

**COMMUNITY IMPROVEMENT CORPORATION OF DEFIANCE COUNTY
DEFIANCE COUNTY, OHIO**

**FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

JERRY M. HAYES, EXECUTIVE DIRECTOR



Dave Yost • Auditor of State

Board of Directors
Community Improvement Corporation of Defiance County
1300 E. Second Street
Defiance, Ohio 43512

We have reviewed the *Independent Auditor's Report* of the Community Improvement Corporation of Defiance County, prepared by Julian & Grube, Inc. for the audit period January 1, 2012 through December 31, 2012. 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 Defiance County is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

April 30, 2013

**COMMUNITY IMPROVEMENT CORPORATION OF DEFIANCE COUNTY
DEFIANCE COUNTY, OHIO**

**FINANCIAL STATEMENTS
FOR YEARS ENDED DECEMBER 31, 2012 AND 2011**

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Julian & Grube, Inc.
Serving Ohio Local Governments

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

Independent Auditor's Report

Community Improvement Corporation of Defiance County
1300 E. Second Street, Suite 201
Defiance, Ohio 43512

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of the Community Improvement Corporation of Defiance County, Defiance County, Ohio, as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements, which collectively comprise the Community Improvement Corporation of Defiance County's financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Community Improvement Corporation of Defiance County's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Community Improvement Corporation of Defiance County's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Community Improvement Corporation of Defiance County, Defiance County, Ohio, as of December 31, 2012 and 2011, and the respective changes in financial position and where applicable, cash flows, thereof for the years then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

The financial statements of the Community Improvement Corporation of Defiance County as of December 31, 2011 and for the year ended December 31, 2011 were audited by a predecessor auditor. An unqualified (unmodified) opinion was issued March 13, 2012 by the predecessor auditor.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 6, 2013, on our consideration of the Community Improvement Corporation of Defiance County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Community Improvement Corporation of Defiance County's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.
March 6, 2013

Community Improvement Corporation of Defiance County
Statement of Financial Position
As of December 31, 2012 and 2011

	2012	2011
Current Assets:		
Cash and Cash Equivalents	\$ 9,854	\$ 17,374
Prepaid Expenses	1,000	1,000
Note Receivable	30,000	30,000
Allowance for Doubtful Accounts	(30,000)	(30,000)
Total Current Assets	10,854	18,374
Property & Equipment:		
Office Equipment	15,364	15,364
Less: Accumulated Depreciation	(13,668)	(12,512)
Net Property & Equipment	1,696	2,852
TOTAL ASSETS	\$ 12,550	\$ 21,226
Current Liabilities:		
Accrued Payroll Taxes	\$ 2,137	\$ 43
Notes Payable-Current Portion	-	11,207
Total Current Liabilities	2,137	11,250
Total Liabilities	2,137	11,250
Net Assets:		
Unrestricted	10,413	9,976
Total Net Assets	10,413	9,976
Total Liabilities and Net Assets	\$ 12,550	\$ 21,226

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

Community Improvement Corporation of Defiance County
Statement of Activities
For the Years Ended December 31, 2012 and 2011

	2012	2011
<u>REVENUE:</u>		
Public and Private Support	\$ 215,286	\$ 216,000
Enterprise Zone Fees	4,920	6,006
Interest Income	36	81
TOTAL REVENUE	220,242	222,087
<u>EXPENSES:</u>		
Program Services: Economic Development	175,235	174,076
Supporting Services: General and Administrative	44,570	44,245
TOTAL EXPENSES	219,805	218,321
Change in Net Assets	437	3,766
Net Assets, beginning of year	9,976	6,210
Net Assets, end of year	\$ 10,413	\$ 9,976

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

Community Improvement Corporation of Defiance County
Statements of Functional Expenses
For the Year Ended December 31, 2012

	2012			
	<u>Program Services</u>	<u>Supporting Services</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Advertising	\$ 18,224	\$ -	\$ -	\$ 18,224
Consulting	327	-	-	327
Depreciation	578	578	-	1,156
Fringe Benefits	20,732	3,658	-	24,390
Insurance	1,457	1,456	-	2,913
Interest	342	-	-	342
Legal and Professional	-	5,512	-	5,512
Memberships	1,677	1,677	-	3,354
Miscellaneous	322	322	-	644
Office Supplies	984	2,953	-	3,937
Postage	408	407	-	815
Promotion and Planning	14,242	-	-	14,242
Rent	8,764	2,922	-	11,686
Salary	93,042	16,419	-	109,461
Software	393	393	-	786
Telephone	6,641	1,172	-	7,813
Travel and Entertainment	7,102	7,101	-	14,203
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	<u>\$ 175,235</u>	<u>\$ 44,570</u>	<u>\$ -</u>	<u>\$ 219,805</u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

