

**HENRY COUNTY COMMUNITY IMPROVEMENT CORPORATION**

**HENRY COUNTY**

**JANUARY 1, 2011 TO DECEMBER 31, 2011  
FINANCIAL AUDIT**





# Dave Yost • Auditor of State

Board of Directors  
Community Improvement Corporation of Henry County, Inc.  
104 East Washington Street, Suite 301  
Napoleon, Ohio 43545

We have reviewed the *Independent Auditor's Report* of the Community Improvement Corporation of Henry County, Inc., Henry County, prepared by Luderman & Konst, Inc., for the audit period January 1, 2011 through December 31, 2011. 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, Inc. is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

July 9, 2012

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**COMMUNITY IMPOROVEMENT CORPORATION  
OF HENRY COUNTY, OHIO INC.**

*(An Ohio Non-Profit Organization)*

**FINANCIAL STATEMENTS  
For the Year Ended December 31, 2011**

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*Luderman & Konst, Inc.*  
Certified Public Accountants

May 2, 2012

Board of Directors  
Community Improvement Corporation of Henry County, Ohio, Inc.  
Napoleon, Ohio 43545

**Independent Auditor's Report**

We have audited the accompanying statement of financial position of the Community Improvement Corporation of Henry County (a Nonprofit Organization) as of December 31, 2011, and the related statements of activities, functional expenses, and cash flows for the year 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 audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Community Improvement Corporation of Henry County as of December 31, 2011, and the changes in its net assets and its 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 our report dated May 2, 2012, 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 read in conjunction with this report in considering the results of our audit.

*Luderman & Konst, Inc.*

Luderman & Konst, Inc.  
Certified Public Accountants

**COMMUNITY IMPROVEMENT CORPORATION  
OF HENRY COUNTY, OHIO, INC.  
STATEMENT OF FINANCIAL POSITION  
December 31, 2011**

**ASSETS**

**CURRENT ASSETS**

|                         |                |
|-------------------------|----------------|
| Cash                    | \$ 277,598     |
| Accounts Receivable-Net | 4,474          |
| Notes Receivable        | 2,839          |
| Total Current Assets    | <u>284,911</u> |

**PROPERTY AND EQUIPMENT**

|                               |                |
|-------------------------------|----------------|
| Furniture & Fixtures          | 9,658          |
| Less Accumulated Depreciation | <u>(9,008)</u> |
| Net Property And Equipment    | 650            |

**OTHER ASSETS**

|                    |               |
|--------------------|---------------|
| Notes Receivable   | <u>10,900</u> |
| Total Other Assets | <u>10,900</u> |

|                     |                                 |
|---------------------|---------------------------------|
| <b>TOTAL ASSETS</b> | <b>\$ <u><u>296,461</u></u></b> |
|---------------------|---------------------------------|

**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES**

|                           |              |
|---------------------------|--------------|
| Accounts Payable          | \$ 6,331     |
| Accrued Vacation          | <u>9,783</u> |
| Total Current Liabilities | 16,114       |

|                                 |               |
|---------------------------------|---------------|
| <b><u>TOTAL LIABILITIES</u></b> | <b>16,114</b> |
|---------------------------------|---------------|

**NET ASSETS**

|                        |                |
|------------------------|----------------|
| Unrestricted           | 118,118        |
| Temporarily Restricted | <u>162,229</u> |
| Total Net Assets       | <u>280,347</u> |

|                                         |                                 |
|-----------------------------------------|---------------------------------|
| <b>TOTAL LIABILITIES AND NET ASSETS</b> | <b>\$ <u><u>296,461</u></u></b> |
|-----------------------------------------|---------------------------------|

**COMMUNITY IMPROVEMENT CORPORATION  
OF HENRY COUNTY, OHIO, INC.  
STATEMENT OF ACTIVITIES  
For The Year Ended December 31, 2011**

**UNRESTRICTED NET ASSETS****SUPPORT**

|                                                     |                |
|-----------------------------------------------------|----------------|
| Contributions From Participating Governmental Units | \$ 342,025     |
| In-Kind Contributions                               | 70,250         |
| Memberships                                         | 43,250         |
| Interest                                            | 300            |
| Administrative Fees                                 | 11,063         |
| Program Fees                                        | 9,976          |
| Total Unrestricted Support                          | <u>476,864</u> |
| Net Assets Released From Restrictions               |                |
| Restrictions Satisfied By Payments                  | <u>115,122</u> |
| Total Unrestricted Support And Reclassifications    | <u>591,986</u> |

