

**PUTNAM COMMUNITY IMPROVEMENT CORPORATION**

**PUTNAM COUNTY**

**JANUARY 1, 2003 TO DECEMBER 31, 2003**

**PREPARED BY: LUDERMAN & KONST, INC.**





**Auditor of State  
Betty Montgomery**

Board of Directors  
Putnam County Community Improvement Corporation

We have reviewed the Independent Auditor's Report of the Putnam County Community Improvement Corporation, Putnam County, prepared by Luderman & Konst, Inc., 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 Putnam County Community Improvement Corporation is responsible for compliance with these laws and regulations.

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

BETTY MONTGOMERY  
Auditor of State

April 14, 2004

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**PUTNAM COUNTY COMMUNITY IMPROVEMENT CORPORATION**  
**(An Ohio Non-Profit Corporation)**

**FINANCIAL STATEMENTS**  
**For The Year Ended December 31, 2003**

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March 8, 2004

**INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
Putnam County Community Improvement Corporation  
240 East Main Street  
Ottawa, Ohio 45875

We have audited the accompanying statement of financial position of Putnam County Community Improvement Corporation (An Ohio Non-Profit Corporation) as of December 31, 2003 and the related statement of activities 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.

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 also 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 above-mentioned financial statements present fairly in all material respects, the financial position of Putnam County Community Improvement Corporation as of December 31, 2003 and the result of its changes in net assets and 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 a report dated March 8, 2004, on our consideration of Putnam County Community Improvement Corporation'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.

(3)

Board of Directors  
Putnam County Community Improvement Corporation  
March 8, 2004  
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Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplemental information contained in Schedule I is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the examination of the basic financial statements, and in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Luderman & Konst, Inc.  
Certified Public Accountants



**PUTNAM COUNTY COMMUNITY IMPROVEMENT CORPORATION**  
**STATEMENT OF FINANCIAL POSITION**  
**December 31, 2003**

*Exhibit A***ASSETS****CURRENT ASSETS**

Cash	\$ 265,807
Advances Receivable	27,640
Accounts Receivable - Putnam County	5,875
Total Current Assets	<u>\$ 299,322</u>

**PROPERTY & EQUIPMENT**

Furniture & Fixtures	\$ 22,715
Vehicles	25,967
Less: Accumulated Depreciation	(17,598)
Total Property & Equipment	<u>\$ 31,084</u>

**OTHER ASSETS**

Intangible Assets	\$ 3,200
Less: Accumulated Amortization	(2,489)
Total Intangible Assets	<u>\$ 711</u>

**Total Assets****\$ 331,117****LIABILITIES AND NET ASSETS****CURRENT LIABILITIES**

Accounts Payable	\$ 1,597
Accrued Wages	2,880
Accrued Fringes	8,535
Total Current Liabilities	<u>\$ 13,012</u>

**NET ASSETS**

Unrestricted Net Assets	<u>\$ 318,105</u>
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**Total Liabilities & Net Assets****\$ 331,117**

**PUTNAM COUNTY COMMUNITY IMPROVEMENT CORPORATION**  
**STATEMENT OF ACTIVITIES**  
**For The Year Ended December 31, 2003**

**Exhibit B**

**REVENUE - OPERATING**

Contributions	\$	75,815
Miscellaneous Income		1,520
Rent Income		2,920
Enterprise Zone Revenue		43,042
Membership Dues		1,270
Overhead Reimbursement - Putnam County		19,800
Enterprise Zone Fees		30,700
Total Operating Revenue	\$	<u>175,067</u>

**OPERATING EXPENSES**

Operating Expenses - Schedule I	\$	<u>204,316</u>
Operating Revenue Less Expenses	\$	(29,249)

**OTHER REVENUE (EXPENSE)**

Interest Income	\$	3,608
Loss on Disposal of Assets		(165,301)
Total Other Revenue (Expense)	\$	<u>(161,693)</u>

Decrease In Net Assets	\$	(190,942)
Net Assets At Beginning Of Year		<u>509,047</u>
Net Assets At End Of Year	\$	<u><u>318,105</u></u>

**PUTNAM COUNTY COMMUNITY IMPROVEMENT CORPORATION**  
**STATEMENT OF CASH FLOWS**  
*For The Year Ended December 31, 2003*

Exhibit C

**CASH FLOWS FROM OPERATING ACTIVITIES**

Decrease In Net Assets \$ (190,942)

