



Mary Taylor, CPA
Auditor of State

COMMUNITY IMPROVEMENT CORPORATION OF THE CITY OF VAN WERT AND VAN WERT COUNTY
VAN WERT COUNTY

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Community Improvement Corporation of the
City of Van Wert and the County of Van Wert
Van Wert County
515 Main Street
Van Wert, Ohio 45891

To the Board:

We have audited the accompanying statement of financial position of the Community Improvement Corporation of the City of Van Wert and the County of Van Wert, Van Wert County (the CIC), as of and for the years ended December 31, 2008 and 2007, and the related statement of activities and cash flows for the years then ended. These financial statements are the responsibility of the CIC'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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 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 the City of Van Wert and the County of Van Wert, as of December 31, 2008 and 2007, and the changes in its net assets and 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 October 12, 2009, on our consideration of the CIC'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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

October 12, 2009

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**COMMUNITY IMPROVEMENT CORPORATION OF THE CITY OF VAN WERT
AND THE COUNTY OF VAN WERT
VAN WERT COUNTY**

**STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2008 AND 2007**

| | 2008 | 2007 |
|------------------------------------|-------------|-------------|
| Assets: | | |
| Current Assets: | | |
| Cash and Cash Equivalents | \$114,262 | \$69,878 |
| Prepaid Insurance | 726 | 726 |
| Total Current Assets | 114,988 | 70,604 |
| Non-Current Assets: | | |
| Land Purchase Options | 132,002 | 132,002 |
| Capital Assets: | | |
| Land | 45,000 | 45,000 |
| Land improvements | 25,000 | 25,000 |
| Office equipment and furnishings | 2,624 | 2,624 |
| Buildings | 480,000 | 480,000 |
| Building improvements | 25,298 | 25,298 |
| Site development | 168,825 | 118,325 |
| Less: Accumulated depreciation | (84,753) | (64,533) |
| Total Capital Assets | 661,994 | 631,714 |
| Total Non-Current Assets | 793,996 | 763,716 |
| Total Assets | 908,984 | 834,320 |
| Liabilities and Net Assets: | | |
| Accounts Payable | 4,319 | 3,828 |
| Mortgage Note Payable - Current | 21,300 | 15,436 |
| Refundable Deposits | 1,463 | 1,463 |
| Note Payable | | 55,650 |
| Accrued Real Estate Taxes | 9,054 | 8,891 |
| Accrued Interest | | 7,774 |
| Mortgage Note Payable - Noncurrent | 414,933 | 434,034 |
| Total Liabilities | 451,069 | 527,076 |
| Net Assets - Unrestricted | 457,915 | 307,244 |
| Total Liabilities and Net Assets | \$908,984 | \$834,320 |

The notes to the financial statements are an integral part of this statement.

**COMMUNITY IMPROVEMENT CORPORATION OF THE CITY OF VAN WERT
AND THE COUNTY OF VAN WERT
VAN WERT COUNTY**

**STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2008**

| | 2008 | 2007 |
|--|-------------|-------------|
| Changes in unrestricted net assets: | | |
| Revenues | | |
| Donations - Community Support | \$18,000 | \$4,656 |
| Grant Income - Corporate Support | 180,611 | 220,681 |
| In-Kind Donated Services | 1,310 | 1,310 |
| Rent Income | 56,301 | 80,254 |
| Interest Income | 743 | 290 |
| Dinner Receipts - Fundraiser | 8,720 | 1,760 |
| Total Revenues | 265,685 | 308,951 |
| Expenses: | | |
| Advertising | 387 | 4,518 |
| Dues | 1,200 | 485 |
| Dinner Expense | 8,700 | 4,597 |
| Insurance | 4,369 | 4,039 |
| Taxes | 9,245 | 9,918 |
| Heat | 9,256 | 7,327 |
| Light & Power | 8,085 | 11,158 |
| Water & Sewer | 240 | 310 |
| Telephone | 2,682 | 2,145 |
| Meeting Expense | 1,306 | 77 |
| Internet Service | 224 | 503 |
| Security & Other Miscellaneous Expenses | | 1,464 |
| Ground Maintenance | 2,385 | 638 |
| Building Repairs & Maintenance | 20,000 | 15,731 |
| Legal & Pprofessional Fees | 10,629 | 31,396 |
| Depreciation | 20,220 | 20,312 |
| Interest | 11,046 | 12,220 |
| Travel | 2,167 | 6,314 |
| Office supplies | 504 | 1,555 |
| Trash | 1,059 | 275 |
| Economic Development Office Labor | | 120 |
| Facility management board labor | 1,310 | 1,310 |
| Total Expenses | 115,014 | 136,412 |
| Increase in Net Assets | 150,671 | 172,539 |
| Net Assets January 1 | 307,244 | 134,705 |
| Net Assets December 31 | \$457,915 | \$307,244 |

