Lancaster Area Community Improvement Corporation

Fairfield County, Ohio

Regular Audit

January 1, 2006 through December 31, 2006

Year Audited Under GAGAS: 2006

BALESTRA, HARR & SCHERER, CPAs, INC.
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Mary Taylor, CPA
Auditor of State

Board of Trustees
Lancaster Area Community Improvement Corporation
109 North Broad Street
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, 2006 through December 31, 2006. 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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

June 13, 2007

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Lancaster Area Community Improvement Corporation
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Member American Institute of Certified Public Accountants — Ohio Society of Certified Public Accountants

Independent Auditor's Report

Board of Trustees
Lancaster Area Community Improvement Corporation
109 North Broad Street
Lancaster, Ohio 43130

We have audited the accompanying statements of financial position of the Lancaster Area Community Improvement Corporation (the Corporation), as of December 31, 2006 and 2005, 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 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 Corporation as of December 31, 2006 and 2005, 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 May 16, 2007, 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.
May 16, 2007

Lancaster Area Community Improvement Corporation

Statements of Financial Position

As of December 31, 2006 and 2005

	2006	2005
Assets:		
Cash and Cash Equivalents	$351,937	$351,731
Prepaid Insurance	1,197	1,197
Land for Investment/Sale	1,605,618	1,676,025
Total Assets:	$1,958,752	$2,028,953
Liabilities and Net Assets:		
Liabilities:		
Accounts Payable	$450	$2,170
Accrued Real Estate Tax	4,821	12,983
Total Liabilities:	5,271	15,153
Net Assets:		
Unrestricted	1,953,481	2,013,800
Total Liabilities and Net Assets:	$1,958,752	$2,028,953

See accompanying notes to the financial statements.

Lancaster Area Community Improvement Corporation
Statements of Financial Activities
For the Years Ended December 31, 2006 and 2005

	2006	2005
Unrestricted Net Assets:		
Revenues:		
Gain on Land Sales	$18,027	$17,812
Dues	1,500	1,600
Land Rentals	3,000	0
In-kind Rent	1,500	1,500
Interest Income	6,018	5,810
Miscellaneous	1,353	0
Total Revenues:	31,398	26,722
Expenses:		
Land Sale Expenses	76,205	77,159
Administrative Fee	3,000	3,000
Insurance	3,858	3,664
Accounting Services	2,600	196
Legal Services	1,800	1,800
Other Professional Services	1,511	2,479
Real Estate Taxes	391	13,286
In-kind Rent	1,500	1,500
Promotion	805	1,073
Bank Service Charges	0	90
Miscellaneous	47	0
Total Expenses:	91,717	104,247
Decrease in Unrestricted Net Assets	(60,319)	(77,525)
Net Assets, Beginning of Year	2,013,800	2,091,325
Net Assets, End of Year	$1,953,481	$2,013,800

See accompanying notes to the financial statements.

Lancaster Area Community Improvement Corporation
Statements of Cash Flows
For the Years Ended December 31, 2006 and 2005

	2006	2005
Cash Flows From Operating Activities:		
Decrease in Net Assets	($60,319)	($77,525)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided/(Used) by Operating Activities:		
Decrease in Operating Assets:		
Interest Receivable	0	36
Prepaid Expenses	0	37
Increase/(Decrease) in Operating Liabilities:		
Accounts Payable	(1,720)	(430)
Accrued Real Estate Tax	(8,162)	881
Net Cash Used by Operating Activities:	(70,201)	(77,001)
Cash Flows From Investing Activities:		
Land Purchase and Development Costs	70,407	80,375
Net Cash Provided by Investing Activities:	70,407	80,375
Net Change in Cash and Cash Equivalents:	206	3,374
Cash and Cash Equivalents, Beginning of Year	351,731	348,357
Cash and Cash Equivalents, End of Year	$351,937	$351,731

See accompanying notes to the financial statements.

NOTE 1-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The 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.

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 204.84 acres of land at December 31, 2006. The Corporation promotes the sale of this land in Fairfield County to prospective industrial clients.

In 2002, an agreement was entered into between the Corporation and the City of Lancaster where the City agreed to construct various infrastructure improvements on the Phase II portion of the Corporation's Rockmill Industrial Park. Ownership of these improvements is retained by the City and, upon sale of such parcels, the Corporation has agreed to remit $37,800 per acre for the first eighteen acres sold and $31,500 per acre for the remaining acreage. The total reimbursement to the City will be $5,625,900. For the years ended December 31, 2006 and 2005, the Corporation remitted $76,205 and $75,600, respectively, to the City of Lancaster for land sales.

NOTE 3-FURNITURE AND EQUIPMENT

Property and equipment consists of:

	2006	2005
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. Credit was allowed for land rendered untillable by construction work or a direct reimbursement may be made to the lessee for crops destroyed. Leases were renewed on a yearly basis at the discretion of the Board of Trustees. The lease was not renewed in 2005 but was renewed in 2006. For 2006, the lease was negotiated for $3,000.

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, 2006 and 2005 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, 2006 and 2005, were $1,500 and $1,500, respectively.

NOTE 7- CONCENTRATION OF CREDIT RISK

As of December 31, 2006 and 2005, the Corporation had cash in excess of Federal Deposit Insurance Corporation (FDIC) coverage of $32,893 and $36,626, respectively.

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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 North Broad Street
Lancaster, Ohio 43130

We have audited the financial statements of the Lancaster Area Community Improvement Corporation (the Corporation), as of and for the year ended December 31, 2006, and have issued our report thereon dated May 16, 2007. 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 the Corporation'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 Corporation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Corporation's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Corporation's financial statements that is more than inconsequential will not be prevented or detected by the Corporation's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be presented or detected by the Corporation's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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.

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, 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 material instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

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.
May 16, 2007

Mary Taylor, CPA
Auditor of State

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
JUNE 26, 2007

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