**ADJUSTMENTS TO RECONCILE CHANGE IN NET**

**ASSETS TO NET CASH USED BY OPERATING ACTIVITIES:**

Depreciation \$ 24,059

Amortization 1,067

Loss on Disposal of Assets 165,301

Increase in Accounts Receivable (33,515)

Increase In Accrued Wages 426

Increase In Accrued Fringes 983

Increase In Accounts Payable 1,109

Total Adjustments \$ 159,430

Net Cash Used For Operating Activities \$ (31,512)

**CASH FLOWS FROM INVESTING ACTIVITIES:**

Purchase Of Property & Equipment \$ (13,084)

Net Cash Provided By Investing Activities \$ (13,084)

**CASH FLOWS FROM FINANCING ACTIVITIES:**

None

NET DECREASE IN CASH AND CASH EQUIVALENTS \$ (44,596)

CASH AND CASH EQUIVALENTS AT JANUARY 1, 310,403

CASH AND CASH EQUIVALENTS AT DECEMBER 31, \$ 265,807

**SUPPLEMENTAL DISCLOSURES:**

Interest Paid \$ 0

Income Taxes Paid 0

**PUTNAM COUNTY COMMUNITY IMPROVEMENT CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2003**

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

This summary of significant accounting policies of Putnam County Community Improvement Corporation is presented to assist in understanding the Company's financial statements. The financial statements and notes are representations of the Company's management who is responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles and have been consistently applied in the preparation of the financial statements. The major sources of revenue of the Organization are from contributions and enterprise zone revenue and fees.

**Estimates** – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Property & Equipment** – All property and equipment are recorded at cost and are depreciated using the straight line method over the asset's estimated useful lives. Furniture & fixtures are depreciated using a 5-7 year life and the buildings a 40 year life. Expenditures for repairs and maintenance are charged to expense as incurred. Major improvements are capitalized. Depreciation expense is \$ 25,723 for the year ended December 31, 2003.

**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. Management is of the opinion that there were no temporarily restricted or permanently restricted net assets at December 31, 2003.

**Cash Equivalents** – For the purpose of the statement of cash flows, the Organization considers all investment instruments purchased with a maturity of three months or less to be cash equivalents.

**NOTE 2 – BUSINESS ACTIVITY**

Putnam County Community Improvement Corporation was formed in 1984 to advance, encourage, and promote the industrial, economic, commercial, and civic development of Putnam County.

**NOTE 3 – EXEMPTION FROM FEDERAL INCOME TAX**

The Organization is considered exempt under code section 501(c)(3) and holds a letter of exemption from income tax dated September 4, 1986. Information returns, Form 990, have been filed for all years through December 31, 2002. The 2003 Form 990 will be filed prior to May 15, 2004. The Organization is not considered a private foundation.

**NOTE 4 – LEASE COMMITMENTS**

The Organization entered into a lease agreement with the Putnam County Commissioners to lease office space at 240 East Main Street, Ottawa, Ohio. The lease is from August 26, 2003 to August 26, 2004 at a cost of \$ 666.67 per month. Total lease expense for the year was \$ 8,000.

**PUTNAM COUNTY COMMUNITY IMPROVEMENT CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS – (CONTINUED)**  
**December 31, 2003**

**NOTE 5 – PENSION**

The Organization established a Simplified Employee Pension Plan in April 1991 covering all employees. Each employee's contribution is limited to the lesser of 15 % of the first \$ 200,000 of compensation or \$30,000. The organization has elected to contribute 15% of each employee's gross wages. Pension Expense for 2003 was \$ 14,538.

**NOTE 6 – RELATED PARTY TRANSACTION**

Putnam County would be considered a related party in regard to the Putnam County Community Improvement Corporation. The County Commissioners of Putnam County are represented on the 21 member Board of the Community Improvement Corporation.

The organization leases office space from Putnam County (see Note 4). In addition the revolving loan which is a part of Putnam Company reimburses the organization for wages, fringes, and some overhead expense. The total reimbursed for 2003 was \$ 19,800.

