

HENRY COUNTY COMMUNITY IMPROVEMENT CORPORATION

HENRY COUNTY

JANUARY 1, 2006 TO DECEMBER 31, 2006

PREPARED BY: LUDERMAN & KONST, INC.



Mary Taylor, CPA
Auditor of State

Board of Directors
Henry County Community Improvement Corporation
104 E. Washington
Napoleon, Ohio 43545

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

May 29, 2007

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**COMMUNITY IMPOROVEMENT CORPORATION
OF HENRY COUNTY, OHIO INC.**

(An Ohio Non-Profit Organization)

**FINANCIAL STATEMENTS
For the Year Ended December 31, 2006**

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Luderman & Konst, Inc.
 Certified Public Accountants

April 21, 2007

Board of Directors
 Community Improvement Corporation of Henry County, Ohio, Inc.
 Napoleon, Ohio 43545

Independent Auditor's Report

We have audited the accompanying statement of financial position of the Community Improvement Corporation of Henry County (a Nonprofit Organization) as of December 31, 2006, 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 audits.

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 Community Improvement Corporation of Henry County as of December 31, 2006, 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 April 21, 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 HENRY COUNTY, OHIO, INC.
STATEMENT OF FINANCIAL POSITION
December 31, 2006**

ASSETS

CURRENT ASSETS

Cash	\$ 717,644
Accounts Receivable	11,574
Notes Receivable	10,500
Total Current Assets	<u>\$ 739,718</u>

PROPERTY AND EQUIPMENT

Furniture & Fixtures	\$ 13,202
Leasehold improvements	47,144
Land	132,252
Land Improvements	411,651
	<u>\$ 604,249</u>
Less Accumulated Depreciation	(114,405)
Net Property And Equipment	<u>\$ 489,844</u>

OTHER ASSETS

Notes Receivable	28,575
Total Other Assets	<u>\$ 28,575</u>

TOTAL ASSETS \$ 1,258,137

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts Payable	\$ 5,380
Notes Payable-Current Portion	6,707
Accrued Expenses	660
Total Current Liabilities	<u>\$ 12,747</u>

LONG-TERM LIABILITIES

Notes Payable, Less Current Portion	<u>\$ 820,480</u>
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TOTAL LIABILITIES \$ 833,227

NET ASSETS

Unrestricted	\$ (138,732)
Temporarily Restricted	563,642
Total Net Assets	<u>\$ 424,910</u>

TOTAL LIABILITIES AND NET ASSETS \$ 1,258,137

**COMMUNITY IMPROVEMENT CORPORATION
OF HENRY COUNTY, OHIO, INC.
STATEMENT OF ACTIVITIES
For The Year Ended December 31, 2006**

UNRESTRICTED NET ASSETS**SUPPORT**

Contributions From Participating Governmental Units	\$ 179,000
In-Kind Contributions	41,920
Memberships	16,030
Interest	2,872
Administrative Fees	4,108
Program Fees	34,615
Miscellaneous Income	4,719
Total Unrestricted Support	\$ 283,264
Net Assets Released From Restrictions	
Restrictions Satisfied By Payments	\$ 62,827
Total Unrestricted Support And Reclassifications	\$ 346,091

EXPENSES

Program Expenses	
Community Involvement/Projects	\$ 25
Infrastructure Projects	62,827
Total Program Expenses	\$ 62,852
General Supporting Expenses	
Advertising	\$ 309
Bad Debts	300
Conference And Seminars	2,664
Depreciation	29,649
Dues And Subscriptions	300
Insurance	2,279
Interest	70,729
Legal And Accounting	6,041
Miscellaneous	660
Office	5,415
Rent - Office	5,200
Building Maintenance	275
Taxes - Property	6,670
Telephone	1,447
Travel And Entertainment	3,873
Wages	76,736
Total General Supporting Expenses	\$ 212,547
Total Expenses	\$ 275,399
Increase In Unrestricted Net Assets	\$ 70,692

**COMMUNITY IMPROVEMENT CORPORATION
OF HENRY COUNTY, OHIO, INC.
STATEMENTS OF ACTIVITIES
For The Year Ended December 31, 2006**

TEMPORARILY RESTRICTED NET ASSETS

Support	
Infrastructure Funds	\$ 104,369
Interest	2,231
Net Assets Released From Restrictions	<u>(62,827)</u>
Increase In Temporarily Restricted Net Assets	<u>43,773</u>

CHANGE IN NET ASSETS

114,465

NET ASSETS, BEGINNING OF YEAR

\$ 310,445

NET ASSETS, END OF YEAR

\$ 424,910

**COMMUNITY IMPROVEMENT CORPORATION
OF HENRY COUNTY, OHIO, INC.
STATEMENT OF CASH FLOWS
For The Year Ended December 31, 2006**

CASH FLOWS FROM OPERATING ACTIVITIES

Change In Net Assets	\$	114,465
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**ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS
TO NET CASH PROVIDED BY OPERATING ACTIVITIES:**

Depreciation		29,649
(Increase) In Accounts Receivable		(10,535)
(Decrease) In Accounts Payable		(18,879)
Increase In Accrued Expenses		2
		2
Net Cash Provided By Operating Activities	\$	114,702

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds From Notes Receivable	\$	34,344
Net Cash Provided By Investing Activities	\$	34,344

CASH FLOWS FROM FINANCING ACTIVITIES

Repayments On Long Term Debt	\$	(101,183)
Net Cash Used In Financing Activities	\$	(101,183)

<u>NET INCREASE IN CASH</u>	\$	47,863
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<u>CASH AT BEGINNING OF YEAR</u>		669,781
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<u>CASH AT END OF YEAR</u>	\$	717,644
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SUPPLEMENTAL INFORMATION:

Cash Paid During The Year For Interest	\$	70,729
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**COMMUNITY IMPROVEMENT CORPORATION
OF HENRY COUNTY, OHIO, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2006**

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 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 statements of activities. In-kind contributions consist of wages being partially paid by Henry County, Ohio and the use of office facilities. The estimated fair value of the wages and office facilities was \$ 41,920 for year ended December 31, 2006.

