

**THE COMMUNITY IMPROVEMENT
CORPORATION OF HENRY COUNTY,
OHIO, INC.**

FINANCIAL STATEMENTS

Years Ended December 31, 2002 and 2001



**Auditor of State
Betty Montgomery**

Board of Trustees
Community Improvement Corporation of Henry County
104 E. Washington
Napoleon, OH 43545

We have reviewed the Independent Auditor's Report of the Community Improvement Corporation of Henry County, prepared by Steyer & Company, 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 Henry 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 1, 2003

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C O N T E N T S

	PAGE
INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
Statements of Financial Position	2
Statements of Activities	3
Statements of Cash Flows	4
Notes to Financial Statements	5
REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	8

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STEYER & CO.

Certified Public Accountants

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Independent Auditor's Report

To the Board of Trustees of
The Community Improvement Corporation of Henry County, Ohio, Inc.
Napoleon, Ohio

We have audited the accompanying statements of financial position of The Community Improvement Corporation of Henry County, Ohio, Inc. (a nonprofit organization) as of December 31, 2002 and 2001, and the related statements of activities 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 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 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, Ohio, Inc. as of December 31, 2002 and 2001, 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 14, 2003, on our consideration of The Community Improvement Corporation of Henry County, Ohio, Inc.'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.



STEYER & CO.

Defiance, Ohio
March 14, 2003

**THE COMMUNITY IMPROVEMENT CORPORATION
OF HENRY COUNTY, OHIO, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2002 and 2001**

	2002	2001
ASSETS		
CURRENT ASSETS		
Cash (Note 2)	\$ 685,522	\$ 335,444
Accounts receivable	11,850	21,492
Notes receivable (Note 3)	73,025	70,725
Total current assets	770,397	427,661
PROPERTY AND EQUIPMENT		
Construction in progress	1,753,882	-
Furniture and fixtures	22,975	22,196
Land	230,264	-
	2,007,121	22,196
Less accumulated depreciation	18,656	15,750
Net property and equipment	1,988,465	6,446
TOTAL ASSETS	\$ 2,758,862	\$ 434,107
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current portion of long term debt (Note 4)	\$ 78,776	\$ -
Lease deposit	9,000	-
Total current liabilities	87,776	-
LONG TERM DEBT (NOTE 4)	2,055,370	-
TOTAL LIABILITIES	2,143,146	-
NET ASSETS		
Unrestricted	210,102	176,587
Temporarily restricted (Note 6)	405,614	257,520
Total net assets	615,716	434,107
TOTAL LIABILITIES AND NET ASSETS	\$ 2,758,862	\$ 434,107

The accompanying notes are an integral part of these financial statements.

**THE COMMUNITY IMPROVEMENT CORPORATION
OF HENRY COUNTY, OHIO, INC.
STATEMENTS OF ACTIVITIES**
Years Ended December 31, 2002 and 2001

	2002	2001
UNRESTRICTED NET ASSETS		
Revenues		
Contributions from participating governmental units	\$ 29,000	\$ 29,000
In-kind contributions (Note 1)	54,160	54,160
Memberships	16,860	15,650
Interest	4,783	65,714
Rent	18,000	12,842
Administrative fees	50,232	35,948
Program fees	15,973	16,052
Total unrestricted revenue	189,008	229,366
Expenses		
Advertising	8,956	8,399
Community involvement/projects	2,000	-
Conferences and seminars	3,344	5,515
Contract services	3,185	-
Depreciation	2,981	20,447
Donations	-	500
Dues and subscriptions	2,040	600
Gain on sale of property and equipment	(36)	(16,321)
Incentive plan	25,484	11,437
Insurance	1,908	1,912
Interest	-	59,983
Legal and accounting	3,932	3,963
Meals	630	-
Miscellaneous	2,256	1,692
Office	6,488	3,432
Postage	1,831	19
Rent - equipment	-	4,481
Rent - office	5,200	5,200
Telephone	2,537	464
Travel	7,013	6,798
Wages	75,744	73,842
Total expenses	155,493	192,363
 Increase in unrestricted net assets	 33,515	 37,003
TEMPORARILY RESTRICTED NET ASSETS		
Revenues		
Infrastructure funds	152,324	106,677
Interest	5,728	9,115
Total temporarily restricted revenue	158,052	115,792
Expenses		
Infrastructure projects	9,720	16,000
Legal and accounting	238	-
Total expenses	9,958	16,000
 Increase in temporarily restricted net assets	 148,094	 99,792
CHANGE IN NET ASSETS	181,609	136,795
NET ASSETS, BEGINNING OF YEAR	434,107	297,312
NET ASSETS, END OF YEAR	\$ 615,716	\$ 434,107

The accompanying notes are an integral part of these financial statements.

