

**PUTNAM COUNTY COMMUNITY IMPROVEMENT CORPORATION**

**PUTNAM COUNTY**

**JANUARY 1, 2004 TO DECEMBER 31, 2004**

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





**Auditor of State  
Betty Montgomery**

Board of Directors  
Putnam County Community Improvement Corporation  
PO Box 145  
Ottawa, Ohio 45875-0145

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

*Betty Montgomery*

BETTY MONTGOMERY  
Auditor of State

May 5, 2005

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

**FINANCIAL STATEMENTS**  
**For The Year Ended December 31, 2004**

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February 15, 2005

**INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
Putnam County Community Improvement Corporation  
PO Box 145  
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, 2004 and the related statement of activities and cash flows for the year then ended. These financial statements are the responsibility of the Company'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, 2004 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 February 15, 2005, 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.

Board of Directors  
Putnam County Community Improvement Corporation  
February 15, 2005  
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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, 2004*

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

Cash	\$ 262,029
Prepaid Rent	12,500
Total Current Assets	<u>\$ 274,529</u>

**PROPERTY & EQUIPMENT**

Furniture & Fixtures	\$ 24,600
Less: Accumulated Depreciation	(18,032)
Total Property & Equipment	<u>\$ 6,568</u>

**OTHER ASSETS**

Intangible Assets	\$ 3,200
Less: Accumulated Amortization	(3,200)
Total Intangible Assets	<u>\$ 0</u>

<b>Total Assets</b>	<u><u>\$ 281,097</u></u>
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**LIABILITIES AND NET ASSETS****CURRENT LIABILITIES**

Accounts Payable	\$ 42,326
Accrued Wages	4,051
Accrued Fringes	4,782
Total Current Liabilities	<u>\$ 51,159</u>

**NET ASSETS**

Unrestricted Net Assets	<u>\$ 229,938</u>
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<b>Total Liabilities &amp; Net Assets</b>	<u><u>\$ 281,097</u></u>
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**PUTNAM COUNTY COMMUNITY IMPROVEMENT CORPORATION**  
**STATEMENT OF ACTIVITIES**  
*For The Year Ended December 31, 2004*

**Exhibit B**

**REVENUE - OPERATING**

Contributions	\$	58,365
Miscellaneous Income		1,733
Enterprise Zone Revenue		578,490
Membership Dues		970
Overhead Reimbursement - Putnam County		11,526
Enterprise Zone Fees		32,200
Total Operating Revenue	\$	683,284

**OPERATING EXPENSES**

Operating Expenses - Schedule I	\$	778,488
Operating Revenue Less Expenses	\$	(95,204)

**OTHER REVENUE (EXPENSE)**

Interest Income	\$	2,282
Miscellaneous		26,395
Loss on Disposal of Assets		(21,640)
Total Other Revenue (Expense)	\$	7,037

Decrease In Net Assets	\$	(88,167)
Net Assets At Beginning Of Year		318,105
Net Assets At End Of Year	\$	229,938

**PUTNAM COUNTY COMMUNITY IMPROVEMENT CORPORATION**  
**STATEMENT OF CASH FLOWS**  
*For The Year Ended December 31, 2004*

Exhibit C**CASH FLOWS FROM OPERATING ACTIVITIES**

Decrease In Net Assets	\$ (88,167)
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**ADJUSTMENTS TO RECONCILE CHANGE IN NET****ASSETS TO NET CASH USED BY OPERATING ACTIVITIES:**

Depreciation	\$ 5,162
Amortization	711
Loss on Disposal of Assets	21,640
Decrease in Advances Receivable	27,640
Decrease in Accounts Receivable	5,875
Increase in Prepaid Rent	(12,500)
Increase In Accounts Payable	40,729
Increase In Accrued Wages	1,171
Decrease In Accrued Fringes	(3,753)
Total Adjustments	\$ 86,675
Net Cash Used For Operating Activities	\$ (1,492)

**CASH FLOWS FROM INVESTING ACTIVITIES:**

Purchase Of Property & Equipment	\$ (2,286)
Net Cash Provided By Investing Activities	\$ (2,286)

**CASH FLOWS FROM FINANCING ACTIVITIES:**

None	0
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NET DECREASE IN CASH AND CASH EQUIVALENTS	\$ (3,778)
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CASH AND CASH EQUIVALENTS AT JANUARY 1,	265,807
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CASH AND CASH EQUIVALENTS AT DECEMBER 31,	\$ 262,029
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**SUPPLEMENTAL DISCLOSURES:**

Interest Paid	\$ 0
Income Taxes Paid	0

**PUTNAM COUNTY COMMUNITY IMPROVEMENT CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2004**

**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 Organization's financial statements. The financial statements and notes are representations of the Organization'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 is 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 \$ 5,162 for the year ended December 31, 2004.

