

**THE COMMUNITY IMPROVEMENT
CORPORATION OF HENRY COUNTY,
OHIO, INC.**

FINANCIAL STATEMENTS

Years Ended December 31, 2003 and 2002



**Auditor of State
Betty Montgomery**

Board of Trustees
Community Improvement Corporation of Henry County

We have reviewed the Independent Auditor's Report of the Community Improvement Corporation of Henry County, Henry County, prepared by Steyer & Company, for the audit period January 1, 2003 through December 31, 2003. 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 Henry County is responsible for compliance with these laws and regulations.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

May 19, 2004

This Page is Intentionally Left Blank.

CONTENTS

	PAGE
INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
Statements of Financial Position	2
Statements of Activities	3
Statements of Cash Flows	4
Notes to Financial Statements	5
REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	8

This Page is Intentionally Left Blank.

STEYER & CO.

Certified Public Accountants

2000 NORTH CLINTON STREET
DEFIANCE, OHIO 43512
PHONE (419) 782-1030
FAX (419) 782-5298

Independent Auditor's Report

To the Board of Trustees of
The Community Improvement Corporation of Henry County, Ohio, Inc.
Napoleon, Ohio

We have audited the accompanying statements of financial position of The Community Improvement Corporation of Henry County, Ohio, Inc. (a nonprofit organization) as of December 31, 2003 and 2002, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Organization'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 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 Community Improvement Corporation of Henry County, Ohio, Inc. as of December 31, 2003 and 2002, 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 April 29, 2004, on our consideration of The Community Improvement Corporation of Henry County, Ohio, Inc.'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 audits.



STEYER & CO.

Defiance, Ohio
April 29, 2004

**THE COMMUNITY IMPROVEMENT CORPORATION
OF HENRY COUNTY, OHIO, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2003 and 2002**

	2003	2002
ASSETS		
CURRENT ASSETS		
Cash (Note 2)	\$ 308,352	\$ 541,211
Accounts receivable	69,030	11,850
Investments (Note 3)	339,616	144,311
Notes receivable (Note 4)	61,500	73,025
Total current assets	778,498	770,397
PROPERTY AND EQUIPMENT		
Building	1,092,206	-
Construction in progress	-	1,753,882
Furniture and fixtures	16,859	22,975
Leasehold improvements	82,082	-
Land	230,264	230,264
Land improvements	706,533	-
	2,127,944	2,007,121
Less accumulated depreciation	62,899	18,656
Net property and equipment	2,065,045	1,988,465
TOTAL ASSETS	\$ 2,843,543	\$ 2,758,862
 LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Long term debt due within one year (Note 5)	\$ 61,912	\$ 78,776
Lease deposit	9,000	9,000
Total current liabilities	70,912	87,776
LONG TERM DEBT (NOTE 5)	2,120,391	2,055,370
TOTAL LIABILITIES	2,191,303	2,143,146
NET ASSETS		
Unrestricted	226,051	210,102
Temporarily restricted (Note 7)	426,189	405,614
Total net assets	652,240	615,716
TOTAL LIABILITIES AND NET ASSETS	\$ 2,843,543	\$ 2,758,862

The accompanying notes are an integral part of these financial statements.

**THE COMMUNITY IMPROVEMENT CORPORATION
OF HENRY COUNTY, OHIO, INC.
STATEMENTS OF ACTIVITIES**
Years Ended December 31, 2003 and 2002

	2003	2002
UNRESTRICTED NET ASSETS		
Support		
Contributions from participating governmental units	\$ 29,000	\$ 29,000
In-kind contributions (Note 1)	54,160	54,160
Memberships	15,910	16,860
Interest	2,979	4,783
Rent	18,000	18,000
Administrative fees	88,639	50,232
Program fees	22,692	15,973
Total unrestricted support	231,380	189,008
Net assets released from restrictions		
Restrictions satisfied by payments	261,502	9,958
Total unrestricted support and reclassifications	492,882	198,966
Expenses		
Program expenses		
Community involvement/projects	970	2,000
Contract services	1,781	3,185
Incentive plan	22,726	25,484
Infrastructure projects	155,489	9,720
Total program expenses	180,966	40,389
General supporting expenses		
Advertising	6,376	8,956
Conferences and seminars	3,716	3,344
Depreciation	54,133	2,981
Dues and subscriptions	1,140	2,040
(Gain) loss on sale of property and equipment	200	(36)
Insurance	8,488	1,908
Interest	105,850	-
Legal and accounting	5,842	4,170
Meals	228	630
Miscellaneous	2,675	2,256
Office	2,880	6,488
Postage	1,914	1,831
Rent - office	10,122	5,200
Taxes - property	3,198	-
Telephone	2,665	2,537
Travel	7,080	7,013
Wages	79,460	75,744
Total general supporting expenses	295,967	125,062
Total expenses	476,933	165,451
Increase in unrestricted net assets	15,949	33,515
TEMPORARILY RESTRICTED NET ASSETS		
Infrastructure funds	186,093	152,324
Interest	5,984	5,728
Rent	90,000	-
Net assets released from restrictions	(261,502)	(9,958)
Increase in temporarily restricted net assets	20,575	148,094
CHANGE IN NET ASSETS	36,524	181,609
NET ASSETS, BEGINNING OF YEAR	615,716	434,107
NET ASSETS, END OF YEAR	\$ 652,240	\$ 615,716

The accompanying notes are an integral part of these financial statements.

