

***COMMUNITY IMPROVEMENT CORPORATION  
OF DEFIANCE COUNTY  
(An Ohio Non-Profit Organization)***

***FINANCIAL STATEMENTS  
For The Years Ended December 31, 2003 and 2002***





**Auditor of State  
Betty Montgomery**

Board of Directors  
Community Improvement Corporation of Defiance County  
197-2B-1 Island Park Avenue  
Defiance, Ohio 43512

We have reviewed the Independent Auditor's Report of the Community Improvement Corporation of Defiance County prepared by Luderman & Konst, Inc., for the audit period January 1, 2003 to 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 Defiance County is responsible for compliance with these laws and regulations.

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

BETTY MONTGOMERY  
Auditor of State

May 3, 2004

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**COMMUNITY IMPOROVEMENT CORPORATION  
OF DEFIANCE COUNTY  
197-2B-1 Island Park Avenue  
Defiance, Ohio 43512  
(An Ohio Non-Profit Organization)**

**FINANCIAL STATEMENTS  
For the Years Ended December 31, 2003 and 2002**

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March 12, 2004

Board of Directors  
Community Improvement Corporation of Defiance County  
Defiance, Ohio 43512

**Independent Auditor's Report**

We have audited the accompanying statement of financial position of the Community Improvement Corporation of Defiance County (a nonprofit organization) as of December 31, 2003 and 2002, and the related statements of activities, functional expenses, 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 Defiance County 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 March 12, 2004, on our consideration of the Organization'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 audit.

Luderman & Konst, Inc.  
Certified Public Accountants

**COMMUNITY IMPROVEMENT CORPORATION  
OF DEFIANCE COUNTY  
STATEMENT OF FINANCIAL POSITION  
December 31, 2003 and 2002**

Exhibit AASSETS

<u>Current Assets</u>	2003	2002
Cash And Cash Equivalents	\$ 3,953	\$ 2,487
Certificates Of Deposit & Money Market	100,752	101,801
Note Receivable	20,000	10,000
Interest Receivable	1,042	442
Total Current Assets	\$ 125,747	\$ 114,730
<u>Property &amp; Equipment</u>		
Office Equipment	\$ 8,436	\$ 8,436
Less: Accumulated Depreciation	(7,751)	(7,294)
Net Property & Equipment	\$ 685	\$ 1,142
<u>Other Assets</u>		
Note Receivable	\$ 10,000	\$ 20,000
 Total Assets	 \$ 136,432	 \$ 135,872

LIABILITIES AND NET ASSETS

<u>Current Liabilities</u>		
Payroll Taxes Withheld	\$ 2,055	\$ 292
Total Current Liabilities	2,055	292
<u>Net Assets</u>		
Unrestricted	\$ 134,377	\$ 135,580
Total Net Assets		
 Total Liabilities And Net Assets	 \$ 136,432	 \$ 135,872



**COMMUNITY IMPROVEMENT CORPORATION  
OF DEFIANCE COUNTY  
STATEMENT OF ACTIVITIES  
December 31, 2003 and 2002**

**Exhibit B****REVENUE**

<b><u>Current Revenue</u></b>	<b>2003</b>	<b>2002</b>
Public And Private Support	\$ <b>115,825</b>	\$ 125,284
Enterprise Zone Application Fees	<b>20,460</b>	22,331
Interest Income	<b>2,606</b>	3,133
Miscellaneous	<b>52</b>	711
Total Revenue	\$ <b>138,943</b>	\$ 151,459
<b><u>Expenses</u></b>		
Program Services: Economic Development	\$ <b>113,684</b>	\$ 111,650
Supporting Services: General And Administrative	<b>26,462</b>	25,820
Total Expenses	\$ <b>140,146</b>	\$ 137,470
Change In Net Assets	\$ <b>(1,203)</b>	\$ 13,989
Net Assets, Beginning Of Year	<b>135,580</b>	121,591
Net Assets, End Of Year	\$ <b>134,377</b>	\$ 135,580

**COMMUNITY IMPROVEMENT CORPORATION  
OF DEFIANCE COUNTY  
STATEMENTS OF FUNCTIONAL EXPENSES  
For The Years Ended December 31, 2003 and 2002**