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 over the asset's estimated useful life. The Organization capitalizes all acquisitions in excess of \$500. For the year ended December 31, 2006 depreciation expense was \$ 29,649.

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.

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.

**COMMUNITY IMPROVEMENT CORPORATION
OF HENRY COUNTY, OHIO, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2006**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Advertising – Advertising costs are charged to expense as incurred. The Organization's advertising costs totaled \$ 309 for the year ended December 31, 2006.

Accounts Receivable – Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to an allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the allowance and a credit to accounts receivable. The allowance for bad debts for the years ended December 31, 2006 is –0–.

NOTE 2 – CASH

Cash consists of the following:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>
Checking	\$ 16,884	\$ 0
Savings	113,049	524,567
Certificates Of Deposits	<u>63,144</u>	<u>0</u>
Total	<u>\$ 193,077</u>	<u>\$ 524,567</u>

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COMMUNITY IMPROVEMENT CORPORATION
OF HENRY COUNTY, OHIO, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2006

NOTE 3 – NOTES RECEIVABLE

Notes Receivable consists of the following:

Notes receivable from A & J, LLC, dated July 29, 2004, due in 60 months, interest at 0% on the unpaid balance. Unsecured. \$ 5,500

Note receivable from Harrison Township, dated April 28, 2004, due in 36 months, interest at 0% on the unpaid balance. Unsecured. 2,500

Note receivable from Harrison Township, dated November 7, 2003 and January 30, 2004, due in 84 months, interest at 0% on the unpaid balance. Unsecured. 31,075

Amount due within one year	<u>39,075</u>
Amount due after one year	<u>10,500</u>
	<u>\$ 28,575</u>

NOTE 4 – NOTES PAYABLE

Notes Payable consists of the following:

Note payable to The Henry County Bank (line of credit), limited to an amount not to exceed \$2,200,000, dated December 27, 2002, due January 27, 2028. Payable in Monthly installments of \$6,912 beginning February 5, 2005 including interest at prime rate + 1% (8.25% at December 31, 2006). Secured by commercial property located at 1650 Commerce Drive, Napoleon, Ohio. \$ 827,187

Total notes payable 827,187

Less current portion 6,707

Long term obligations \$ 820,480

Maturities of long-term obligations are as follows:
 Years Ending December 31

2007	\$ 6,707
2008	7,355
2009	8,065
2010	8,843
2011	9,697
Thereafter	<u>786,520</u>
	<u>\$ 827,187</u>

**COMMUNITY IMPROVEMENT CORPORATION
OF HENRY COUNTY, OHIO, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2006**

NOTE 5 – NATURE AND AMOUNT OF TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets include infrastructure funds and are available once any donor-imposed conditions have been met.

Cash	\$ 524,567
Notes Receivable	<u>39,075</u>
Total	<u>\$ 563,642</u>

NOTE 6 – PRIOR PERIOD ADJUSTMENT

At December 31, 2005 temporarily restricted net assets were understated by \$ 244,038 and unrestricted net assets were overstated by \$ 244,038.

NOTE 7 – CONCENTRATION

Approximately 46% of the organization's revenue is from the City of Napoleon.

Supplemental Information



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'**

To The Board of Trustees Of
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 year ended December 31, 2006, and have issued our report thereon dated April 21, 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 weakness. 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 of 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 Organization'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 Organization's financial statements that is more than inconsequential will not be prevented or detected by the Organization's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs 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 misstatement of the financial statements will not be prevented or detected by the Organization's internal control.

Hicksville Office

105 E. High St. • Hicksville, OH 43526
419-542-8740

Main Office

317 Jefferson • Defiance, OH 43512 • 419-782-7166
Fax: 419-782-5829 • e-mail: lkcpa@bright.net

Ottawa Office

321 E. Main St • Ottawa, OH 45875
419-523-5393

**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'**

To The Board of Trustees Of
The Community Improvement Corporation of Henry County, Ohio, Inc.
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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 Community Improvement Corporation of Henry County, Ohio, Inc. financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 Henry County, Ohio, Inc. in a separate letter dated April 21, 2007.

Community Improvement Corporation of Henry County, Ohio, Inc.'s response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Community Improvement Corporation of Henry County, Ohio, Inc.'s response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, and the Board of Trustees 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

April 21, 2007

COMMUNITY IMPROVEMENT CORPORATION OF HENRY COUNTY, OHIO, INC.
SCHEDULE OF FINDINGS AND RESPONSE
DECEMBER 31, 2006

SIGNIFICANT DEFICIENCY 2006-1

Financial statements given to us at the beginning of the audit were not materially correct.

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

Auditee has consulted and will continue to consult with Penrod & George, an independent, licensed accounting firm so that future financial statements are correct. Auditee is not providing any erroneous financial statements to the board, and resultantly, the board and management have not relied and will not rely upon any erroneous financial statements in making management decisions.



Mary Taylor, CPA
Auditor of State

HENRY COUNTY COMMUNITY IMPROVEMENT CORPORATION

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 12, 2007**