The notes to the financial statements are an integral part of this statement.

**COMMUNITY IMPROVEMENT CORPORATION OF THE CITY OF VAN WERT
AND THE COUNTY OF VAN WERT
VAN WERT COUNTY**

**STATEMENT OF CASH FLOWS
DECEMBER 31, 2008 AND 2007**

| | 2008 | 2007 |
|--|-------------|-------------|
| Cash Flows from Operating Activities: | | |
| Change in Net Assets | \$150,671 | \$172,539 |
| Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities: | | |
| Depreciation | 20,220 | 20,312 |
| Increase (Decrease) in Cash Resulting From Changes In: | | |
| Accounts Payable | 491 | 542 |
| Accrued Real Estate Taxes | 163 | |
| Prepaid Insurance | | (190) |
| Accrued Interest | (7,774) | (6,758) |
| Net Cash Provided by Operations | 163,771 | 186,445 |
| Cash Flows Used in Investing Activities: | | |
| Site Development | (50,500) | (30,000) |
| Land Purchase Options | | (132,002) |
| Net Cash Used in Investing Activities | (50,500) | (162,002) |
| Cash Flows Used in Financing Activities: | | |
| Payment on Mortgage Notes Payable | (13,237) | |
| Payment on Bank Notes | (129,301) | (242,375) |
| Receipts from Bank Note | 73,651 | 184,200 |
| Net Cash Used in Financing Activities | (68,887) | (58,175) |
| Net Increase (Decrease) in Cash and Cash Equivalents | 44,384 | (33,732) |
| Cash and Cash Equivalents, January 1 | 69,878 | 103,610 |
| Cash and Cash Equivalents, December 31 | \$114,262 | \$69,878 |
| Supplemental Data: | | |
| Non-cash Investing and Financing Activities: | | |
| Donations | \$1,310 | \$1,310 |
| Expenditures | (\$1,310) | (\$1,310) |

The notes to the financial statements are an integral part of this statement.

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**COMMUNITY IMPROVEMENT CORPORATION OF THE CITY OF VAN WERT AND VAN WERT
COUNTY
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Summary of Operations

The Community Improvement Corporation of the City of Van Wert and the County of Van Wert, Ohio (the CIC), a not-for-profit organization, is an Ohio chartered Community Improvement Corporation established to advance, encourage, and promote the industrial, economic, commercial, and civic development within Van Wert County, Ohio and in the surrounding geographical areas.

As part of that charter, the CIC operates the Van Wert Area Business Innovation Center (the Center), a "small business development incubator" in Van Wert, Ohio. The Center promotes development within Van Wert County, Ohio by providing low-cost, subsidized facilities, services, and consulting to emerging and development stage enterprises during the enterprises' early years. The Center also rents excess, unused space in their building to other non-development stage business and individuals at fair market, unsubsidized rates and terms to aid in the alleviation of expenses related to the operation of the Center.

The CIC is governed by a nine member Board of Trustees consisting of an elected officer of the City of Van Wert, an elected officer of the County of Van Wert, an elected officer from a township in the County of Van Wert as nominated by the Van Wert County Commissioners, a representative from the Van Wert Industrial Development Corporation or its successor, a representative from the elected officers of any subdivision in the County of Van Wert nominated by the nominating committee, and four residents of the County of Van Wert nominated by the nominating committee.

The Board of Trustees believe these financial statements present all activities which the CIC is financial responsible.