**THE COMMUNITY IMPROVEMENT CORPORATION
OF HENRY COUNTY, OHIO, INC.
STATEMENTS OF CASH FLOWS**
Years Ended December 31, 2002 and 2001

	<u>2002</u>	<u>2001</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 181,609	\$ 136,795
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	2,981	20,447
Gain on sale of property and equipment	(36)	(16,321)
(Increase) decrease in operating assets		
Accounts receivable	9,642	(21,192)
Interest receivable	-	1,039
Notes receivable	(2,300)	(29,800)
Increase (decrease) in operating liabilities		
Lease deposit	9,000	-
Net cash provided by operating activities	<u>200,896</u>	<u>90,968</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of furniture and fixtures	(958)	(1,666)
Proceeds from sale of furniture and fixtures	140	721,307
Net cash provided by (used in) investing activities	<u>(818)</u>	<u>719,641</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowing	150,000	-
Repayments of obligations	-	(733,763)
Net cash provided by (used in) financing activities	<u>150,000</u>	<u>(733,763)</u>
NET INCREASE IN CASH	350,078	76,846
CASH AT BEGINNING OF YEAR	335,444	258,598
CASH AT END OF YEAR	\$ 685,522	\$ 335,444
SUPPLEMENTAL INFORMATION		
Cash paid during the year for:		
Interest	\$ -	\$ 59,983
Non-cash investing and financing activities:		
Land and construction in progress through issuance of notes payable	1,984,146	-

The accompanying notes are an integral part of these financial statements.

**THE COMMUNITY IMPROVEMENT CORPORATION
OF HENRY COUNTY, OHIO, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2002 and 2001**

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 ACCOUNTING – The Organization adopted the accrual basis of accounting in 2001. Previously, the cash basis of accounting was used. Management believes that the accrual method better matches revenues and expenses in the statement of activity. The cumulative effect of this change was an increase to beginning net assets of \$4,753.

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 statement of activities. In-kind contributions consist of wages being partially paid by Henry County, Ohio and the use of office facilities. The estimated fair values of the wages and office facilities are \$48,960 and \$5,200, respectively.

CREDIT RISK – The Organization maintains its cash balances in several financial institutions in Northwest Ohio. The balances are insured by the Federal Deposit Insurance Corporation up to \$100,000. At December 31, 2002, the Organization's uninsured cash balances total \$462,429.

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. The Organization capitalizes all acquisitions in excess of \$500.

CASH AND CASH EQUIVALENTS - For purposes of the statements 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.

**THE COMMUNITY IMPROVEMENT CORPORATION
OF HENRY COUNTY, OHIO, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2002 and 2001**

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.

NOTE 2 - CASH

Cash consists of the following:

	Unrestricted	Temporarily Restricted	Total
Petty cash	\$ 45	\$ -	\$ 45
Checking	231,896	-	231,896
Savings	44,537	264,733	309,270
Certificates of deposit	69,465	74,846	144,311
	<u>\$ 345,943</u>	<u>\$ 339,579</u>	<u>\$ 685,522</u>

NOTE 3 - NOTES RECEIVABLE

Notes receivable consist of the following:

	<u>2002</u>	<u>2001</u>
Note receivable from The Heller-Aller Company, dated April 15, 1999, due in 36 months, interest at 6% on the unpaid balance. Unsecured.	\$ 24,925	\$ 24,925
Note receivable from Harrison Township, dated December 14, 2000, due in 60 months, interest at 0% on the unpaid balance. Unsecured.	9,600	12,800
Note receivable from Rettig Pallets, dated August 23, 2001, due in 60 months, interest at 0% on the unpaid balance. Unsecured.	16,000	20,000
Note receivable from B&B Molded Products, dated November 27, 2001, due in 36 months, interest at 1% on the unpaid balance. Unsecured.	22,500	13,000
	<u>\$ 73,025</u>	<u>\$ 70,725</u>

**THE COMMUNITY IMPROVEMENT CORPORATION
OF HENRY COUNTY, OHIO, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2002 and 2001**

NOTE 4 – LONG TERM OBLIGATIONS

Long term obligations consists of the following:

	2002	2001
Note payable to City of Napoleon, due October 1, 2016. Payable in monthly installments of \$1,162 beginning on November 1, 2003, with an interest rate of zero percent through October 31, 2003, and thereafter a fixed rate of 3%. Secured by mortgage on real estate.	\$ 150,000	\$ -
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 \$12,866 beginning July 27, 2003. Interest payable monthly at a variable rate, currently 5.0%. Secured by commercial property located at 1650 Commerce Drive, Napoleon, Ohio.	1,984,146	-
Total obligations payable	2,134,146	-
Less long term obligations due within one year	78,776	-
Long term obligations	<u>\$ 2,055,370</u>	<u>\$ -</u>

Maturities of long term obligations are as follows:

Years Ending December 31		
2003	78,776	
2004	163,213	
2005	164,318	
2006	164,619	
2007	164,930	
2008 and thereafter	1,398,290	
	<u>\$ 2,134,146</u>	

NOTE 5 – OPERATING LEASES

The Organization leases a phone system under a noncancelable operating lease. Minimum future rental commitments at December 31, 2002, under the lease are as follows:

Year Ending December 31	
2003	<u>\$ 1,512</u>

NOTE 6 - NATURE AND AMOUNT OF TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available once any donor-imposed conditions have been met for the following purposes:

	2002	2001
Infrastructure	<u>\$ 405,614</u>	<u>\$ 257,520</u>

STEYER & CO.

Certified Public Accountants

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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 Trustees

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 years ended December 31, 2002 and 2001, 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 contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether The Community Improvement Corporation of Henry County, Ohio, Inc.'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*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered The Community Improvement Corporation of Henry County, Ohio, Inc.'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, which we have reported to management of The Community Improvement Corporation of Henry County, Ohio, Inc. 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 and should not be used by anyone other than these specified parties.



STEYER & CO.
Defiance, Ohio
March 14, 2003



**Auditor of State
Betty Montgomery**

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COMMUNITY IMPROVEMENT CORPORATION OF HENRY COUNTY

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
MAY 20, 2003**