

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

FINANCIAL STATEMENTS

Years Ended December 31, 2004 and 2003



**Auditor of State
Betty Montgomery**

Board of Trustees
The Community Improvement Corporation
of Henry County, Ohio, Inc.
104 East Washington
Napoleon, Ohio 43545

We have reviewed the *Independent Auditor's Report* of The Community Improvement Corporation of Henry County, Ohio, Inc., prepared by Steyer & Co., for the audit period January 1, 2004 to December 31, 2004. 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, Ohio, Inc. is responsible for compliance with these laws and regulations.

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

BETTY MONTGOMERY
Auditor of State

June 10, 2005

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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, 2004 and 2003, 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 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 Henry County, Ohio, Inc. as of December 31, 2004 and 2003, 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 April 26, 2005, 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 grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.



STEYER & CO.

Defiance, Ohio
April 26, 2005

**THE COMMUNITY IMPROVEMENT CORPORATION
OF HENRY COUNTY, OHIO, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2004 and 2003**

	2004	2003
ASSETS		
CURRENT ASSETS		
Cash (Note 2)	\$ 582,809	\$ 647,968
Accounts receivable	56,576	69,030
Notes receivable (Note 3)	2,500	-
Total current assets	641,885	716,998
PROPERTY AND EQUIPMENT		
Building	-	1,092,206
Furniture and fixtures	13,202	16,859
Leasehold improvements	62,863	82,082
Land	176,349	230,264
Land improvements	548,910	706,533
	801,324	2,127,944
Less accumulated depreciation	70,323	62,899
Net property and equipment	731,001	2,065,045
OTHER ASSETS		
Notes receivable (Note 3)	71,108	61,500
Assets held for sale (Note 4)	943,479	-
Total other assets	1,014,587	61,500
TOTAL ASSETS	\$ 2,387,473	\$ 2,843,543
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Long term obligations due within one year (Note 5)	\$ 45,809	\$ 61,912
Lease deposit	10,000	9,000
Total current liabilities	55,809	70,912
LONG TERM OBLIGATIONS (NOTE 5)	2,085,219	2,120,391
TOTAL LIABILITIES	2,141,028	2,191,303
NET ASSETS		
Unrestricted	246,445	226,051
Temporarily restricted (Note 7)	-	426,189
Total net assets	246,445	652,240
TOTAL LIABILITIES AND NET ASSETS	\$ 2,387,473	\$ 2,843,543

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, 2004 and 2003

	2004	2003
UNRESTRICTED NET ASSETS		
Support		
Contributions from participating governmental units	\$ 21,750	\$ 29,000
In-kind contributions (Note 1)	54,160	54,160
Memberships	15,230	15,910
Interest	2,263	2,979
Rent	-	18,000
Administrative fees	56,186	88,639
Program fees	19,641	22,692
Total unrestricted support	169,230	231,380
Net assets released from restrictions		
Restrictions satisfied by payments	601,503	261,502
Total unrestricted support and reclassifications	770,733	492,882
Expenses		
Program expenses		
Community involvement/projects	380	970
Contract services	45,396	1,781
Incentive plan	17,856	22,726
Infrastructure projects	44,853	155,489
Total program expenses	108,485	180,966
General supporting expenses		
Advertising	10,622	6,376
Conferences and seminars	1,866	3,716
Consulting and engineering	2,708	-
Depreciation	83,209	54,133
Dues and subscriptions	2,294	1,140
Loss on sale of property and equipment	32	200
Impairment loss (Note 4)	317,517	-
Insurance	7,145	8,488
Interest	104,692	105,850
Legal and accounting	6,327	5,842
Meals	197	228
Miscellaneous	2,342	2,675
Mowing	750	-
Office	5,657	2,880
Postage	2,146	1,914
Rent - office	7,713	10,122
Repairs and maintenance	4,948	-
Taxes - property	3,169	3,198
Telephone	1,654	2,665
Travel	4,336	7,080
Utilities	2,891	-
Wages	69,639	79,460
Total general supporting expenses	641,854	295,967
Total expenses	750,339	476,933
Increase in unrestricted net assets	20,394	15,949
TEMPORARILY RESTRICTED NET ASSETS		
Support		
Infrastructure funds	144,838	186,093
Interest	3,476	5,984
Rent	27,000	90,000
Net assets released from restrictions	(601,503)	(261,502)
Increase (decrease) in temporarily restricted net assets	(426,189)	20,575
CHANGE IN NET ASSETS	(405,795)	36,524
NET ASSETS, BEGINNING OF YEAR	652,240	615,716
NET ASSETS, END OF YEAR	\$ 246,445	\$ 652,240

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, 2004 and 2003

	<u>2004</u>	<u>2003</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (405,795)	\$ 36,524
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	83,209	54,133
Loss on sale of property and equipment	32	200
Impairment loss	317,517	-
(Increase) decrease in operating assets		
Accounts receivable	12,454	(57,180)
Notes receivable	(12,108)	11,525
Increase in operating liabilities		
Lease deposit	<u>1,000</u>	-
Net cash provided by (used in) operating activities	<u>(3,691)</u>	<u>45,202</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	<u>(10,193)</u>	<u>(130,914)</u>
Net cash used in investing activities	<u>(10,193)</u>	<u>(130,914)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowing	-	73,803
Repayments of obligations	<u>(51,275)</u>	<u>(25,645)</u>
Net cash provided by (used in) financing activities	<u>(51,275)</u>	<u>48,158</u>
NET DECREASE IN CASH	(65,159)	(37,554)
CASH AT BEGINNING OF YEAR	<u>647,968</u>	<u>685,522</u>
CASH AT END OF YEAR	<u>\$ 582,809</u>	<u>\$ 647,968</u>
SUPPLEMENTAL INFORMATION		
Cash paid during the year for:		
Interest	\$ 104,692	\$ 105,850

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, 2004 and 2003

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 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, for years ended December 31, 2004 and 2003.