B. Financial Statement Presentation

The financial statements are presented in accordance with Statement of Financial Accounting Standards No. 117, "*Financial Statements of Not-For-Profit Organizations*," which requires the CIC to report information regarding its financial position and activities according to three classes of net assets:

Unrestricted net assets – Represent resources over which the Board of Directors has discretionary control and are used to carry out the operations of the organization in accordance with its bylaws.

Temporarily restricted net assets – Represent resources currently available for use, but expendable only for those operating purposes specified by the donor. When a donor restriction expires, that is, when stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. As of December 31, 2008 and 2007, the CIC had no temporarily restricted net assets.

Permanently restricted net assets – Represent the principal amount and bequests accepted with the donor stipulation that the principal be maintained intact in perpetuity with only the income to be used per designation of the donor. As of December 31, 2008 and 2007, the CIC had no permanently restricted net assets.

**COMMUNITY IMPROVEMENT CORPORATION OF THE CITY OF VAN WERT AND VAN WERT
COUNTY
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Income Tax Status

The CIC is exempt from federal income taxation under Section 501(c)(6) of the Internal Revenue Code of 1986.

D. Use of 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.

E. Cash and Cash Equivalents

For purposes of the statement of cash flows and the statement of financial position, the CIC considers all temporary cash investments with maturity of 12 months or less to be cash and cash equivalents. This consists of checking and savings accounts, and certificates of deposit.

F. Economic Dependence

The CIC is dependent upon the City of Van Wert and the County of Van Wert for general financial support through grants provided by those government entities to the CIC. The CIC is dependent upon Security Central Corporation of Van Wert, for financial support through their favorable financing terms and conditions contained in the mortgage note payable.

G. Property, Furnishing, and Equipment

It is the CIC's policy to capitalize expenditures in excess of \$500 with an estimated life of more than one year. Property and equipment accounts are stated at cost or donated value and are being depreciated using the straight-line method over their estimated useful lives of three to forty years. When sold, retired, or otherwise disposed of, the related cost and accumulated depreciation are removed from the applicable accounts and any gain or loss resulting there from is included in the statement of activities. Routine maintenance, repairs, and renewals are charged to the operating costs and expenses as incurred. Property and equipment additions or expenditures, which materially increases the values or extend useful lives, are capitalized.

H. Capital Assets

The CIC periodically evaluates the net realizable value of capital assets, including property and plant, relying on a number of factors including operating results, business plans, economic projections, and anticipated future cash flows. When indicators or impairment are presented, the carrying values of the assets are evaluated in relation to the operating performance and estimated future undiscounted cash flows of the underlying business.

Impairment in the carrying value of a capital asset is recognized whenever anticipated future undiscounted cash flows from an asset are estimated to be less than its carrying value. The amount of the impairment recognized is the difference between the carrying value of the asset and its fair market value. Fair values are based on assumptions concerning the amount and timing of estimated future cash flows and the assumed discount rates, reflecting varying degrees of estimated risk.

**COMMUNITY IMPROVEMENT CORPORATION OF THE CITY OF VAN WERT AND VAN WERT
COUNTY
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

All capital assets are capitalized at cost and updated for additions and reductions during the fiscal year. Donated capital assets are recorded at their fair market value on the date donated. Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All capital assets, except land and site development, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

| Description | Useful Lives |
|------------------------------------|---------------------|
| Land Improvements | 10 years |
| Building and Building Improvements | 10 - 30 years |
| Furniture and Fixtures | 5 – 10 years |
| Equipment | 3 - 10 years |

I. Advertising

The CIC's policy is to expense advertising costs when incurred.

J. Credit Risk

The Board of Trustees has authorized maintaining cash deposits in checking, savings, and certificate of deposit accounts at three financial institutions with offices inside Van Wert County. All balances of the CIC are insured by the Federal Deposit Insurance Corporation.

