

**LANCASTER AREA COMMUNITY
IMPROVEMENT CORP.
FINANCIAL STATEMENTS
Years Ended December 31, 2002 and 2001**



**Auditor of State
Betty Montgomery**

Board of Trustees
Lancaster Area Community Improvement Corporation

We have reviewed the Independent Auditor's Report of the Lancaster Area Community Improvement Corporation, Fairfield County, prepared by Wolfe, Wilson & Phillips, 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 Lancaster Area Community Improvement Corporation is responsible for compliance with these laws and regulations.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

July 17, 2003

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Lancaster Area Community Improvement Corporation
Years Ended December 31, 2002 and 2001

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Wolfe, Wilson, & Phillips, Inc.
Certified Public Accountants
37 South Seventh Street
Zanesville, OH 43701

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Lancaster Area Community Improvement Corp.
Lancaster, Ohio

We have audited the accompanying statement of financial position of Lancaster Area Community Improvement Corp. (a non-profit corporation) as of December 31, 2002 and 2001, and the related statements of financial 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 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 Lancaster Area Community Improvement Corp. as of December 31, 2002 and 2001 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 a report dated June 20, 2003, on our consideration of the Lancaster Area Community Improvement Corp.'s internal control structure 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.

Wolfe, Wilson, & Phillips, Inc.
Zanesville, OH
June 20, 2003

LANCASTER AREA COMMUNITY IMPROVEMENT CORP.
STATEMENTS OF FINANCIAL POSITION
December 31, 2002 and 2001

ASSETS	<u>2002</u>	<u>2001</u>
Cash and cash equivalents	\$ 45,908	\$ 57,392
Prepaid insurance	1,195	1,195
Land for investment/sale	2,010,330	1,998,965
Furniture and equipment – net	<u>0</u>	<u>0</u>
 TOTAL ASSETS	 <u>\$2,057,433</u>	 <u>\$2,057,552</u>
 LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 474	\$ 900
Deposits on land sales	10,000	0
Accrued real estate tax	<u>2,634</u>	<u>2,639</u>
 TOTAL LIABILITIES	 13,108	 3,539
 UNRESTRICTED NET ASSETS	 <u>2,044,325</u>	 <u>2,054,013</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$2,057,433</u>	 <u>\$2,057,552</u>

See notes to financial statements

LANCASTER AREA COMMUNITY IMPROVEMENT CORP.
STATEMENTS OF FINANCIAL ACTIVITIES
Years Ended December 31, 2002 and 2001

UNRESTRICTED NET ASSETS	<u>2002</u>	<u>2001</u>
Revenue		
Interest income	\$ 510	\$ 1,700
Land sales	0	32,861
Land rent	10,187	10,159
Dues	1,425	1,425
In-kind rent	<u>1,500</u>	<u>1,500</u>
	13,622	47,645
Expenses		
Land sale expenses	0	1
Administrative fee	3,000	3,000
Insurance	3,363	3,334
Accounting services	2,475	2,853
Legal services	1,800	1,800
Other professional services	642	7,299
Real estate taxes	2,635	2,641
In-kind rent	1,500	1,500
Supplies	0	68
Permits and fees	0	(5)
Promotion	7,555	1,860
Office & postage	<u>340</u>	<u>0</u>
	<u>23,310</u>	<u>24,351</u>
 INCREASE (DECREASE) IN NET ASSETS	 (9,688)	 23,294
 NET ASSETS AT BEGINNING OF YEAR	 <u>2,054,013</u>	 <u>2,030,719</u>
 NET ASSETS AT END OF YEAR	 <u>\$2,044,325</u>	 <u>\$2,054,013</u>

See notes to financial statements

LANCASTER AREA COMMUNITY IMPROVEMENT CORP.
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2002 and 2001

