

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

***FINANCIAL STATEMENTS
For The Years Ended December 31, 2006 and 2005***



Mary Taylor, CPA
Auditor of State

Board of Directors
Community Improvement Corporation of Defiance County
1300 East Second St., Suite 201
Defiance, OH 43512

We have reviewed the *Independent Auditor's Report* of the Community Improvement Corporation of Defiance County, prepared by Lunderman & Konst Inc., for the audit period January 1, 2006 to 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 Community Improvement Corporation of Defiance County is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

May 14, 2007

This Page is Intentionally Left Blank.

**COMMUNITY IMPOROVEMENT CORPORATION
OF DEFIANCE COUNTY
1300 E. Second Street, Suite 201
Defiance, Ohio 43512
(An Ohio Non-Profit Organization)**

**FINANCIAL STATEMENTS
For the Years Ended December 31, 2006 and 2005**

INDEX

Page No.

Index-----	1
Independent Auditor's Report-----	2
Statement of Financial Position – Exhibit A -----	3
Statement of Activities – Exhibit B-----	4
Statement of Functional Expenses – Exhibit C-----	5 & 6
Statement of Cash Flows – Exhibit D -----	7
Notes to Financial Statements-----	8 - 10
 <i>Supplemental Information:</i>	
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”-----	11 – 12
Schedule of Findings and Response -----	
13	



Luderman & Konst, Inc.
Certified Public Accountants

February 20, 2007

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, 2006 and 2005, 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, 2006 and 2005, 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 February 20, 2007, 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.

Luderman & Konst, Inc.
Certified Public Accountants

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

Exhibit A**ASSETS**

<u>Current Assets</u>	2006	2005
Cash And Cash Equivalents	\$ 48,313	\$ 148,408
Certificates Of Deposit & Money Market	0	40,670
Note Receivable	30,000	30,000
Allowance for Doubtful Accounts	(30,000)	(30,000)
Total Current Assets	<u>\$ 48,313</u>	<u>\$ 189,078</u>
 <u>Property & Equipment</u>		
Office Equipment	\$ 13,505	\$ 13,030
Less: Accumulated Depreciation	(7,679)	(4,833)
Net Property & Equipment	<u>\$ 5,826</u>	<u>\$ 8,197</u>
 Total Assets	 <u><u>\$ 54,139</u></u>	 <u><u>\$ 197,275</u></u>

LIABILITIES AND NET ASSETS

<u>Current Liabilities</u>		
Notes Payable-Current Portion	\$ 16,608	\$ 16,212
Accounts Payable	0	14,302
Payroll Taxes Withheld	4,162	5,931
Advances Payable	3,359	129,763
Total Current Liabilities	<u>\$ 24,129</u>	<u>\$ 166,208</u>
 <u>Long-Term Liabilities</u>		
Notes Payable-Long-Term Portion	\$ 0	\$ 43,869
Total Long-Term Liabilities	<u>\$ 0</u>	<u>\$ 43,869</u>
 Total Liabilities	 <u><u>\$ 24,129</u></u>	 <u><u>\$ 210,077</u></u>
 <u>Net Assets</u>		
Unrestricted	\$ 30,010	\$ (12,802)
Total Net Assets	<u>\$ 30,010</u>	<u>\$ (12,802)</u>
 Total Liabilities And Net Assets	 <u><u>\$ 54,139</u></u>	 <u><u>\$ 197,275</u></u>

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

Exhibit B

<u>Revenue</u>	2006	2005
Public And Private Support	\$ 255,086	\$ 235,373
Revenue Pass Through	344,674	2,072,847
Enterprise Zone Fees	22,600	21,260
Other Income	0	15,000
Interest Income	549	2,332
Total Revenue	\$ 622,909	\$ 2,346,812
<u>Expenses</u>		
Program Services: Economic Development	\$ 529,949	\$ 2,288,662
Supporting Services: General And Administrative	50,148	41,350
Fundraising	0	10,419
Total Expenses	\$ 580,097	\$ 2,340,431
 Change In Net Assets	 \$ 42,812	 \$ 6,381
 Net Assets, Beginning Of Year	 <u>(12,802)</u>	 <u>(19,183)</u>
 Net Assets, End Of Year	 <u>\$ 30,010</u>	 <u>\$ (12,802)</u>

"SEE NOTES TO FINANCIAL STATEMENTS"