The carrying amount of deposits at December 31 was as follows:

| | <u>2008</u> | <u>2007</u> |
|--------------------------|------------------|-----------------|
| Demand Deposits | \$114,262 | \$57,526 |
| Certificates of Deposits | | 12,352 |
| Total Deposits | <u>\$114,262</u> | <u>\$69,878</u> |

2. RELATED PARTY TRANSACTIONS

The CIC occasionally uses the facilities of the Ohio State University's Economic Development Extension Office located within City Hall, Van Wert, Ohio. Employees of the Ohio State University provide logistical, clerical, and managerial services to the CIC. Occasionally, the CIC will utilize equipment owned and maintained by the Ohio State University's Economic Development Extension Office, the City of Van Wert, Ohio, and Van Wert County, Ohio.

3. OTHER RELATED PARTY TRANSACTIONS

Security Central Corporation, which is financing the purchase of a building for the CIC, pays rent revenue to the CIC. In 2008, a total of \$45,072 of the rent revenue was received from Security Central Corporation. This represents 80% of the total rent revenues and 17% of all revenues of the CIC. In 2007, a total of \$51,957 of the rent revenue was received from Security Central Corporation. This represents 65% of the total rent revenues and 17% of all revenues of the CIC.

**COMMUNITY IMPROVEMENT CORPORATION OF THE CITY OF VAN WERT AND VAN WERT
COUNTY
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

4. RESTRICTIONS OF NET ASSETS

The CIC did not have any restrictions at December 31, 2008 and 2007.

5. CAPITAL ASSETS

Capital asset activity for the years ended December 31, 2008 and 2007 are as follows:

| | Balance at 12/31/07 | Additions | Reductions | Balance at 12/31/08 |
|--|--------------------------------|------------------|-------------------|--------------------------------|
| Non-depreciable Capital Assets: | | | | |
| Land | \$ 45,000 | | | \$ 45,000 |
| Site Development | 118,325 | \$50,500 | | 168,825 |
| Total Non-depreciable Capital Assets | 163,325 | 50,500 | | 213,825 |
| Depreciable Capital Assets: | | | | |
| Land Improvements | 25,000 | | | 25,000 |
| Furniture, Fixtures, and Equipment | 2,624 | | | 2,624 |
| Buildings | 480,000 | | | 480,000 |
| Building Improvements | 25,298 | | | 25,298 |
| Total Depreciable Capital Assets | 532,922 | | | 532,922 |
| Less Accumulated Depreciation: | | | | |
| Land Improvements | (8,333) | (2,500) | | (10,833) |
| Furniture, Fixtures, and Equipment | (1,461) | (613) | | (2,074) |
| Buildings | (52,180) | (15,667) | | (67,847) |
| Building Improvements | (2,559) | (1,440) | | (3,999) |
| Total Accumulated Depreciation | (64,533) | (20,220) | | (84,753) |
| Capital Assets, Net | <u>\$631,714</u> | <u>\$30,280</u> | <u>\$0</u> | <u>\$661,994</u> |

| | Balance at 12/31/06 | Additions | Reductions | Balance at 12/31/07 |
|--|--------------------------------|------------------|-------------------|--------------------------------|
| Non-depreciable Capital Assets: | | | | |
| Land | \$ 45,000 | | | \$ 45,000 |
| Site Development | 88,325 | \$30,000 | | 118,325 |
| Total Non-depreciable Capital Assets | 133,325 | 30,000 | | 163,325 |
| Depreciable Capital Assets: | | | | |
| Land Improvements | 25,000 | | | 25,000 |
| Furniture, Fixtures, and Equipment | 2,624 | | | 2,624 |
| Buildings | 480,000 | | | 480,000 |
| Building Improvements | 25,298 | | | 25,298 |
| Total Depreciable Capital Assets | 532,922 | | | 532,922 |
| Less Accumulated Depreciation: | | | | |
| Land Improvements | (5,833) | (2,500) | | (8,333) |
| Furniture, Fixtures, and Equipment | (756) | (705) | | (1,461) |
| Buildings | (36,556) | (15,667) | | (52,223) |
| Building Improvements | (1,119) | (1,440) | | (2,559) |
| Total Accumulated Depreciation | (44,264) | (20,312) | | (64,576) |
| Capital Assets, Net | <u>\$621,983</u> | <u>\$ 9,688</u> | <u>\$0</u> | <u>\$631,671</u> |