**NOTE 7 – PROGRAM SERVICES AND ADMINISTRATIVE EXPENSES**

Total expenses for 2003 consist of expenses related to program services and administrative expenses and are as follows:

Program Services	\$ 140,314
Administrative	<u>64,002</u>
Total	<u>\$ 204,316</u>

**NOTE 8 – LOSS ON DISPOSAL OF ASSETS**

The organization has previously leased a building to American Weatherseal. In conjunction with this building, the organization had a loan with Putnam County and a mortgage with State of Ohio. In December, 2000, American Weatherseal filed Chapter 11 Bankruptcy and in 2001 defaulted and vacated the premises. Efforts to find a new tenant were not successful and the building was put up for auction in July 2002. However, the minimum bid was not obtained and the building was not sold. The property was finally sold at public auction on May 9, 2003.

Putnam County did not receive any of the of the proceeds from the sale. They relinquished control of the building, which had a book value of \$ 2,088,136, also was relieved of liability on the unpaid mortgage loans of \$ 1,922,835. This resulted in the loss on disposal of assets of \$ 165,301 presented on the statement of activities. According to legal counsel, neither the Organization nor its officers, directors, agents, and employees, shall be held personally liable on the debt, nor can the state seek or take judgment against the above, and must rely on collateral for repayment of the debt.

**NOTE 9 – ENTERPRISE ZONE REVENUE**

The Organization has gross enterprise zone revenue of \$ 672,185 and payouts of \$ 629,144, resulting in net revenue of \$ 43,041. This represents a fee to the organization for administering the enterprise zone agreements.

**PUTNAM COUNTY COMMUNITY IMPROVEMENT CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS – (CONTINUED)**  
**December 31, 2003**

**NOTE 10 –NON-CASH INVESTING & FINANCING**

Non-cash investing and financing transactions consisting of mortgage repayments have been reflected in the assets and liabilities in the accompanying financial statements. They are as follows:

Reduction in Mortgage Loans	\$ 1,922,835
Less: Amounts Organization is not obligated to pay Putnam County and the State of Ohio on the Weatherseal Project (See Note 8)	<u>(1,922,835)</u>
Cash Paid on Mortgage & Loan	<u>\$ 0</u>

**NOTE 11 –ADVERTISING COSTS**

The Organization expenses advertising costs as incurred. Expense for 2003 is \$ 929.

## *Supplemental Information*

**PUTNAM COUNTY COMMUNITY IMPROVEMENT CORPORATION**  
**SCHEDULE OF OPERATING EXPENSES**  
**For The Year Ended December 31, 2003**

**Schedule I**

**OPERATING EXPENSES**

Economic Development	\$	5,379
Bond & Liability Insurance		1,326
Supplies & Postage		4,477
Professional Services		12,739
Salary & Wages		98,439
Fringes - Payroll Taxes		8,213
Telephone		3,228
Auto Expense		1,595
Depreciation		24,059
Repairs		315
Pension		14,538
Other Employee Benefits		10,421
Marketing		929
Rent		8,000
Dues & Subscriptions		1,560
Annual Dinner		1,444
Cable & Internet		757
Amortization		1,067
Utilities		5,808
Miscellaneous Expense		22
Total Operating Expenses	\$	<u>204,316</u>



***PUTNAM COUNTY COMMUNITY IMPROVEMENT CORPORATION***

***March 8, 2004***

***INDEPENDENT AUDITOR'S 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 Directors  
Putnam County Community Improvement Corporation  
240 East Main Street  
Ottawa, Ohio 45875

We have audited the financial statements of Putnam County Community Improvement Corporation (A Nonprofit Organization) as of and for the year ended December 31, 2003, and have issued our report thereon dated March 8, 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 contained in Government Auditing Standards, issued by the Comptroller General of the United States.

**COMPLIANCE**

As part of obtaining reasonable assurance about whether Putnam County Community Improvement Corporation'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 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. However, we noted certain immaterial instances of noncompliance, which we have reported to management of Putnam County Community Improvement Corporation in a separate letter dated March 8, 2004.

**INTERNAL CONTROL OVER FINANCIAL REPORTING**

In planning and performing our audit, we considered Putnam County Community Improvement Corporation'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.

Board of Directors  
Putnam County Community Improvement Corporation  
March 8, 2004  
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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.

This report is intended for the information and use of the audit committee, management, others within the organization and is not intended to be 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  
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800-282-0370  
Facsimile 614-466-4490

**PUTNAM COMMUNITY IMPROVEMENT CORPORATION**

**PUTNAM 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  
APRIL 27, 2004**