CASH FLOWS FROM OPERATING ACTIVITIES	<u>2002</u>	<u>2001</u>
Increase (decrease) in net assets	\$ (9,688)	\$ 23,294
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
(Increase) decrease in operating assets:		
Prepaid insurance	0	(28)
Increase (decrease) in operating liabilities:		
Accounts payable	(426)	(8,050)
Deposits on land sales	10,000	
Accrued real estate tax	<u>(5)</u>	<u>(2,979)</u>
 NET CASH PROVIDED BY OPERATING ACTIVITIES	 (119)	 12,237
 CASH FLOWS FROM INVESTING ACTIVITIES		
Land purchase and development costs	(11,365)	(11,175)
Allocation of cost of land sold	<u>0</u>	<u>1</u>
 NET CASH PROVIDED BY INVESTING ACTIVITIES	 (11,365)	 (11,174)
 NET CHANGE IN CASH AND CASH EQUIVALENTS	 (11,484)	 1,063
 BEGINNING CASH AND CASH EQUIVALENTS	 <u>57,392</u>	 <u>56,329</u>
 ENDING CASH AND CASH EQUIVALENTS	 <u>\$ 45,908</u>	 <u>\$ 57,392</u>

See notes to financial statements

LANCASTER AREA COMMUNITY IMPROVEMENT CORP.
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Lancaster Area Community Improvement Corp. (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 purposes of the Statements 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 depreciated over the estimated useful lives by the straight-line method for 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 non-profit 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 CORP.
NOTES TO FINANCIAL STATEMENTS**

Estimates

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

2. LAND

The Corporation owns the land known as the Rockmill Corporate Park. The Rockmill Corporate Park consists of approximately 247.31 acres of land at December 31, 2002. The Corporation promotes the sale of this land in Fairfield County to prospective industrial clients.

3. FURNITURE AND EQUIPMENT

Furniture and equipment consists of:

	<u>2002</u>	<u>2001</u>
Cost	\$ 3,021	\$ 3,021
Accumulated depreciation	<u>(3,021)</u>	<u>(3,021)</u>
	<u>\$ 0</u>	<u>\$ 0</u>

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 2002 and 2001, the lease was negotiated for \$10,159 and \$14,820, respectively. Credit is allowed for land rendered untillable by construction work or a direct reimbursement may be made to the lessee for crops destroyed.

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 fee for the years ended December 31, 2002 and 2001 was \$3,000 and \$3,000, respectively.

LANCASTER AREA COMMUNITY IMPROVEMENT CORP.
NOTES TO FINANCIAL STATEMENTS

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. The in-kind revenue and expense is computed using a market rental value of \$7.50 per square foot and for the years ended December 31, 2002 and 2001 was \$1,500 and \$1,500, respectively.

7. LINE OF CREDIT

On December 21, 1999, the Corporation obtained a line of credit of \$150,000 from the Standing Stone National Bank. The line of credit will have an interest rate of 7.2% and is collateralized by 167.08 acres of real estate owned by the Corporation. The maturity date is December 20, 2004. There were no advances on this line of credit prior to December 31, 2002.

8. DEPOSITS ON LAND SALES

In October 2003, the Corporation received \$10,000 to hold a portion of the land held for sale/investment for a buyer. This deposit will be applied to the purchase price upon closing.

9. SUBSEQUENT EVENTS

In March 2003, the Corporation entered into an agreement with the State of Ohio to sell a portion of the land held for sale/investment. The Corporation received \$159,030 and two parcels of land for the sale.

Wolfe, Wilson, & Phillips, Inc.
Certified Public Accountants
37 South Seventh Street
Zanesville, OH 43701

**INDEPENDENT AUDITORS' 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 Trustees
Lancaster Area Community Improvement Corp.
Lancaster, Ohio

We have audited the financial statements of the Lancaster Area Community Improvement Corp. as of and for the year ended December 31, 2002, and have issued our report thereon dated June 20, 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 the Lancaster Area Community Improvement Corp.'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*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Lancaster Area Community Improvement Corp.'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. 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.

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

Wolfe, Wilson, & Phillips, Inc.

Zanesville, Ohio

June 20, 2003



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

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 5, 2003**