**COMMUNITY IMPROVEMENT CORPORATION OF THE CITY OF VAN WERT AND VAN WERT
COUNTY
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

6. NOTES PAYABLE

In December of 2006 the CIC obtained a \$120,000 note (line of credit) with Citizens National Bank at 8.25% with a maturity date of 12/1/07. As of January 1, 2007, the CIC owed a balance of \$113,825 on the note. This note was paid in full on October 29, 2007. During 2007, the CIC obtained a note(line of credit) with Citizens National Bank for \$120,000 at 7.25%. The CIC subsequently withdrew \$184,200 and repaid \$128,550 which left a balance of \$55,650 at December 31, 2007. During 2008, the CIC withdrew an additional \$73,651. The entire balance of \$129,301 was paid in full on October 10, 2008. 12/5/08

The CIC owes a mortgage note obligation to Security Central Corporation, Van Wert, Ohio in the amount of \$436,233 on December 31, 2008. This obligation, collateralized by the Center's real estate in Van Wert, bears interest at a rate of two percent per annum. All amounts equal to quarterly net profits received from the use and operation of the real estate are to be paid to amortize principal and interest on this obligation each calendar quarter. Further, the minimum annual payment to be made by the CIC on principal and interest beginning during the calendar year of 2008 is \$30,000 per year, regardless of the CIC's net profits from the use and operation of the real estate. Additionally, any and all amounts received as a government or private grant related to the real estate collateralizing the obligation must be paid to Security Central Corporation within 15 days of receipt. Any payment on the obligation is first applied to interest earned as of the date of the payment, with the excess being used to reduce the principal on the obligation.

The changes in the CIC's long-term obligations during 2008 and 2007 were as follows:

| | Principal Outstanding 1/1/2008 | Additions | Deductions | Principal Outstanding 12/31/2008 |
|-----------------------|---|------------------|-------------------|---|
| Note – Line of Credit | \$ 55,650 | \$73,651 | \$129,301 | |
| Mortgage Note | 449,470 | | 13,237 | \$436,233 |
| Total Debt | <u>\$505,120</u> | <u>\$73,651</u> | <u>\$142,538</u> | <u>\$436,233</u> |

| | Principal Outstanding 1/1/2007 | Additions | Deductions | Principal Outstanding 12/31/2007 |
|-----------------------|---|------------------|-------------------|---|
| Note – Line of Credit | \$113,825 | \$184,200 | \$242,375 | \$55,650 |
| Mortgage Note | 449,470 | | | 449,470 |
| Total Debt | <u>\$563,295</u> | <u>\$184,200</u> | <u>\$242,375</u> | <u>\$505,120</u> |

The Mortgage Note is payable and due in full in August 2024. Principal and interest payments to retire the debt as of December 31, 2008, are as follows:

| Year | Principal | Interest | Total |
|-------------|------------------|-----------------|------------------|
| 2009 | \$ 21,300 | \$ 8,700 | \$ 30,000 |
| 2010 | 21,726 | 8,274 | 30,000 |
| 2011 | 22,160 | 7,840 | 30,000 |
| 2012 | 22,583 | 7,417 | 30,000 |
| 2013 | 23,055 | 6,945 | 30,000 |
| 2014-2018 | 122,364 | 27,636 | 150,000 |
| 2019-2023 | 135,105 | 14,895 | 150,000 |
| 2024 | 67,940 | 830 | 68,770 |
| | <u>\$436,233</u> | <u>\$82,537</u> | <u>\$518,770</u> |

**COMMUNITY IMPROVEMENT CORPORATION OF THE CITY OF VAN WERT AND VAN WERT
COUNTY
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

7. CONTRIBUTED SERVICES

The CIC included the value of contributed services when such services create or enhance nonfinancial assets and when those services require specialized skills, are provided by individuals having those skills, and would otherwise typically need to be purchased. The value of these services are reflected in the financial statements as In-kind donated services and facility management board labor.

The contributed services consist of Executive Director services and clerical services and are provided primarily by employees of the Van Wert County Office of Economic Development, which is operated under contract with the Ohio State University's Cooperative Extension Service. Such services are funded by the City of Van Wert and Van Wert County.