Community Improvement Corporation of Defiance County
Statements of Functional Expenses
For the Year Ended December 31, 2011

	2011			
	Program Services	Supporting Services	Fundraising	Total Expenses
Advertising	\$ 8,435	\$ -	\$ -	\$ 8,435
Consulting	360	-	-	360
Depreciation	844	843	-	1,687
Fringe Benefits	17,482	3,085	-	20,567
Insurance	650	649	-	1,299
Interest	1,406	-	-	1,406
Legal and Professional	-	4,421	-	4,421
Memberships	2,893	2,893	-	5,786
Miscellaneous	53	52	-	105
Office Supplies	675	2,025	-	2,700
Postage	404	405	-	809
Promotion and Planning	15,717	-	-	15,717
Rent	8,764	2,922	-	11,686
Salary	102,015	18,002	-	120,017
Software	306	307	-	613
Staff Training	579	102	-	681
Telephone	6,016	1,062	-	7,078
Travel and Entertainment	7,477	7,477	-	14,954
	<u>\$ 174,076</u>	<u>\$ 44,245</u>	<u>\$ -</u>	<u>\$ 218,321</u>
Total	<u>\$ 174,076</u>	<u>\$ 44,245</u>	<u>\$ -</u>	<u>\$ 218,321</u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

Community Improvement Corporation of Defiance County
Statement of Cash Flows
For the Years Ended December 31, 2012 and 2011

	2012	2011
Cash Flows from Operating Activities:		
Change in net assets	\$ 437	\$ 3,766
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	1,156	1,687
Decrease (Increase) in Accounts Receivable	-	1,600
(Increase) in Prepaid Expenses	-	(1,000)
Increase in Accrued Payroll Taxes	2,094	43
Total Adjustments	3,250	2,330
Net Cash Provided by Operating Activities	3,687	6,096
Cash Flows from Investing Activities:		
Purchase of Property and Equipment	-	(617)
Net Cash (Used In) Investing Activities	-	(617)
Cash Flows from Financing Activities:		
Payments on Long-Term Debt	(11,207)	(24,875)
Net Cash (Used In) Financing Activities	(11,207)	(24,875)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(7,520)	(19,396)
Cash & Cash Equivalents at Beginning of Year	17,374	36,770
Cash and Cash Equivalents at End of Year	\$ 9,854	\$ 17,374
Supplemental Disclosures:		
Interest Paid	\$ 342	\$ 1,406
Income Taxes Paid	\$ -	\$ -

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

**COMMUNITY IMPROVEMENT CORPORATION OF DEFIANCE COUNTY
DEFIANCE COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities - The Community Improvement Corporation of Defiance County (the "Corporation") is incorporated as a corporation, not for profit, under section 1724.01 of the revised code of the State of Ohio, to advance, encourage and promote the industrial, economic, commercial and civic development of Defiance County.

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

Basis of Presentation - Financial statement presentation follows the recommendations of the Financial Accounting Standards Board ASC 958, *Financial Statements of Not-for-Profit Organizations*. Under ASC 958, the Corporation 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. The Corporation does not have any temporarily restricted or permanently restricted net assets.

Cash and Cash Equivalents - For purposes of the statement of cash flows, the Corporation considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents. Cash and cash equivalents for purposes of the statement of cash flows exclude donor restricted cash and cash equivalents.

Accounts Receivable - Accounts receivable are stated at unpaid balances, less an allowance for doubtful accounts. The Corporation provides for losses on accounts receivable using the allowance method. The allowance is based on experience and other circumstances. It is the Corporation's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected.

Property and Equipment - Property and equipment are stated at cost. Depreciation for financial reporting is computed using accelerated methods and for federal tax reporting is computed using the modified accelerated cost recovery method. Expenditures for major renewals and betterments that extend the useful lives of property and equipment are capitalized. Maintenance and repairs are charged to expense as incurred.

Management Estimates - Management uses estimates and assumptions in preparing financial statements. Those estimates 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.

Income Tax Status - The Corporation is a not-for-profit organization that the Internal Revenue Service has determined to be exempt from income taxes under Section 501(c)(6) of the Internal Revenue Code. The Corporation's federal Exempt Organization Business Income Tax Returns for 2010, 2011 and 2012 are subject to examination by the IRS, generally for three years after they were filed.

Advertising - Advertising costs are charged to expense as incurred.

