

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

For The Years Ended December 31, 2002 And 2001



**Auditor of State
Betty Montgomery**

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

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, 2002 through December 31, 2002. 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.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

April 7, 2003

This Page is Intentionally Left Blank.

**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, 2002 And 2001**

INDEX

	<u>Page No.</u>
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
Statement of Cash Flows – Exhibit D-----	6
Notes to Financial Statements -----	7 & 8
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” -----	9

This Page is Intentionally Left Blank.

March 14, 2003

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 the Community Improvement Corporation of Defiance County (a nonprofit organization) as of December 31, 2002, and the related statements of activities, functional expenses, and cash flows for the year 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 audit. The financial statements for the year ended December 31, 2001, were audited by another auditor, and he expressed an unqualified opinion on those statements in his report dated April 1, 2002.

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. Those standards require that we plan and perform the audit 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 audit provides 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 the Community Improvement Corporation of Defiance County as of December 31, 2002, and the changes in its net assets and its cash flows for the year 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 14, 2003, 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, 2002 And 2001**

*Exhibit A***ASSETS**

<u>Current Assets</u>	2002	2001
Cash And Cash Equivalents	\$ 2,487	\$ 3,384
Certificates Of Deposit & Money Market	101,801	87,998
Note Receivable	10,000	0
Total Current Assets	\$ 114,288	\$ 91,382
 <u>Property & Equipment</u>		
Office Equipment	\$ 8,436	\$ 7,646
Less: Accumulated Depreciation	(7,294)	(6,554)
Net Property & Equipment	\$ 1,142	\$ 1,092
 <u>Other Assets</u>		
Note Receivable	\$ 20,000	\$ 30,000
 Total Assets	\$ 135,430	\$ 122,474

LIABILITIES AND NET ASSETS

<u>Current Liabilities</u>		
Payroll Taxes Withheld	\$ 292	\$ 883
Total Current Liabilities	292	883
 <u>Net Assets</u>		
Unrestricted	\$ 135,138	\$ 121,591
Total Net Assets		
 Total Liabilities And Net Assets	\$ 135,430	\$ 122,474

**COMMUNITY IMPROVEMENT CORPORATION
OF DEFIANCE COUNTY
STATEMENT OF ACTIVITIES
December 31, 2002 And 2001**

Exhibit BREVENUE

<u>Current Revenue</u>	2002	2001
Public And Private Support	\$ 125,284	\$ 131,961
Enterprise Zone Application Fees	22,331	16,054
Interest Income	2,691	4,391
Miscellaneous	711	50
Total Revenue	\$ 151,017	\$ 152,456
<u>Expenses</u>		
Program Services: Economic Development	\$ 111,650	\$ 103,568
Supporting Services: General And Administrative	25,820	17,488
Total Expenses	\$ 137,470	\$ 121,056
Change In Net Assets	\$ 13,547	\$ 31,400
Net Assets, Beginning Of Year	121,591	90,191
Net Assets, End Of Year	\$ 135,138	\$ 121,591

(5)

**COMMUNITY IMPROVEMENT CORPORATION
OF DEFIANCE COUNTY
STATEMENTS OF FUNCTIONAL EXPENSES
For The Years Ended December 31, 2002 And 2001**

Exhibit C

	2002			2001		
	Program Services	Supporting Services	Total Expenses	Program Services	Supporting Services	Total Expenses
Advertising	\$ 19,686	\$ 0	\$ 19,686	\$ 13,125	\$ 0	\$ 13,125
Consulting	0	0	0	114	0	114
Depreciation	370	370	740	183	183	366
Equipment And Maintenance	607	606	1213	37	38	75
Fringe Benefits	12,295	2170	14465	10,473	1848	12321
Foreign Trade Zone	0	0	0	16,386	0	16386
Insurance	570	570	1140	450	450	900
Legal And Professional	0	2260	2260	0	720	720
Memberships	3,187	3188	6375	2,027	2027	4054
Miscellaneous	153	152	305	134	134	268
Office Supplies	826	2479	3305	559	1677	2236
Postage	491	491	982	307	308	615
Promotion	472	0	472	2,904	0	2904
Salary	64,717	11421	76138	49,438	8725	58163
Software	793	793	1586	82	82	164
Staff Training	131	23	154	462	81	543
Telephone	3,422	604	4026	3,375	595	3970
Travel And Entertainment	3,930	693	4623	3,512	620	4132
Total	\$ 111,650	\$ 25,820	\$ 137,470	\$ 103,568	\$ 17,488	\$ 121,056

"SEE NOTES TO FINANCIAL STATEMENTS"

**COMMUNITY IMPROVEMENT CORPORATION
OF DEFIANCE COUNTY
STATEMENT OF CASH FLOWS
For The Years Ended December 31, 2002 And 2001**

Exhibit D

<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>	<u>2002</u>	<u>2001</u>
Change In Net Assets	\$ 13,547	\$ 31,400
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Depreciation	740	366
(Decrease) Increase In Payroll Taxes Withheld	(591)	54
Total Adjustments	\$ 149	\$ 420
Net Cash Provided By Operating Activities	\$ 13,696	\$ 31,820
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Increase In Notes Receivable	\$ 0	\$ (30,000)
Net (Purchase) Redemption Of Certificate Of Deposit	(13,803)	1,456
Purchase Of Land (See Note 3)	0	(65,856)
Purchase Of Property And Equipment	(790)	(1,331)
Proceeds From Sale Of Land (See Note 3)	0	65,856
Net Cash Used In Investing Activities	\$ (14,593)	\$ (29,875)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ (897)	\$ 2,095
CASH & CASH EQUIVALENTS AT BEGINNING OF YEAR	3,384	1,289
CASH & CASH EQUIVALENTS AT END OF YEAR	\$ 2,487	\$ 3,384

"SEE NOTES TO FINANCIAL STATEMENTS"

**COMMUNITY IMPROVEMENT CORPORATION
OF DEFIANCE COUNTY
NOTES TO FINANCIAL STATEMENTS
December 31, 2002 And 2001**

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.

**COMMUNITY IMPROVEMENT CORPORATION
OF DEFIANCE COUNTY
NOTES TO FINANCIAL STATEMENTS
December 31, 2002 And 2001**

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.

NOTE 2 – NOTE RECEIVABLE

Notes Receivable consists of the following:

	12-31-02	12-31-01
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.	\$ 30,000	\$ 30,000
Amount due within one year	10,000	0
Amount due after one year	\$ 20,000	\$ 30,000

NOTE 3 – LAND PURCHASE/SALE

In 2001 The Community Improvement Corporation of Defiance County entered into an agreement with the City of Defiance to purchase 18.816 acres of land for a total purchase price of \$ 65,856 for use by One Source Diversified Services, Ltd. The Community Improvement Corporation of Defiance County then sold the land to One Source Diversified Services, Ltd. For \$ 65,856, resulting in no gain or loss on the transactions.

NOTE 4 – 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 2002 were \$ 2,772. For 2001 the amount is \$ 2,691.

NOTE 5 - CONCENTRATION

For the year ended December 31, 2002, the Organization received 60% of its revenue from Defiance County, City of Defiance, and the Village of Hicksville. For 2001 the amount was 46%.

**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 14, 2003**

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, 2002, and have issued our report thereon dated March 14, 2003. 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 14, 2003.

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 8, 2003**