**EXPENSES**

|                                     |                |
|-------------------------------------|----------------|
| Program Expenses                    |                |
| Community Involvement/Projects      | 91,704         |
| Infrastructure Projects             | 115,122        |
| Total Program Expenses              | <u>206,826</u> |
| General Supporting Expenses         |                |
| Advertising                         | 3,176          |
| Conference And Seminars             | 1,742          |
| Depreciation                        | 514            |
| Dues And Subscriptions              | 1,507          |
| Loss On Disposal Of Property        | 6,608          |
| Insurance                           | 2,234          |
| Interest                            | 7,958          |
| Legal And Accounting                | 6,228          |
| Miscellaneous                       | 49             |
| Office                              | 7,209          |
| Rent - Office                       | 5,200          |
| Taxes - Property                    | 4,062          |
| Telephone                           | 3,583          |
| Travel And Entertainment            | 2,892          |
| Wages & Benefits                    | 129,832        |
| Total General Supporting Expenses   | <u>182,794</u> |
| Total Expenses                      | <u>389,620</u> |
| Increase In Unrestricted Net Assets | \$ 202,366     |

**COMMUNITY IMPROVEMENT CORPORATION  
OF HENRY COUNTY, OHIO, INC.  
STATEMENTS OF ACTIVITIES  
For The Year Ended December 31, 2011**

**TEMPORARILY RESTRICTED NET ASSETS**

|                                                          |                                 |
|----------------------------------------------------------|---------------------------------|
| Support                                                  |                                 |
| Infrastructure Funds                                     | \$ 59,154                       |
| Interest                                                 | 385                             |
| Net Assets Released From Restrictions                    | <u>(115,122)</u>                |
| Decrease In Temporarily Restricted Net Assets            | <u>(55,583)</u>                 |
| <b><u>CHANGE IN NET ASSETS</u></b>                       | <b>146,783</b>                  |
| <b><u>NET ASSETS, BEGINNING OF YEAR, AS RESTATED</u></b> | <b><u>133,564</u></b>           |
| <b><u>NET ASSETS, END OF YEAR</u></b>                    | <b><u><u>\$ 280,347</u></u></b> |

**COMMUNITY IMPROVEMENT CORPORATION  
OF HENRY COUNTY, OHIO, INC.  
STATEMENT OF CASH FLOWS  
For The Year Ended December 31, 2011**

**CASH FLOWS FROM OPERATING ACTIVITIES**

|                      |            |
|----------------------|------------|
| Change In Net Assets | \$ 146,783 |
|----------------------|------------|

**ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS  
TO NET CASH PROVIDED BY OPERATING ACTIVITIES:**

|                                           |         |
|-------------------------------------------|---------|
| Loss On Disposal Of Property              | 6,608   |
| Depreciation                              | 514     |
| Decrease In Accounts Receivable           | 34,125  |
| Decrease In Accounts Payable              | (3,146) |
| Increase In Accrued Vacation              | 3,612   |
|                                           | 188,496 |
| Net Cash Provided By Operating Activities | 188,496 |

**CASH FLOWS FROM INVESTING ACTIVITIES**

|                                           |          |
|-------------------------------------------|----------|
| Proceeds From Notes Receivable            | 1,261    |
| Issuance Of Notes Receivable              | (15,000) |
| Proceeds From Sale Of Property            | 15,645   |
|                                           | 1,906    |
| Net Cash Provided By Investing Activities | 1,906    |

**CASH FLOWS FROM FINANCING ACTIVITIES**

|                                       |           |
|---------------------------------------|-----------|
| Repayments On Long Term Debt          | (243,423) |
|                                       | (243,423) |
| Net Cash Used In Financing Activities | (243,423) |

**NET DECREASE IN CASH**

(53,021)

**CASH AT BEGINNING OF YEAR**

330,619

**CASH AT END OF YEAR**

\$ 277,598

**SUPPLEMENTAL INFORMATION:**

|                                        |          |
|----------------------------------------|----------|
| Cash Paid During The Year For Interest | \$ 7,958 |
|----------------------------------------|----------|

**COMMUNITY IMPROVEMENT CORPORATION  
OF HENRY COUNTY, OHIO, INC.  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2011**

**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 ASC 958, *Financial Statements of Not-for-Profit Organizations*. Under ASC 958, 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 ASC 958, *Financial Statements of Not-for-Profit Organizations*. Under ASC 958, 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 statements of activities. In-kind contributions consist of wages being partially paid by Henry County, Ohio, use of office facilities, and some advertising. The estimated fair value of the wages, office facilities, and advertising was \$ 70,250 for year ended December 31, 2011.