**THE COMMUNITY IMPROVEMENT CORPORATION
OF HENRY COUNTY, OHIO, INC.
STATEMENTS OF CASH FLOWS**
Years Ended December 31, 2003 and 2002

	<u>2003</u>	<u>2002</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 36,524	\$ 181,609
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	54,133	2,981
(Gain) loss on sale of property and equipment	200	(36)
(Increase) decrease in operating assets		
Accounts receivable	(57,180)	9,642
Notes receivable	11,525	(2,300)
Increase in operating liabilities		
Lease deposit	-	9,000
Net cash provided by operating activities	<u>45,202</u>	<u>200,896</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	(130,914)	(958)
Net change in investments	(195,305)	(144,311)
Proceeds from sale of property and equipment	-	140
Net cash used in investing activities	<u>(326,219)</u>	<u>(145,129)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowing	73,803	150,000
Repayments of obligations	(25,645)	-
Net cash provided by financing activities	<u>48,158</u>	<u>150,000</u>
NET INCREASE (DECREASE) IN CASH	(232,859)	205,767
CASH AT BEGINNING OF YEAR	<u>541,211</u>	<u>335,444</u>
CASH AT END OF YEAR	<u><u>\$ 308,352</u></u>	<u><u>\$ 541,211</u></u>
SUPPLEMENTAL INFORMATION		
Cash paid during the year for:		
Interest	\$ 105,850	\$ -
Non-cash investing and financing activities:		
Land and construction in progress through issuance of notes payable	-	1,984,146

The accompanying notes are an integral part of these financial statements.

**THE COMMUNITY IMPROVEMENT CORPORATION
OF HENRY COUNTY, OHIO, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2003 and 2002**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF ACTIVITIES - The Community Improvement Corporation of Henry County, Ohio, Inc. is a nonprofit corporation chartered under applicable laws of the State of Ohio. No individuals or corporations hold any equity interest therein. The purpose of the Organization is to promote economic development in Henry County, Ohio. The Organization's basic programs include advertising in industrial development publications, assisting businesses in obtaining incentives to expand or locate in Henry County, Ohio, and administering incentive programs for taxing authorities and related businesses.

BASIS OF ACCOUNTING - The Organization adopted the accrual basis of accounting in 2002. Previously, the cash basis of accounting was used. Management believes that the accrual method better matches revenues and expenses in the statement of activity. The cumulative effect of this change was an increase to beginning net assets of \$4,753.

BASIS OF PRESENTATION - Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations." Under SFAS No. 117, the Organization 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. As permitted by the statement, the Organization does not use fund accounting.

CONTRIBUTIONS - The Organization also follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 116, "Accounting for Contributions Received and Contributions Made." Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions.

CONTRIBUTED SERVICES AND FACILITIES - In-kind contributions are recorded as revenue and expenses in the accompanying statement of activities. In-kind contributions consist of wages being partially paid by Henry County, Ohio and the use of office facilities. The estimated fair values of the wages and office facilities are \$48,960 and \$5,200 respectively for years ended December 31, 2003 and 2002.

CREDIT RISK - The Organization maintains its cash balances in several financial institutions in Northwest Ohio. The balances are insured by the Federal Deposit Insurance Corporation for amounts up to \$100,000. The Organization's uninsured cash balances total \$422,865 and \$462,429 respectively for years ended December 31, 2003 and 2002.

PROPERTY AND EQUIPMENT - Property and equipment are stated at cost. Depreciation for financial reporting and for federal tax reporting is computed using the straight-line method. The Organization capitalizes all acquisitions in excess of \$500.

CASH AND CASH EQUIVALENTS - For purposes of the statements of cash flows, the Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

MANAGEMENT ESTIMATES - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

**THE COMMUNITY IMPROVEMENT CORPORATION
OF HENRY COUNTY, OHIO, INC.
NOTES TO FINANCIAL STATEMENTS**

December 31, 2003 and 2002

INCOME TAX STATUS - The Organization 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 Organization is classified as other than a private foundation.

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 organization.

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 Organization.

The Board of Trustees has discretionary control of the unrestricted net assets to use in the activities of the Organization.

