

Baker, Bowman & Co.
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**COMMUNITY IMPROVEMENT CORPORATION
OF ASHLAND OHIO**

**FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006**



Mary Taylor, CPA
Auditor of State

Officers and Trustees
Community Improvement Corporation of Ashland Ohio
206 Claremont Ave
Ashland, Ohio 44805-3055

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, 2007 through December 31, 2007. 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

December 3, 2008

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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, 2007 and 2006, 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, 2007 and 2006, 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 October 16, 2008, 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.

Ashland, Ohio
October 16, 2008

Baker, Bowman & Co.

COMMUNITY IMPROVEMENT CORPORATION OF ASHLAND OHIO

Statements of Financial Condition
December 31,

	<u>2007</u>	<u>2006</u>
Assets		
Current assets:		
Cash	\$ 623,986	\$ 856,366
Loans receivable current portion	132,890	37,532
Prepaid insurance	<u>821</u>	<u>821</u>
Total current assets	757,697	894,719
Property and equipment:		
Construction in progress	27,189	7,357
Office equipment	9,248	9,248
Land	76,500	
Building	2,235,332	
Furniture and fixtures	<u>400,000</u>	
	2,748,269	16,605
Less accumulated depreciation	<u>72,299</u>	<u>7,066</u>
	2,675,970	9,539
Other assets:		
Accounts receivable	258,534	
Notes receivable, less current portion	<u>630,391</u>	
	<u>888,925</u>	
Total assets	\$4,322,592	\$ 904,258
	=====	=====
Liabilities and net assets		
Current liabilities:		
Deferred revenues	\$ 228,372	
Current portion of long-term debt	<u>234,528</u>	
Total current liabilities	462,900	
Long-term debt, less current portion	2,805,945	
Net assets:		
Temporarily restricted	500,000	500,000
Unrestricted	<u>553,747</u>	<u>404,258</u>
Total net assets	<u>1,053,747</u>	<u>904,258</u>
Total liabilities and net assets	\$4,322,592	\$ 904,258
	=====	=====

See notes to financial statements

COMMUNITY IMPROVEMENT CORPORATION OF ASHLAND OHIO

Statement of Activities
Year ended December 31, 2007

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	<u>Total</u>
Revenues:			
Property lease	\$ 330,838		\$ 330,838
Interest	64,689		64,689
Dues	<u>1,070</u>	<u> </u>	<u>1,070</u>
	396,597		396,597
Expenses:			
Professional fees	5,790		5,790
Insurance	3,284		3,284
Recording fees	691		691
Depreciation	65,233		65,233
Miscellaneous	240		240
Office	80		80
Bank fees	3,972		3,972
Interest	167,651		167,651
Meetings	<u>167</u>	<u> </u>	<u>167</u>
	<u>247,108</u>	<u> </u>	<u>247,108</u>
Change in net assets	149,489		149,489
Net assets – beginning of year	<u>404,258</u>	<u>500,000</u>	<u>904,258</u>
Net assets – end of year	<u>\$ 553,747</u>	<u>\$ 500,000</u>	<u>\$1,053,747</u>

See notes to financial statements

COMMUNITY IMPROVEMENT CORPORATION OF ASHLAND OHIO

Statement of Activities Year ended December 31, 2006

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues:			
Interest	\$ 35,815		\$ 35,815
Donations	1,741		1,741
Dues	1,220		1,220
Net assets released from restrictions	<u>137,000</u>	<u>\$ (137,000)</u>	<u> </u>
	175,776	(137,000)	38,776
Expenses:			
Professional fees	6,097		6,097
Insurance	3,298		3,298
Donations	2,000		2,000
Depreciation	1,310		1,310
Miscellaneous	329		329
Office	75		75
Meetings	<u>1,030</u>	<u> </u>	<u>1,030</u>
	<u>14,139</u>	<u> </u>	<u>14,139</u>
Other expenses:			
Track rehabilitation	<u>142,000</u>	<u> </u>	<u>142,000</u>
	<u>142,000</u>	<u> </u>	<u>142,000</u>
Change in net assets	19,637	(137,000)	(117,363)
Net assets – beginning of year	<u>384,621</u>	<u>637,000</u>	<u>1,021,621</u>
Net assets – end of year	<u>\$ 404,258</u>	<u>\$ 500,000</u>	<u>\$ 904,258</u>

See notes to financial statements

COMMUNITY IMPROVEMENT CORPORATION OF ASHLAND OHIO

Statements of Cash Flows Years ended December 31,

	<u>2007</u>	<u>2006</u>
Cash flows from operating activities:		
Change in net assets	\$ 119,327	\$(117,363)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	65,233	1,310
Prepaid insurance		14
Construction in progress	(19,832)	(7,357)
Accrued expenses	<u> </u>	<u>(200,000)</u>
Net cash provided (used) by operating activities	164,728	(323,396)
Cash flows from investing activities:		
Repayment of loan principal	24,251	50,735
Purchase of fixed assets	(2,711,832)	
Increase of loan principal	<u>(750,000)</u>	<u> </u>
Net cash (used) provided by investing activities	<u>(3,437,581)</u>	<u>50,735</u>
Cash flows from financing activities:		
Repayment of principal indebtedness	(86,377)	
Proceeds from outside borrowing	<u>3,126,850</u>	<u> </u>
Net cash provided by financing activities	<u>3,040,473</u>	<u> </u>
Net decrease in cash	(232,380)	(272,661)
Cash, beginning of year	<u>856,366</u>	<u>1,129,027</u>
Cash, end of year	<u>\$ 623,986</u>	<u>\$ 856,366</u>

See notes to financial statements

COMMUNITY IMPROVEMENT CORPORATION OF ASHLAND OHIO

Notes to Financial Statements
December 31, 2007 and 2006

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 2007 or 2006.

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.

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 December 2009.

\$ 33,545

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.

	<u>729,736</u>
	763,281
Less current portion	<u>132,890</u>
	\$ 630,391 =====

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

2009	\$ 167,944
2010	150,454
2011	163,347
2012	<u>148,646</u>
	\$ 630,391 =====

Note 3 – Fixed assets

Fixed assets are recorded at cost and are being depreciated over the estimated useful lives of the assets using the straight-line method.

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. Currently, 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>2007</u>	<u>2006</u>
Cash paid for interest	\$167,651	\$ -0-
	=====	=====

Note 6- Temporarily restricted net assets

Temporarily restricted net assets are available for the following purposes:

	<u>2007</u>	<u>2006</u>
Railway extension and upgrades	\$500,000	\$500,000
	=====	=====

Note 7 – 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.

\$355,596

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.

63,064

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.

1,892,077

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.

729,736

3,040,473

Less current portion

234,528

\$2,805,945

=====

As of December 31, 2007, long term debt matures as follows:

2009	\$ 252,998
2010	274,179
2011	297,139
2012	<u>1,981,629</u>
	<u>\$2,805,945</u>

Note 8 – Property Lease

During the year 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.

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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 as of and for the year ended December 31, 2007, and have issued our report thereon dated October 16, 2008. 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 in order to determine our auditing procedures for the purposes of expressing our opinion on the financial statements and not to provide an opinion 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 that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud 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.

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 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
October 16, 2008



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
DECEMBER 16, 2008**