

Lancaster Area Community Improvement Corporation

Fairfield County, Ohio

Regular Audit

January 1, 2004 through December 31, 2004

Fiscal Year Audited Under GAGAS: 2004

BALESTRA, HARR & SCHERER, CPAs, INC.

528 South West Street, P.O. Box 687
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www.bhscpas.com



**Auditor of State
Betty Montgomery**

Board of Trustees
Lancaster Area Community Improvement Corporation
109 N. Broad Street
PO Box 2450
Lancaster, Ohio 43130

We have reviewed the *Independent Auditor's Report* of the Lancaster Area Community Improvement Corporation, Fairfield County, prepared by Balestra, Harr & Scherer CPAs, Inc., for the audit period January 1, 2004 to December 31, 2004. 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 Lancaster Area Community Improvement Corporation is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

July 18, 2005

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INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying statements of financial position of the Lancaster Area Community Improvement Corporation (the Corporation), as of December 31, 2004 and 2003, 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 the 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 audits 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 significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide 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 Lancaster Area Community Improvement Corporation as of December 31, 2004 and 2003, and the changes in net assets and 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 April 18, 2005, on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

Balestra, Harr & Scherer

Balestra, Harr & Scherer, CPAs, Inc.

April 18, 2005

Lancaster Area Community Improvement Corporation

*Statements of Financial Position
As of December 31, 2004 and 2003*

	<u>2004</u>	<u>2003</u>
Assets:		
Cash and Cash Equivalents	\$348,357	\$335,698
Prepaid Insurance	1,234	1,200
Interest Receivable	36	36
Land for Investment/Sale	<u>1,756,400</u>	<u>1,912,227</u>
Total Assets:	<u>\$2,106,027</u>	<u>\$2,249,161</u>
Liabilities and Net Assets:		
Liabilities:		
Accounts Payable	\$2,600	\$450
Accrued Real Estate Tax	<u>13,508</u>	<u>1,692</u>
Total Liabilities:	16,108	2,142
Net Assets:		
Unrestricted	<u>2,089,919</u>	<u>2,247,019</u>
Total Liabilities and Net Assets	<u>\$2,106,027</u>	<u>\$2,249,161</u>

See accompanying notes to the financial statements.

Lancaster Area Community Improvement Corporation
Statements of Financial Activities
For the Years Ended December 31, 2004 and 2003

	2004	2003
Unrestricted Net Assets:		
Revenues:		
Gain on Land Sales	\$122,113	\$228,892
Dues	2,450	2,275
Land Rentals	8,950	500
In-kind Rent	1,500	1,500
Interest Income	4,651	1,511
Total Revenues:	139,664	234,678
Expenses:		
Land Sale Expenses	264,984	14,235
Administrative Fee	3,000	3,000
Insurance	3,719	3,368
Accounting Services	3,050	2,516
Legal Services	1,800	1,800
Other Professional Services	4,209	1,750
Real Estate Taxes	14,014	2,646
In-kind Rent	1,500	1,500
Promotion	385	1,143
Bank Service Charges	103	26
Total Expenses:	296,764	31,984
Increase/(Decrease) in Unrestricted Net Assets	(157,100)	202,694
Net Assets, Beginning of Year	2,247,019	2,044,325
Net Assets, End of Year	\$2,089,919	\$2,247,019

See accompanying notes to the financial statements.

Lancaster Area Community Improvement Corporation

Statements of Cash Flows

For the Years Ended December 31, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Cash Flows From Operating Activities:		
Increase/(Decrease) in Net Assets	(\$157,100)	\$202,694
Adjustments to Reconcile Change in Net Assets to Net Cash Provided/(Used) by Operating Activities:		
(Increase)/Decrease in Operating Assets:		
Interest Receivable	0	(36)
Prepaid Expenses	(34)	(5)
Increase/(Decrease) in Operating Liabilities:		
Accounts Payable	2,150	(24)
Deposits on Land Sales	0	(10,000)
Accrued Real Estate Tax	<u>11,816</u>	<u>(942)</u>
Net Cash Provided by Operating Activities:	(143,168)	191,687
Cash Flows From Investing Activities:		
Land Purchase and Development Costs	<u>155,827</u>	<u>98,103</u>
Net Cash Provided by Investing Activities:	<u>155,827</u>	<u>98,103</u>
Net Change in Cash and Cash Equivalents:	12,659	289,790
Cash and Cash Equivalents at Beginning of Year	<u>335,698</u>	<u>45,908</u>
Cash and Cash Equivalents at End of Year	<u><u>\$348,357</u></u>	<u><u>\$335,698</u></u>

See accompanying notes to the financial statements.

Lancaster Area Community Improvement Corporation
Fairfield County, Ohio
Notes to the Financial Statements
For the Years Ended December 31, 2004 and 2003

NOTE 1-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Lancaster Area Community Improvement Corporation (the Corporation) is an Ohio nonprofit corporation established for the purpose of advancing, encouraging, and promoting the industrial, economic, commercial and civic development of the City of Lancaster and the surrounding community and county.