NOTE 2 - CASH

Cash consists of the following:

	Unrestricted	Temporarily Restricted	Total
Petty cash	\$ 187	\$ -	\$ 187
Checking	45,440	-	45,440
Savings	44,957	217,768	262,725
	<u>\$ 90,584</u>	<u>\$ 217,768</u>	<u>\$ 308,352</u>

NOTE 3 - INVESTMENTS

The Organization has adopted the provisions of SFAS No. 124, *Accounting for Certain Investments Held by Non-for-profit Organizations*. SFAS 124 requires that all investments be recorded at fair value.

Investments consist of the following at December 31, 2003:

	Unrestricted	Temporarily Restricted	Total
Certificates of deposit	\$ 101,510	\$ 238,106	\$ 339,616

NOTE 4 - NOTES RECEIVABLE

Notes receivable consist of the following:

	<u>2003</u>	<u>2002</u>
Note receivable from The Heller-Aller Company, dated April 15, 1999, due in 36 months, interest at 6% on the unpaid balance. Unsecured.	\$ -	\$ 24,925
Note receivable from Harrison Township, dated January 9, 2001, due in 60 months, interest at 0% on the unpaid balance. Unsecured.	6,400	9,600

**THE COMMUNITY IMPROVEMENT CORPORATION
OF HENRY COUNTY, OHIO, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2003 and 2002**

NOTE 4 – NOTES RECEIVABLE (CONTINUED)

	<u>2003</u>	<u>2002</u>
Note receivable from Rettig Pallets, dated August 23, 2001, due in 60 months, interest at 0% on the unpaid balance. Unsecured.	12,000	16,000
Note receivable from B&B Molded Products, dated November 27, 2001, due in 36 months, interest at 1% on the unpaid balance. Unsecured.	10,000	22,500
Note receivable from Holgate Products, dated March 19, 2003, due in 36 months, interest at 0% on the unpaid balance. Unsecured.	1,100	-
Note receivable from Harrison Township, dated November 7, 2003, due in 84 months, interest at 0% on the unpaid balance. Unsecured.	32,000	-
	<u>\$ 61,500</u>	<u>\$ 73,025</u>

NOTE 5 – LONG TERM DEBT

Long term obligations consists of the following:

	<u>2003</u>	<u>2002</u>
Mortgage payable to City of Napoleon, due October 1, 2016. Payable in monthly installments of \$1,162 beginning on November 1, 2003, with an interest rate of zero percent through October 31, 2003, and thereafter a fixed rate of 3%. Secured by real estate.	\$ 147,632	\$ 150,000
Mortgage payable to The Henry County Bank dated December 27, 2003, due January 27, 2028. Payable in monthly installments of \$12,866 beginning July 27, 2003. Interest payable monthly at a variable rate, currently 5.0%. Secured by commercial property located at 1650 Commerce Drive, Napoleon, Ohio.	2,034,671	1,984,146
Total obligations payable	2,182,303	2,134,146
Less long term obligations due within one year	61,912	78,776
Long term obligations	<u>\$ 2,120,391</u>	<u>\$ 2,055,370</u>

Maturities of long term obligations are as follows:

Years Ending December 31	
2004	\$ 61,912
2005	66,564
2006	69,764
2007	73,122
2008	75,739
2009 and thereafter	1,835,202
	<u>\$ 2,182,303</u>

**THE COMMUNITY IMPROVEMENT CORPORATION
OF HENRY COUNTY, OHIO, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2003 and 2002**

NOTE 6 – OPERATING LEASES

The Organization leases a phone system under a noncancelable operating lease. Minimum future rental commitments at December 31, 2003, under the lease are as follows:

Year Ending December 31 2004	<u><u>\$ 2,016</u></u>
------------------------------------	------------------------

NOTE 7 - NATURE AND AMOUNT OF TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available once any donor-imposed conditions have been met for the following purposes:

Infrastructure	<u><u>2003</u></u> <u><u>\$ 426,189</u></u>	<u><u>2002</u></u> <u><u>\$ 405,614</u></u>
----------------	--	--

STEYER & CO.

Certified Public Accountants

2000 NORTH CLINTON STREET
DEFIANCE, OHIO 43512
PHONE (419) 782-1030
FAX (419) 782-5298

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

The Community Improvement Corporation of Henry County, Ohio, Inc.

We have audited the financial statements of The Community Improvement Corporation of Henry County, Ohio, Inc. (a nonprofit organization) as of and for the years ended December 31, 2003 and 2002, and have issued our report thereon dated April 29, 2004. 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.

Compliance

As part of obtaining reasonable assurance about whether The Community Improvement Corporation of Henry County, Ohio, Inc.'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 audits, 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 audits, we considered The Community Improvement Corporation of Henry County, Ohio, Inc.'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. However, we noted other matters involving the internal control over financial reporting, which we have reported to management of The Community Improvement Corporation of Henry County, Ohio, Inc. in a separate letter dated April 29, 2004.

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.



STEYER & CO.
Defiance, Ohio
April 29, 2004



**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

COMMUNITY IMPROVEMENT CORPORATION OF HENRY COUNTY

HENRY 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 1, 2004**