**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, 2004.

**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, 2003. The 2004 Form 990 will be filed prior to May 16, 2005. 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 for \$ 666.67 per month. This lease was terminated July 31, 2004. The Organization entered into a lease agreement with Cleveland Steel Container Corporation to lease office space at 975 Sugarmill Drive, Ottawa, Ohio. The lease is from September 1, 2004 through August 30, 2006, for a total of \$ 625 per month. Rent expense for 2004 was \$ 7,167.

**PUTNAM COUNTY COMMUNITY IMPROVEMENT CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2004**

**NOTE 4 – LEASE COMMITMENTS (CONTINUED)**

The Putnam County CIC entered into a sublease agreement for a portion of the building at 975 Sugarmill Drive on December 15, 2004. Hirzel Canning will pay \$ 1,833 per month, pay the excess usage of utilities, and will also pay the property taxes. As agreed to, Putnam County CIC will receive 60% of the monthly rent income.

**NOTE 5 – PENSION**

The Organization established a Simplified Employee Pension Plan in April 1991 covering all employees. The Organization has elected to contribute 15% of each employee's gross wages. Pension expense for 2004 was \$ 14,301.

**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 Company leased office space from Putnam County. In addition the revolving loan which is a part of Putnam County reimbursed the County for wages, fringes, and some overhead expense. The total reimbursed for 2004 was \$ 11,526.

This agency relationship was terminated July 31, 2004. (See Note 13)

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

Total expenses for 2004 consist of expenses related to program services and administrative expenses and are as follows:

Program Services	\$ 720,365
Administrative	<u>58,123</u>
Total	<u>\$ 778,488</u>

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

Due to the termination of the agency relationship with the Putnam County Commissioners, the Organization had to return a vehicle to the county because the vehicle was titled to the county. The Organization owned the vehicle and is in the process of disputing the return of the vehicle to the county. The loss was \$ 21,640.

**NOTE 9 – ENTERPRISE ZONE REVENUE**

The Organization has gross enterprise zone revenue of \$ 578,490 and payouts of \$ 563,599, resulting in net revenue of \$ 14,891. This represents a fee to the Organization for administering the enterprise zone agreements.

**NOTE 10 – ADVERTISING COSTS**

The Organization expenses advertising costs as incurred. Expense for 2004 is \$ 4,849.

**NOTE 11 – CONCENTRATION OF CREDIT RISK**

The Organization maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts. The Company believes it is not exposed to any significant credit risk on cash and cash equivalents.

***PUTNAM COUNTY COMMUNITY IMPROVEMENT CORPORATION***  
***NOTES TO FINANCIAL STATEMENTS***  
***December 31, 2004***

**NOTE 12 – MISCELLANEOUS REVENUE**

Included in miscellaneous revenue is \$ 26,000 received from the Chapter 11 bankruptcy of American Weatherseal to reimburse Putnam County CIC for prior year expenses incurred to maintain the building.

**NOTE 13 – PENDING/THREATENED LITIGATION**

Effective July 31, 2004, the Putnam County Board of Commissioners terminated the agency relationships with the Putnam County Community Improvement Corporation. Among the resolutions were that the Putnam County Community Improvement Corporation would move out of the building at 240 East Main Street and that they return the vehicle titled in the county's name, and that they return all public equipment, furnishings, and telephone equipment. In addition, the county would assume control of all enterprise zone agreements.

As a result, the Putnam County Community Improvement Corporation filed a lawsuit against the Putnam County Commissioners alleging, among other things, breach of contract. According to legal counsel, it is impossible to gauge the effect of this litigation on the financial condition of the Community Improvement Corporation.

## *Supplemental Information*

**PUTNAM COUNTY COMMUNITY IMPROVEMENT CORPORATION**  
**SCHEDULE OF OPERATING EXPENSES**  
*For The Year Ended December 31, 2004*

Schedule I**OPERATING EXPENSES**

Economic Development	\$ 3,034
Enterprise Zone Compensation	563,599
Bond & Liability Insurance	2,210
Supplies & Postage	5,354
Professional Services	48,866
Salary & Wages	97,818
Fringes - Payroll Taxes	8,006
Education	315
Telephone	4,089
Auto Expense	2,019
Depreciation	5,162
Repairs	1,148
Pension	14,301
Other Employee Benefits	5,607
Marketing	4,849
Rent	7,167
Dues & Subscriptions	1,025
Annual Dinner	1,689
Cable & Internet	653
Amortization	711
Utilities	508
Miscellaneous Expense	358
Total Operating Expenses	\$ <u>778,488</u>



**PUTNAM COUNTY COMMUNITY IMPROVEMENT CORPORATION**

**February 15, 2005**

**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  
PO Box 145  
Ottawa, Ohio 45875

We have audited the financial statements of Putnam County Community Improvement Corporation (A Nonprofit Corporation) as of and for the year ended December 31, 2004, and have issued our report thereon dated February 15, 2005. 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.

**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  
February 15, 2005  
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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  
P.O. Box 1140  
Columbus, Ohio 43216-1140  
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800-282-0370  
Facsimile 614-466-4490

**PUTNAM COUNTY 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  
MAY 17, 2005**