total	<u>\$ 286,255</u>

NOTE 12 – POTENTIAL SALE OF WEATHERSEAL BUILDING

The organization has previously leased a building to American Weatherseal. In conjunction with this building, the organization has a loan with Putnam County (Note 6) and a mortgage with State of Ohio (Note 7). In December, 2000, American Weatherseal filed Chapter 11 Bankruptcy and in 2001 defaulted and vacated the premises after paying approximately 10 months rent. Efforts to find a new tenant have not been successful and the building was put up for auction in July 2002. However, the minimum bid was not obtained and the building was not sold. Attempts are still being made to sell this property at auction. It is expected to go on sale again in March 2003.

The loan and mortgage provide that neither the organization nor its officers, directors, agents and employees shall be personally liable on the debt, nor can the state seek or take judgment against this organization or any of its officers, directors, agents or employees, but must rely on the collateral for repayment in the event of default. However, the Organization is paying some of the monthly utilities on the project.

NOTE 13 – CREDIT RISK

The Organization has cash in the bank exceeding the FDIC insurance limit in the amount of \$ 29,236 at December 31, 2002.

PUTNAM COUNTY COMMUNITY IMPROVEMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS – (CONTINUED)
December 31, 2002

NOTE 14 – ENTERPRISE ZONE REVENUE

The Organization has gross enterprise zone revenue of \$ 705,895 and payouts of \$ 671,347, resulting in net revenue of \$ 34,548. This represents a fee to the organization for administering the enterprise zone agreements.

NOTE 15 –NON-CASH INVESTING & FINANCING

Non-cash investing and financing transactions consisting of mortgage repayments have been reflected in the assets and liabilities in the accompanying financial statements. They are as follows:

Reduction in Mortgage Loans	\$ 824,340
Less: Amounts Paid Directly to the Bank	<u>(812,476)</u>
Cash Paid on Mortgage	<u>\$ 11,864</u>

NOTE 16 –ADVERTISING COSTS

The Organization expenses advertising costs as incurred. Expense for 2002 is \$ 5,060.

NOTE 17 –PRIOR PERIOD ADJUSTMENT

Unrestricted net assets is being increased by \$ 27,389. The Organization was negotiating with the State of Ohio regarding the mortgage payment on the Weatherseal building. A negotiated payment of \$ 62,670 was agreed to in 2001. A part of the payment was posted to expense in 2001. However, the State of Ohio agreed to credit the entire amount to the mortgage balance.

Supplemental Information

PUTNAM COUNTY COMMUNITY IMPROVEMENT CORPORATION
SCHEDULE OF OPERATING EXPENSES
For The Year Ended December 31, 2002

Schedule I

OPERATING EXPENSES

Economic Development	\$ 2,079
Bond	576
Supplies & Postage	4,189
Professional Services	13,980
Salary & Wages	96,175
Fringes - Payroll Taxes	7,644
Telephone	6,726
Auto Expense	792
Depreciation	71,508
Repairs - Office Equipment	372
Pension	12,628
Other Employee Benefits	8,422
Marketing	5,060
Rent	8,000
Property Taxes	10,141
Dues & Subscriptions	319
Annual Dinner	1,260
Cable & Internet	371
Amortization	1,067
Utilities	5,115
Miscellaneous Expense	2,536
Total Operating Expenses	\$ <u>258,960</u>

PUTNAM COUNTY COMMUNITY IMPROVEMENT CORPORATION

January 31, 2003

***INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS***

Board of Directors
Putnam County Community Improvement Corporation
240 East Main Street
Ottawa, Ohio 45875

We have audited the financial statements of Putnam County Community Improvement Corporation (A Nonprofit Organization) as of and for the year ended December 31, 2002, and have issued our report thereon dated January 31, 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 Putnam 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. However, we noted certain immaterial instances of noncompliance, which we have reported to management of Putnam County Community Improvement Corporation in a separate letter dated January 31, 2003.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered Putnam 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.

Board of Directors
Putnam County Community Improvement Corporation
January 31, 2003
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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. However, we noted other matters involving the internal control over financial reporting, which we have reported to management of Putnam County Community Improvement Corporation in a separate letter dated January 31, 2003.

This report is intended for the information and use of the audit committee, management, others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

Luderman & Konst, Inc.
Certified Public Accountants



**Auditor of State
Betty Montgomery**

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PUTNAM COUNTY COMMUNITY IMPROVEMENT CORPORATION

PUTNAM 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
MAY 8, 2003**