Exhibit C

	<b>2003</b>			<b>2002</b>		
	<b>Program Services</b>	<b>Supporting Services</b>	<b>Total Expenses</b>	<b>Program Services</b>	<b>Supporting Services</b>	<b>Total Expenses</b>
Advertising	\$ 13,487	\$ 0	\$ 13,487	\$ 19,686	\$ 0	\$ 19,686
Contracted Services	3,000	0	3,000	0	0	0
Depreciation	229	228	457	370	370	740
Equipment And Maintenance	270	270	540	607	606	1,213
Fringe Benefits	9,981	1,761	11,742	12,295	2,170	14,465
Insurance	695	695	1,390	570	570	1,140
Legal And Professional	0	2,593	2,593	0	2,260	2,260
Memberships	4,602	4,602	9,204	3,187	3,188	6,375
Miscellaneous	204	204	408	153	152	305
Office Supplies	848	2,542	3,390	826	2,479	3,305
Planning	4,000	0	4,000	0	0	0
Postage	604	603	1,207	491	491	982
Promotion	3,390	0	3,390	472	0	472
Salary	63,972	11,289	75,261	64,717	11,421	76,138
Software	235	234	469	793	793	1,586
Staff Training	401	71	472	131	23	154
Telephone	3,666	647	4,313	3,422	604	4,026
Travel And Entertainment	4,100	723	4,823	3,930	693	4,623
<b>Total</b>	<b>\$ 113,684</b>	<b>\$ 26,462</b>	<b>\$ 140,146</b>	<b>\$ 111,650</b>	<b>\$ 25,820</b>	<b>\$ 137,470</b>

*"SEE NOTES TO FINANCIAL STATEMENTS"*

**COMMUNITY IMPROVEMENT CORPORATION  
OF DEFIANCE COUNTY  
STATEMENT OF CASH FLOWS  
For The Years Ended December 31, 2003 and 2002**

**Exhibit D**

<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>	<b><u>2003</u></b>	<b><u>2002</u></b>
Change In Net Assets	\$ (1,203)	\$ 13,989
<b>ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>		
Depreciation	457	740
Increase in Interest Receivable	(600)	(442)
Increase (Decrease) In Payroll Taxes Withheld	1,763	(591)
Total Adjustments	<u>\$ 1,620</u>	<u>\$ (293)</u>
Net Cash Provided By Operating Activities	<u>\$ 417</u>	<u>\$ 13,696</u>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>		
Net Redemption (Purchase) Of Certificate Of Deposit	\$ 1,049	\$ (13,803)
Purchase Of Property And Equipment	<u>0</u>	<u>(790)</u>
Net Cash Provided By (Used In) Investing Activities	<u>\$ 1,049</u>	<u>\$ (14,593)</u>
 NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	 \$ 1,466	 \$ (897)
CASH & CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>2,487</u>	<u>3,384</u>
<b>CASH &amp; CASH EQUIVALENTS AT END OF YEAR</b>	<b><u><u>\$ 3,953</u></u></b>	<b><u><u>\$ 2,487</u></u></b>

*"SEE NOTES TO FINANCIAL STATEMENTS"*

**COMMUNITY IMPROVEMENT CORPORATION  
OF DEFIANCE COUNTY  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2003 and 2002**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature Of Activities** – Community Improvement Corporation of Defiance County 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 Community Improvement Corporation of Defiance County 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 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.

**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.

**Cash And Cash Equivalents** – For purposes of the statement of cash flows, the Organization 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.

**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.

**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.

**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.

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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.

**COMMUNITY IMPROVEMENT CORPORATION  
OF DEFIANCE COUNTY  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2003 and 2002**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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 or the Organization.

**Advertising** – Advertising costs are charged to expense as incurred. The Organization's advertising costs totaled \$ 13,487 and \$ 19,686 for the years ended December 31, 2003 and 2002, respectively.

**NOTE 2 – NOTE RECEIVABLE**

Notes Receivable consists of the following:

	<b>12-31-03</b>	12-31-02
Notes 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 30, 2003, including interest at a fixed rate of 2.0%. Unsecured. The Organization did not receive all of the semi-annual interest payments due in 2002 and 2003, nor did it receive any principal repayments in 2003.	\$ <b>30,000</b>	\$ 30,000
Amount due within one year	<b>20,000</b>	10,000
Amount due after one year	<b>10,000</b>	20,000

**NOTE 3 – RETIREMENT PLAN**

The Organization maintains a 403(b) retirement plan for qualified employees. The Organization contributes 5% of the employees' compensation to the plan. Contributions for 2003 were \$ 3,023. For 2002 the amount is \$ 2,772.

**NOTE 4 - CONCENTRATION**

For the year ended December 31, 2003, the Organization received 58% of its revenue from Defiance County, City of Defiance, and the Village of Hicksville. For 2002 the amount was 60%.

## *Supplemental Information*

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED  
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
'GOVERNMENT AUDITING STANDARDS'**

*March 12, 2004*

Board of Trustees  
Community Improvement Corporation of Defiance County

We have audited the financial statements of the Community Improvement Corporation of Defiance County (a nonprofit organization) as of December 31, 2003, and have issued our report thereon dated March 12, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Organization's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, 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 Organization'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 that we have reported to management of the Community Improvement Corporation of Defiance County in a separate letter dated March 12, 2004.

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

Luderman & Konst, Inc.  
Certified Public Accountants





**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 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 18, 2004**