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

Exhibit C**2006**

	<u>Program Services</u>	<u>Supporting Services</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Advertising	\$ 19,698	\$ 0	\$ 0	\$ 19,698
Bad Debts	0	0	0	0
Contracted Services	3,000	0	0	3,000
Consulting	2,375	0	0	2,375
Depreciation	1,423	1,423	0	2,846
Equipment And Maintenance	0	0	0	0
Expenses Pass Through	344,674	0	0	344,674
Fringe Benefits	15,052	2,656	0	17,708
Insurance	1,473	1,473	0	2,946
Interest	2,947	0	0	2,947
Legal And Professional	0	3,500	0	3,500
Memberships	7,154	7,154	0	14,308
Miscellaneous	2,752	838	0	3,590
Office Supplies	1,614	4,842	0	6,456
Planning	0	0	0	0
Postage	712	711	0	1,423
Promotion	7,970	0	0	7,970
Rent	5,300	1,767	0	7,067
Salary	99,175	17,502	0	116,677
Software	362	362	0	724
Staff Training	2,360	416	0	2,776
Telephone	5,349	944	0	6,293
Travel And Entertainment	6,560	6,560	0	13,120
Total	<u>\$ 529,949</u>	<u>\$ 50,148</u>	<u>\$ 0</u>	<u>\$ 580,097</u>

"SEE NOTES TO FINANCIAL STATEMENTS"

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

Exhibit C

2005

	<u>Program Services</u>	<u>Supporting Services</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Advertising	\$ 26,269	\$ 0	\$ 0	\$ 26,269
Bad Debts	30,302	0	0	30,302
Contracted Services	3,000	0	0	3,000
Consulting	864	0	3,706	4,570
Depreciation	996	996	0	1,992
Equipment And Maintenance	1,499	1,498	0	2,997
Expenses Pass Through	2,072,847	0	0	2,072,847
Fringe Benefits	15,290	2,698	0	17,988
Insurance	0	0	0	0
Interest	2,615	0	0	2,615
Legal And Professional	0	3,564	0	3,564
Memberships	8,585	8,585	0	17,170
Miscellaneous	436	435	124	995
Office Supplies	1,140	3,419	0	4,559
Planning	125	0	0	125
Postage	558	558	37	1,153
Promotion	16,653	0	0	16,653
Rent	1,044	348	0	1,392
Salary	92,496	16,323	1,149	109,968
Software	568	567	0	1,135
Staff Training	1,890	333	0	2,223
Telephone	5,328	940	51	6,319
Travel And Entertainment	6,157	1,086	5,352	12,595
Total	<u>\$ 2,288,662</u>	<u>\$ 41,350</u>	<u>\$ 10,419</u>	<u>\$ 2,340,431</u>

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

Exhibit D

<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>	2006	2005
Change In Net Assets	\$ 42,812	\$ 6,381
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES:		
Depreciation	2,846	1,992
Bad Debt Expense	0	30,000
Decrease in Interest Receivable	0	303
Decrease In Accounts Payable	(14,302)	(54,698)
(Decrease) Increase In Payroll Taxes Withheld	(1,769)	2,494
(Decrease) Increase in Advances Payable	(126,404)	126,404
Decrease In Deferred Revenue	0	(25,000)
Total Adjustments	\$ (139,629)	\$ 81,495
Net Cash (Used In) Provided By Operating Activities	\$ (96,817)	\$ 87,876
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Net Redemption (Purchase) Of Certificate Of Deposit	\$ 40,670	\$ (40,670)
Purchase Of Property And Equipment	(475)	(8,855)
Net Cash Provided By (Used In) Investing Activities	\$ 40,195	\$ (49,525)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Proceeds Received From Long-Term Debt	\$ 0	\$ 69,000
Payments On Long-Term Debt	(43,473)	(8,919)
Net Cash (Used In) Provided By Financing Activities	\$ (43,473)	\$ 60,081
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	\$ (100,095)	\$ 98,432
CASH & CASH EQUIVALENTS AT BEGINNING OF YEAR	148,408	49,976
CASH & CASH EQUIVALENTS AT END OF YEAR	\$ 48,313	\$ 148,408
<u>SUPPLEMENTAL DISCLOSURES:</u>		
Interest Paid	\$ 2,947	\$ 2,615
Income Taxes Paid	\$ 0	\$ 0

"SEE NOTES TO FINANCIAL STATEMENTS"

**COMMUNITY IMPROVEMENT CORPORATION
OF DEFIANCE COUNTY
NOTES TO FINANCIAL STATEMENTS
December 31, 2006 and 2005**

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. The Organization does not have any temporarily restricted or 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.

**COMMUNITY IMPROVEMENT CORPORATION
OF DEFIANCE COUNTY
NOTES TO FINANCIAL STATEMENTS
December 31, 2006 and 2005**

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 of the Organization.

Advertising – Advertising costs are charged to expense as incurred. The Organization's advertising costs totaled \$ 19,698 and \$ 26,269 for the years ended December 31, 2006 and 2005, respectively.

NOTE 2 – NOTE RECEIVABLE

Notes Receivable consists of the following:

	12-31-06	12-31-05
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. Northwest Ethanol is delinquent in all of the principal payments and \$ 1503 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>0</u>	\$ <u>0</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 Organization maintains a 403(b) retirement plan for qualified employees. The Organization contributes 4%-5% of the employees' compensation to the plan. Contributions for 2006 and 2005 were \$ 4,570 and \$ 4,387, respectively.

