



Dave Yost • Auditor of State



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

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Accountants' Report.....	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - For the Year Ended December 31, 2010 .....	3
Notes to the Basic Financial Statements .....	5
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	9
Schedule of Findings.....	11
Schedule of Prior Audit Findings.....	12

**This page left intentionally blank.**



# Dave Yost • 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 financial statements of the Community Improvement Corporation of the City of Van Wert and the County of Van Wert, (the CIC), as of and for the year ended December 31, 2010. 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.

Ohio Revised Code Section 1724.05 requires the CIC to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 1, the accompanying financial statements and notes have been prepared on an accounting basis not in accordance with these general accepted accounting principles. The accompanying financial statements and notes omit entity wide statements, assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

In our opinion, because of the departure from generally accepted accounting principles described in the preceding paragraph, the accompanying financial statements do not present fairly the financial position, results of operations, and cash flows, where applicable, of the Community Improvement Corporation of the City of Van Wert and the County of Van Wert, as of December 31, 2010, in accordance with accounting principles generally accepted in the United States of America.

As discussed in Note 6 to the financial statements, the CIC has suffered recurring losses from operations and has determined that it is reasonably possible that they will not be able to meet its obligation on the mortgage notes. Note 6 describes Management's plans regarding these matters. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

During 2010, the CIC changed the financial statement presentation to conform to a method the Auditor of State prescribes or presents.

The CIC has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 20, 2011, 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 black ink, appearing to read "Dave Yost". The signature is written in a cursive style with a large, looping initial "D".

**Dave Yost**  
Auditor of State

September 20, 2011

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

**STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS  
CHANGE IN CASH BALANCE  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<b>2010</b>
<b>Cash Receipts:</b>	
Rent Received	\$43,502
Corporate Support Grants	13,900
Government Support Donations	5,000
Community Support Donations	1,635
Dinner Receipts	1,610
Miscellaneous Income	661
<b>Total Cash Receipts</b>	<b>66,308</b>
<b>Cash Disbursements:</b>	
Light & power	10,302
Real Estate Taxes	9,340
Repairs and Maintenance	8,531
Legal & professional fees	4,656
Bank Fees	5,926
Marketing	5,909
Heat	2,758
Insurance	4,171
Dinner Expense	4,106
Telephone	2,757
Cleaning	2,675
Office supplies	2,586
Ground Maintenance	2,245
Dues	1,515
Meeting Expense	1,496
Trash	1,043
Grant - Main Street Van Wert	750
Water and Sewer	387
Deposits Returned	300
Summer Intern Expense	244
Training	86
Workers Compensation	50
Business Fee	6
Option Extension	1
Debt Service: Interest	1,706
Debt Service: Debt Redemption	67,005
<b>Total Cash Disbursements</b>	<b>140,551</b>
 Total Receipts Over/(Under) Disbursement	 <b>(74,243)</b>
<b>Other Financing Receipt:</b>	
Debt Proceeds	71,500
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	(2,743)
Net assets at January 1	33,993
Net assets at December 31	<b>\$31,250</b>

*See accompanying notes to the basic financial statements.*

**This page left intentionally blank.**



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

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010**

**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 entity organized under Section 1724 of the Ohio Revised Code, 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 geographic area.

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 a vital component of the economic development efforts team in Van Wert County, Ohio, working hand-in-hand with local government, other not-for-profit entities and organizations with an interest in economic development.

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

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 financially responsible.

**B. Financial Statement Presentation**

**1. Basis of Accounting:**

The CIC reports its financial activities using the cash basis of accounting, an "other comprehensive basis of accounting," and not in conformity with generally accepted accounting principles.

Under the cash basis of accounting, no assets are reported other than cash held by the CIC. Cash activities (cash received and cash disbursed), are reported in the Statement of Cash Receipts and Disbursements at the time the cash is received or disbursed.

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

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Economic Dependence**

The CIC is dependent upon the City of Van Wert, Ohio, the Van Wert City School System and the County of Van Wert, Ohio for general financial support through grants provided by those governmental entities to the Company. The CIC is dependent upon Security Central Corporation, Van Wert, Ohio for financial support through their favorable financing terms and conditions contained in a mortgage obligation due them from CIC. The CIC is dependent upon the continued financial and logistical support of the business community servicing Van Wert County, Ohio.

**D. Concentrations and Credit Risk**

The CIC's tenants are located within the Center in Van Wert, Ohio. Some of these tenants are start-up businesses in the early stage of their development and are themselves dependent upon their related industries, customer base, and demographics. The CIC is dependent upon the economy of west central Ohio and east central Indiana as well as the economy of the County of Van Wert, Ohio.

**2. EQUITY IN POOLED DEPOSITS AND INVESTMENTS**

The Village maintains a deposit and investments pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits and investments at December 31 was as follows:

	<u>2010</u>
Demand deposits	<u>\$31,250</u>

**Deposits:** Deposits are insured by the Federal Depository Insurance Corporation

**3. 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.

**4. OTHER RELATED PARTY CONTRIBUTIONS AND TRANSACTIONS**

In 2010, a total of \$18,792 of the rent revenue was received from Security Central Corporation. This represents 43% of the total rent revenues and 28% of all revenues of the CIC.

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

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010  
(Continued)**

**5. NOTES PAYABLE**

In May of 2009, the CIC secured a \$120,000 note at 5.0% with Citizens National Bank with a maturity date of May 6, 2010. As of January 1, 2010, the CIC owed a balance of \$65,505. During 2010, the CIC withdrew an additional \$1,500. This note was paid in full on May 7, 2010. In April of 2010, they secured a \$70,000 note with Business Development Corporation payable on demand. As of December 31, 2010, the CIC owed a balance of \$70,000.