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 for amounts up to \$100,000. The Organization's uninsured cash balances total \$356,501 and \$422,865, respectively for years ended December 31, 2004 and 2003.

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.

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:	2004		2003	
	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted
Petty cash	\$ 170	\$ -	\$ 187	\$ -
Checking	53,825	-	45,440	-
Savings	380,439	-	44,957	217,768
Certificates of deposit	148,375	-	101,510	238,106
	<u>\$ 582,809</u>	<u>\$ -</u>	<u>\$ 192,094</u>	<u>\$ 455,874</u>

NOTE 3 - NOTES RECEIVABLE

Notes receivable consist of the following:

	2004	2003
Note receivable from A & J, LLC, dated July 29, 2004, due in 60 months, interest at 0% on the unpaid balance. Unsecured.	\$ 9,500	\$ -
Note receivable from Henry County Fair Foundation, dated May 14, 2004, due in 53 months, interest at 0% on the unpaid balance. Unsecured.	10,000	-
Note receivable from Henry County Fair Foundation, dated April 28, 2004, due in 52 months, interest at 0% on the unpaid balance. Unsecured.	1,142	-
Note receivable from Rodeway Inn, dated February 18, 2004, due in 35 months, interest at 0% on the unpaid balance. Unsecured.	1,491	-
Note receivable from Harrison Township, dated January 9, 2001, due in 60 months, interest at 0% on the unpaid balance. Unsecured.	3,200	6,400

NOTE 3 – NOTES RECEIVABLE (CONTINUED)

	<u>2004</u>	<u>2003</u>
Note receivable from Rettig Pallets, dated August 23, 2001, due in 60 months, interest at 0% on the unpaid balance. Unsecured.	8,000	12,000
Note receivable from B&B Molded Products, dated November 27, 2001, due in 36 months, interest at 1% on the unpaid balance. Unsecured.	2,500	10,000
Note receivable from Holgate Products, dated March 19, 2003, due in 36 months, interest at 0% on the unpaid balance. Unsecured.	700	1,100
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.	37,075	32,000
	<u>73,608</u>	<u>61,500</u>
Amount due within one year	2,500	-
Amount due after one year	<u>\$ 71,108</u>	<u>\$ 61,500</u>

NOTE 4 – ASSETS HELD FOR SALE

The Community Improvement Corporation of Henry County, Ohio, Inc. entered into a ground lease with option to purchase agreement with Midwest Wood Trim, Inc. on December 1, 2004. This option to purchase was subsequently exercised on January 6, 2005. The carrying amount of those assets exceeded the agreed sales price as of the fiscal year ended December 31, 2004. An impairment loss has been recognized in the Statement of Activities for the year ended December 31, 2004.

In conjunction with this sale, the City Council of Napoleon, Ohio, in a council meeting held on May 2, 2005, voted to assist the organization in regards to the sale by contributing \$163,200 to aid in the repayment of the continuing mortgage payments still remaining at The Henry County Bank. They also voted to forgive the loan owed to the City of Napoleon. Additionally, the organization transferred a portion of land, containing a road to the sold property, to the City of Napoleon, Ohio in 2005.

Components of the impairment loss are as follows:

Building	\$ 1,092,206	
Leasehold improvements	19,219	
Land (4.031 acres)	53,915	
Land improvements	167,816	
	<u>1,333,156</u>	
Less accumulated depreciation	72,160	
Net book value		\$ 1,260,996
Fair market value (sale price)	950,000	
Less expenses of sale	6,521	
Carrying value of assets held for sale		943,479
Impairment loss recognized		<u>\$ 317,517</u>

NOTE 5 – LONG TERM OBLIGATIONS

Long term obligations consists of the following:

	<u>2004</u>	<u>2003</u>
Note payable to City of Napoleon, dated July 19, 2002, 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 real estate.	\$ 139,607	\$ 147,632
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 6.0%. Secured by commercial property located at 1650 Commerce Drive, Napoleon, Ohio.	<u>1,991,421</u>	<u>2,034,671</u>
Total obligations payable	<u>2,131,028</u>	<u>2,182,303</u>
Less long term obligations due within one year	<u>45,809</u>	<u>61,912</u>
Long term obligations	<u>\$ 2,085,219</u>	<u>\$ 2,120,391</u>

Maturities of long term obligations are as follows:

Years Ending December 31	
2005	\$ 45,809
2006	48,324
2007	50,985
2008	52,895
2009	56,779
2010 and thereafter	<u>1,876,236</u>
	<u>\$ 2,131,028</u>

NOTE 6 – OPERATING LEASES

The Organization leased a phone system under a noncancelable operating lease which expired in April, 2004.

NOTE 7 - 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:

	<u>2004</u>	<u>2003</u>
Infrastructure	<u>\$ -</u>	<u>\$ 426,189</u>

NOTE 8 – RECLASSIFICATION

Certain amounts in prior-year financial statements have been reclassified for comparative purposes to conform with presentation in the current-year financial statements.

STEYER & CO.

Certified Public Accountants

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE 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.
Napoleon, Ohio

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, 2004 and 2003, and have issued our report thereon dated April 26, 2005. 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.

Internal Control Over Financial Reporting

In planning and performing our audits, 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 an opinion 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 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 caused by error or fraud 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 April 26, 2005.

Compliance and Other Matters

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 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 audits, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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
April 26, 2005



**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
JUNE 23, 2005**