**COMMUNITY IMPROVEMENT CORPORATION OF DEFIANCE COUNTY
DEFIANCE COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Expense Allocation - Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on the basis of management estimates. Administrative expenses include those expenses that are not directly identifiable with any other specific function, but provide for the overall support and direction of the Corporation.

Restricted and Unrestricted Revenue - Contributions received are recorded as increases in unrestricted, temporarily restricted, or permanently restricted net assets, depending on the existence and/or nature of any donor restrictions.

Unless specifically restricted by the donor, all contributions and grants are considered to be available for unrestricted use in the activities of the Corporation.

The Board of Directors has discretionary control of the unrestricted net assets to use in the activities of the Corporation.

NOTE 2 - NOTE RECEIVABLE

Note receivable consists of the following:	<u>12/31/12</u>	<u>12/31/11</u>
Note receivable from Northwest Ethanol, LLC (a limited liability company), dated October 19, 2001, maturing June 30, 2005, due in 3 annual payments of \$10,000 beginning June 2003, including interest at a fixed rate of 2.0% unsecured. Northwest Ethanol is delinquent in all of the principal payments and \$2,103 of interest payments.	\$ 30,000	\$ 30,000
Amount due within one year	<u>30,000</u>	<u>30,000</u>
Amount due after one year	<u>\$ -</u>	<u>\$ -</u>

Although Northwest Ethanol still exists, the building of the ethanol plant in Hicksville, Ohio, has been taken over by New Energy Corporation. The outcome of Northwest Ethanol's negotiations with New Energy Corporation will determine whether or not Northwest Ethanol will have funds to repay the loan. Because of the uncertainty of the negotiations, the fact the loan is unsecured, and none of the scheduled principal payments have been made, management feels the loan is impaired and that an allowance equal to the loan should be made. Any future interest payments received on this loan will be recognized when received.

NOTE 3 - RETIREMENT PLAN

The Corporation maintains a Simple retirement plan for qualified employees. The Corporation contributes 3% of the employees' compensation to the plan. Contributions for 2012 and 2011 were \$5,519 and \$3,466, respectively.

**COMMUNITY IMPROVEMENT CORPORATION OF DEFIANCE COUNTY
DEFIANCE COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 4 - CONCENTRATION

For the year ended December 31, 2012, the Corporation received 54% (50% in 2011) of its revenue from Defiance County, City of Defiance and the Village of Hicksville.

NOTE 5 - FUNDRAISING

A major revenue of the Corporation is support from area businesses and local governments. A professional fundraiser was hired in both 2004 and 2009 to conduct a fundraising campaign. Area businesses and local governments were approached and asked for a 5 year pledge. The pledges are not binding since the Corporation retains the right to modify or cancel the pledge.

NOTE 6 - LEASES

Beginning October 21, 2005, the Corporation began leasing office space at 1300 East Second Street, Suite 201 from the Defiance County Commissioners. Rent is being charged at a rate of \$973.88 per month for 2012 and \$973.88 for 2011. The lease is renewable each year for a period of one year. Lease expense was \$11,686 and \$11,686 for the years ended December 31, 2012 and 2011, respectively.

NOTE 7 - NOTE PAYABLE

In April 2009, the Corporation borrowed \$52,000 from a local bank to pay for a professional fundraiser. Monthly payments of \$983, including interest rate of 4.99% were due through March of 2012 with the balance due in April of 2012. Maturities for 2012 total \$11,207. This note was unsecured.



Julian & Grube, Inc.
Serving Ohio Local Governments

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

**Report on Internal Control Over Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards***

Community Improvement Corporation of Defiance County
1300 E. Second Street, Suite 201
Defiance, Ohio 43512

To the Board of Directors:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Community Improvement Corporation of Defiance County, as of December 31, 2012 and 2011 and the related notes to the financial statements, which collectively comprise the Community Improvement Corporation of Defiance County and have issued our report thereon dated March 6, 2013. Our report includes a reference to other auditors. We conducted an 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. Other auditors audited the financial statements of the Community Improvement Corporation of Defiance County as of December 31, 2011 and for the year ended December 31, 2011, as described in our report on the Community Improvement Corporation of Defiance County's financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Community Improvement Corporation of Defiance County's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Community Improvement Corporation of Defiance County's internal control. Accordingly, we have not opined on it.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Community Improvement Corporation of Defiance County's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

As part of reasonably assuring whether the Community Improvement Corporation of Defiance County's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Community Improvement Corporation of Defiance County's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Community Improvement Corporation of Defiance County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.
March 6, 2013



Dave Yost • Auditor of State

COMMUNITY IMPROVEMENT CORPORATION OF DEFIANCE COUNTY

DEFIANCE 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 14, 2013**