The CIC owes a mortgage note obligation to Security Central Corporation, Van Wert, Ohio in the amount of \$434,707 on December 31, 2010. This obligation, collateralized by the Center's real estate in Van Wert, Ohio 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 2010 were as follows:

	<b>Principal Outstanding 1/1/2010</b>	<b>Additions</b>	<b>Deductions</b>	<b>Principal Outstanding 12/31/2010</b>
Note – Line of Credit	\$65,505	\$ 1,500	\$67,005	
Note		70,000		\$ 70,000
Mortgage Note	434,707			434,707
Total Debt	<u>\$500,212</u>	<u>\$71,500</u>	<u>\$67,005</u>	<u>\$504,707</u>

The obligation is payable and due in full in August 2024. Principal and interest payments to retire the debt as of December 31, 2010, are as follows:

<b>Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2011	\$ 65,186	\$24,814	\$ 90,000
2012	22,583	7,417	30,000
2013	23,055	6,945	30,000
2014	23,516	6,484	30,000
2015	23,987	6,013	30,000
2016-2020	127,298	22,702	150,000
2021-2024	149,082	8,464	157,546
	<u>\$434,707</u>	<u>\$82,839</u>	<u>\$517,546</u>

**6. FINANCIAL UNCERTAINTIES**

The Board has determined that it is the reasonably possible that the CIC will not be able to meet its obligations under the mortgage note obligation on the property and plan during 2011 due to unanticipated low occupancy rates for the Center. The Board had initiated discussions with the lender to restructure that debt obligation prior to the end of 2008. Additionally, the Board continues to aggressively pursue qualified tenants for the space, has agreed to rent space to non-qualified tenants (those who are not start-up businesses), and to rent space for temporary vehicle storage to individuals during the winter months.

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

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010  
(Continued)**

**7. 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 Revenues and Disbursements net of such discounts. The CIC estimates the subsidies provided as part of this program amount to \$2,000 for the year.

**8. RISK MANAGEMENT**

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

General Liability:	Limit \$2,000,000, each occurrence \$1,000,000
Property General Liability:	Limit \$50,000
Equipment Breakdown:	Limit \$11,000
Data Compromise:	Limit \$50,000
Identity Recovery:	Limit \$15,000
Building Replacement:	Limit \$2,424,000
Personal Property Replacement:	Limit \$1,000

**9. LETTER OF CREDIT**

During 2010, CIC obtained a letter of credit from a bank in the amount of \$295,000 for use in covering any prospective short-term cash flow needs related to the CIC's involvement with the Van Wert County, Ohio "Super Site" being developed jointly with the Ohio Department of Development. Funds associated with this letter can only be drawn for purposes of covering cash-flow requirements directly related to the development of the "SuperSite". As of December 31, 2010, the CIC had not drawn against this letter of credit.



# Dave Yost • 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 (the CIC), as of and for the year ended December 31, 2010, and have issued our report thereon dated September 20, 2011, wherein we noted the CIC prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. As discussed in Note 6 to the financial statements, the CIC has suffered recurring losses from operations and has determined that it is reasonably possible that it will not be able to meet its obligation on the mortgage notes. 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 for the purpose of opining 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.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the Government's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

### **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 an instance of noncompliance or other matters we must report under *Government Auditing Standards*, which is described in the accompanying schedule of findings as item 2010-01.

We also noted certain matters not requiring inclusion in this report that we reported to the CIC's management in a separate letter dated September 20, 2011.

The CIC's response to the finding identified in our audit is described in the accompany schedule of findings. We did not audit the CIC's response and, accordingly, we express no opinion on it.

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



**Dave Yost**  
Auditor of State

September 20, 2011

**COMMUNITY IMPROVEMENT CORPORATION OF  
THE CITY OF VAN WERT AND THE COUNTY OF VAN WERT  
VAN WERT COUNTY  
SCHEDULE OF FINDINGS  
DECEMBER 31, 2010**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
--

**FINDING NUMBER 2010-01**

**Ohio Rev. Code 1724.05**, states each community improvement corporation shall prepare an annual financial report that conforms to rules prescribed by the auditor of state pursuant to section 117.20 of the Revised Code, that is prepared according to generally accepted accounting principles, and that is certified by the board of directors of the corporation or its treasurer or other chief fiscal officer to the best knowledge and belief of those persons certifying the report. The financial report shall be filed with the auditor of state within one hundred twenty days following the last day of the corporation's fiscal year, unless the auditor of state extends that deadline. The financial report shall be published on the corporation's web site, or if the corporation does not have a web site, on the web site of the county in which the corporation is located.

The Community Improvement Corporation of the City of Van Wert and the County of Van Wert, Ohio (CIC) did not prepare their annual financial report for the year ended December 31, 2010 in accordance with GAAP as codified by Government Accounting Standards Board statement No. 34, nor did the CIC file its financial report with the Auditor of State within one hundred twenty days following the last day of the CIC's fiscal year. The CIC has not filed its 2010 annual report as of September 20, 2011. In addition, the CIC did not publish the financial report on the website of Van Wert County.

The CIC should develop policies and implement procedures to improve compliance with reporting requirements and prepare the annual financial report in accordance with current GAAP standards, filing deadlines with the auditor of state, and the posting of the financial statements on the web site of the county, or the CIC website if one is developed.

**Government's Response:**

We will continue to consider the cost effectiveness of having GAAP statements prepared in the future. We will request the county publish the most recent financial statements on their website, however, we cannot find where other similar organizations have published on the Van Wert County website. We will file the report on a timely basis in the future.

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

**SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .315 (b)  
DECEMBER 31, 2010**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2009-01	Financial Statement Presentation	Yes	





# Dave Yost • Auditor of State

**COMMUNITY IMPROVEMENT CORPORATION 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 10, 2011**