**COMMUNITY IMPROVEMENT CORPORATION
OF DEFIANCE COUNTY
NOTES TO FINANCIAL STATEMENTS
December 31, 2006 and 2005**

NOTE 4 - CONCENTRATION

For the year ended December 31, 2006, the Organization received 39% (40% in 2005) of its revenue from Defiance County, City of Defiance, and the Village of Hicksville.

NOTE 5 - FUNDRAISING

During 2004 the Organization hired a professional fundraiser and entered into a contact for assistance in a major fundraising campaign. The goal of the campaign was to raise \$ 1,500,000 over the next 5 years.

To date approximately \$ 1,238,300 (revised from \$ 1,255,800 a year ago) has been pledged and the Organization feels that they will meet the goal. These pledges represent intentions to give because the donor has the option to modify or cancel the pledge. For the year ended December 31, 2006 \$ 241,150 (\$225,150 at December 31, 2005) of pledges were collected. The balance of uncollected pledges at December 31, 2006 is approximately \$ 728,000.

NOTE 6 - LEASES

Beginning October 21, 2005 the Organization began leasing office space at 1300 East Second Street, Suite 201 from the Defiance County Commissioners. Rent is being charged at a rate of \$ 463.95 per month. The lease extended until December 31, 2005 and was renewed for a period of one year. Lease expense was \$ 5,567.40 for the year ended 2006. Prior to this time office space was provided without charge. The organization has entered into a new lease agreement for 2007 at a rate of \$ 695.63 per month.

Beginning January 1, 2006 the Organization began leasing space in Hicksville from the Hicksville Building and Loan for 1 year at a rate of \$ 1,500 per year. This lease was renewed for 2007.

NOTE 7 - ADVANCES

The funds in advances are public monies provided to the Organization to assist local businesses in setting up infrastructure. All of the funds are kept in separate bank accounts. The balances are money advanced by Standridge Corporation and Johns Manville to be spent as needed on expenses of the two businesses.

NOTE 8 - NOTES PAYABLE

In May 2005, the Organization borrowed \$ 69,000 from a local bank to pay the balance of the fundraisers contract. Monthly payments of \$ 1,648, including interest at 6.75% are due through May 2009. Additional principle payments were made in 2006 and the intention is pay off the loan in 2007. The loan is as follows:

<u>Lender</u>	<u>2006</u>	<u>2005</u>
First Federal Bank	16,608	60,081
Less Current Portion	16,608	16,212
Long Term Portion	<u>\$ 0</u>	<u>\$ 43,869</u>

NOTE 9 - OTHER INCOME

The Organization hired a professional fundraiser in 2004 at a contract cost of \$ 133,500, payable in installments. The entire amount was expensed in 2004. During 2005 the Organization was offered a discount of \$ 15,000 if the entire balance was paid. Funds were borrowed in May 2005 to pay off the contract (See Note 8).



Luderman & Konst, Inc.
Certified Public Accountants

**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'
February 20, 2007**

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 and for the year ended December 31, 2006, and have issued our report thereon dated February 20, 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 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 organization'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 organization's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the organization's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

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 entity'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 entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting. See significant deficiencies 2006-1.

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

Board of Trustees
Community Improvement Corporation of Defiance County
Page 2

Our consideration of the 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 the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

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*.

We noted certain matters that we reported to management of Community Improvement Corporation of Defiance County in a separate letter dated February 20, 2007.

The organization's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the organization's response and, accordingly, we express no opinion on it.

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

Luderman & Konst, Inc.

Luderman & Konst, Inc.
Certified Public Accountants

Supplemental Information

**COMMUNITY IMPROVEMENT CORPORATION OF DEFIANCE COUNTY
SCHEDULE OF FINDINGS AND RESPONSE
DECEMBER 31, 2006**

SIGNIFICANT DEFICENCY 2006-1

Financial statements given to us at the beginning of the audit were not materially correct. The 2005 audit adjustments had not been posted to the trial balance and several other general ledger accounts required material adjustments.

Since the financial statements are relied upon by management, we are concerned they may not have accurate information upon which to make these management decisions.

AUDITEE RESPONSE

At your request, the CIC has purchased and implemented the QuickBooks software accounting program to report the financial transactions of our organization. From time to time your office has assisted us in various editing and correction entries in the QuickBooks system. In spring 2006, your office supplied us with a CD-ROM disk, which supposedly contained adjusting entries for 2005. It was not clear to us whether these entries had been entered into the accounting system by your office. It was our impression that this disk was given to us for archive purposes. In the future we request that your staff provide a written instruction letter for any adjusting entries you wish for our bookkeeper to post.

CIC management and Board of Trustee members receive monthly, internally generated management reports that compare our budgeted revenues and expenses to the actual transactions of the organization. These reports have, and do, provide accurate information to our board regarding the financial affairs of our organization. I have attached an example of a monthly report to support our position on this matter.



Mary Taylor, CPA
Auditor of State

DEFIANCE COUNTY COMMUNITY IMPROVEMENT CORPORATION

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 24, 2007**