8. LEASING ACTIVITIES

Essentially all buildings and land are held for lease to others.

A primary function of the CIC is to provide below-market, subsidized industrial, commercial, and office space to start-up businesses. Rent revenues are reflected in the Statement of Activities net of such discounts. The CIC estimates the subsidies provided as part of this program amount to \$2,000 for the year.

9. RISK MANAGEMENT

The CIC has obtained commercial insurance for comprehensive property and general liability. The coverage limits are as follows:

- Liability / Medical Expenses: Limit \$50,000
- Equipment Breakdown: Limit \$9,000
- Data Compromise: Limit \$50,000
- Identity Recovery: Limit \$15,000
- Building Replacement: Limit \$2,352,000
- Personal Property Replacement: Limit \$9,000



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Community Improvement Corporation of the
City of Van Wert and the County of Van Wert
Van Wert County
515 Main Street
Van Wert, Ohio 45891

To the Board:

We have audited the financial statements of the Community Improvement Corporation of the City of Van Wert and the County of Van Wert, Van Wert County (the CIC), as of and for the years ended December 31, 2008 and 2007, and have issued our report thereon dated October 12, 2009. 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the CIC's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the CIC's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the CIC'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 weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in 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 CIC's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the CIC's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider finding 2008-001 described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the CIC's internal control will not prevent or detect a material financial statement misstatement.

**Internal Control Over Financial Reporting
(Continued)**

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 material weaknesses. We believe the significant deficiency described above, as finding number 2008-001, is also a material weakness.

We also noted certain internal control matters that we reported to the CIC's management in a separate letter dated October 12, 2009.

Compliance and Other Matters

As part of reasonably assuring whether the CIC's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect 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 an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note certain noncompliance or other matters that we reported to the CIC's management in a separate letter dated October 12, 2009.

We intend this report solely for the information and use of management and the Board of Trustees. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

October 12, 2009

COMMUNITY IMPROVEMENT CORPORATION OF THE CITY OF VAN WERT AND VAN WERT COUNTY
VAN WERT COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2008 AND 2007

FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

FINDING NUMBER 2008-001

Material Weakness

Annual Financial Statement Presentation

To help users fully understand the financial activity and balances, the annual financial statements should be presented according to the adopted reporting format of the entity. The financial statements should accurately reflect the balances at year-end and the notes to the financial statements should include all significant disclosures. The CIC prepared annual financial statements in accordance with Statement of Financial Accounting Standards No. 117, "*Financial Statements of Not-For-Profit Organizations*" since they do meet the criteria of a governmental not-for-profit organization. The following issues were identified in the CIC's financial statements:

- The 2008 and 2007 financial statements presented a General Fund and Incubator Fund along with a total for all funds. While the total for all funds column appropriately presented the Statement of Financial Position, Statement of Activities, and Statement of Cash Flows for the entity, the presentation of separate funds was not consistent with the reporting requirements of Financial Accounting Standards No. 117.
- The CIC's 2008 and 2007 Statement of Cash Flows, which was prepared using the indirect method of reporting, each reported non-cash donations in the amount of \$1,310 and expenditures in the amount of \$1,310, in the section for Net Cash Provided by Operations instead of being reported as supplemental data.
- The CIC's 2008 and 2007 Statements of Financial Position presented Temporarily Restricted Net Assets in the amount of \$103,085. There was no donor imposed stipulation on this balance. The 2008 and 2007 Statements of Financial Position overstated the current portion of Mortgage Notes Payable by \$14,993 and \$20,857, respectively.
- The CIC's 2008 and 2007 notes to the financial statements did not include a disclosure for capital assets.

The accompanying financial statements and notes have been adjusted to correct the issues identified above.

The CIC should review the annual financial statements to help assure they comply with the reporting requirements of the Statement of Financial Accounting Standards No. 117, "*Financial Statements of Not-For-Profit Organizations*."

OFFICIALS' RESPONSE:

Officials did not respond to this finding.



Mary Taylor, CPA
Auditor of State

**COMMUNITY IMPROVEMENT OF THE CITY OF VAN WERT AND THE COUNTY OF VAN WERT
VAN WERT 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
NOVEMBER 17, 2009**