Basis of Accounting

The financial statements of the Corporation have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Revenue Recognition

Income from membership dues, fees, and land sales is recognized over the period to which the dues, fees, and land sales relate.

Cash and Cash Equivalents

For the purpose of the Statement of Cash Flows, cash and cash equivalents include all highly liquid investments with initial maturities of three months or less.

Equipment

Equipment is stated at cost and is depreciated over the estimated useful lives by the straight-line method of financial reporting purposes. Repairs and maintenance are charged to operations when incurred and improvements and additions are capitalized. When equipment is sold, or otherwise disposed of, the asset account and related accumulated depreciation account are relieved, and any gain or loss is included in operations.

Donated Property

Donations of property are recorded as contributions at their estimated fair value at the date of the donation.

Federal Income Taxes

The Corporation was incorporated as a nonprofit entity and is exempt from federal income taxes under Section 501(c)(6) of the Internal Revenue Code.

Land

Original land available for sale is stated at its appraised value, which approximates market value at the time of donation. Subsequent land purchases and costs to prepare the land for sale are stated at cost. As land is sold, an allocation of cost for those acres sold is charged to operations.

Lancaster Area Community Improvement Corporation
Fairfield County, Ohio
Notes to the Financial Statements
For the Years Ended December 31, 2004 and 2003

NOTE 1-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Estimates

Management uses estimates and assumptions in preparing financial statements. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses. Actual results could differ from those estimates.

NOTE 2-LAND

The Corporation owns the land known as the Rockmill Corporate Park. The Rockmill Corporate Park consists of approximately 237.59 acres of land at December 31, 2004. The Corporation promotes the sale of this land in Fairfield County to prospective industrial clients.

NOTE 3-FURNITURE AND EQUIPMENT

Property and equipment consists of:

	2004	2003
Cost	\$3,021	\$3,021
Less: Accumulated Depreciation	(3,021)	(3,021)
Net Furniture and Equipment	\$0	\$0

NOTE 4-LEASES

Annual leases have been negotiated for tenants to occupy and use, for agricultural purposes, the remaining tillable acres of land owned by the Corporation. For 2004 and 2003, the lease was negotiated for \$8,950 and \$0, respectively. Credit is allowed for land rendered unillable by construction work or a direct reimbursement may be made to the lessee for crops destroyed. Leases are renewed on a yearly basis at the discretion of the Board of Trustees.

NOTE 5-ADMINISTRATIVE FEE

A management fee is paid to the Lancaster Area Chamber of Commerce. The Corporation uses the Chamber's facilities and personnel. The fees for the years ended December 31, 2004 and 2003 were \$3,000 and \$3,000, respectively.

NOTE 6-IN-KIND RENT

The Lancaster Area Chamber of Commerce furnishes approximately 200 square feet of office space at no charge for use of the Corporation. In-kind revenues and expenses are computed using the market rental value of \$7.50 per square foot, which for the years ended December 31, 2004 and 2003, were \$1,500 and \$1,500, respectively.

NOTE 7-LINE OF CREDIT

On December 21, 1999, the Corporation obtained a line of credit of \$150,000 from Standing Stone National Bank. The line of credit had an interest rate of 7.2% and was collateralized by 167.08 acres of real estate owned by the Corporation. The maturity date was December 20, 2004. There were no advances on this line of credit prior to December 20, 2004.

Lancaster Area Community Improvement Corporation
Fairfield County, Ohio
Notes to the Financial Statements
For the Years Ended December 31, 2004 and 2003

NOTE 8-CONCENTRATION OF CREDIT RISK

As of December 31, 2004 the Corporation had cash in excess of Federal Deposit Insurance Corporation (FDIC) coverage of \$1,142 in one bank and \$31,976 in another bank. During the fiscal years 2004 and 2003, the Corporation may have had cash balances in excess of FDIC coverage in one or more of their bank accounts.

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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*

Board of Trustees
Lancaster Area Community Improvement Corporation
109 N. Broad Street, PO Box 2450
Lancaster, Ohio 43130

We have audited the financial statements of the Lancaster Area Community Improvement Corporation (the Corporation), as of and for the years ended December 31, 2004 and 2003, and have issued our report thereon dated April 18, 2005. 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.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered the 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 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. However, we noted other matters involving internal control over financial reporting, which we have reported to management in a separate letter dated April 18, 2005.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulation, 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 audits, and accordingly, we do not express such an opinion. The results of our tests disclosed no material instances of noncompliance or other matters that are required to be reported under *Government Auditing Standard*.

This report is intended solely for the information and use of management and the Board of Trustees, and is not intended to be and should not be used by anyone other than these specified parties.

Balestra, Harr & Scherer

Balestra, Harr & Scherer, CPAs, Inc.

April 18, 2005



**Auditor of State
Betty Montgomery**

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**LANCASTER AREA COMMUNITY IMPROVEMENT CORPORATION
FAIRFIELD 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
AUGUST 4, 2005**