**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 over the asset's estimated useful life. The Organization capitalizes all acquisitions in excess of \$500.

**Cash And Cash Equivalents** – For purposes of the statement 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.

**COMMUNITY IMPROVEMENT CORPORATION  
OF HENRY COUNTY, OHIO, INC.  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2011**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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. The Organization's federal Exempt Organization Business Income Tax Returns for 2008, 2009, 2010, and 2011 are subject to examination by the IRS, generally for three years after they were filed.

**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.

**Advertising** – Advertising costs are charged to expense as incurred.

**Accounts Receivable** – Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to an allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the allowance and a credit to accounts receivable. The allowance for bad debts for the years ended December 31, 2011 is \$ 1,720.

**NOTE 2 – CASH**

Cash consists of the following:

|                          | <u>Unrestricted</u> | <u>Temporarily<br/>Restricted</u> |
|--------------------------|---------------------|-----------------------------------|
| Checking                 | \$ 63,783           | \$ 0                              |
| Savings                  | 35,468              | 142,843                           |
| Certificates Of Deposits | 35,504              | 0                                 |
| Total                    | <u>\$ 134,755</u>   | <u>\$ 142,843</u>                 |

**COMMUNITY IMPROVEMENT CORPORATION  
OF HENRY COUNTY, OHIO, INC.  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2011**

**NOTE 3 – NOTES PAYABLE**

In December 2002, the Organization obtained a line of credit not to exceed \$ 2,200,000. Principal payments were due in January 2010 and 2011. Interest payments were due semi-annually at prime rate + 1.25% (4.50% at December 31, 2010). The line of credit was secured by commercial property located at 1650 Commerce Drive, Napoleon, Ohio. This note was repaid in 2011 when the property was sold.

**NOTE 4 – NATURE AND AMOUNT OF TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets include infrastructure funds and are available once any donor-imposed conditions have been met.

|                     |                   |
|---------------------|-------------------|
| Cash                | \$ 142,843        |
| Accounts Receivable | 5,647             |
| Notes Receivable    | <u>13,739</u>     |
| Total               | <u>\$ 162,229</u> |

**NOTE 5 – CONCENTRATION**

Approximately 72% of the organization's revenue (excluding pass-thru) is from the City of Napoleon.

**NOTE 6 – FUNDRAISING**

During 2007 the Organization hired a professional fundraiser and entered into a contract for assistance in a major fundraising campaign. The goal of the campaign was to raise \$500,000 over the next 5 years. The campaign did not do as well as planned and is expected to generate \$250,000 over the next 5 years. These pledges represent intentions to give because the donor has the option to modify or cancel the pledge at any time. Approximately \$ 43,000 was collected towards these pledges in 2011. The entire cost of the campaign was \$61,000 and was paid in 2007. In addition to cash pledges, the organization received approximately \$ 38,000 of non cash pledges which included advertising, sponsorship of radio show, printing and engineering. These will be recognized as expense when used. Radio advertising of \$ 1,050 was recognized in 2011.

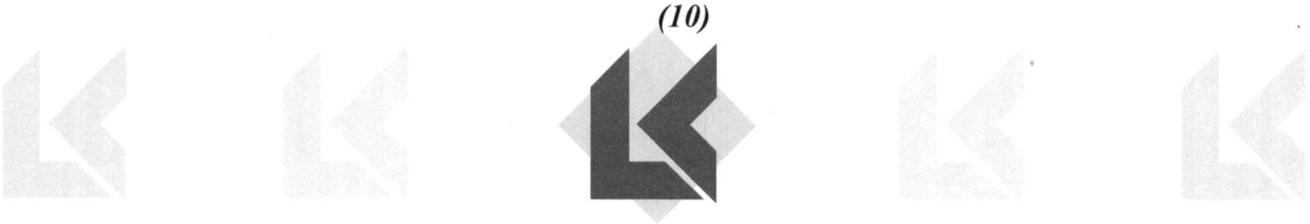
**NOTE 7 – PRIOR PERIOD ADJUSTMENT**

During 2011 the Organization discovered \$ 6,171 of accrued vacation pay that had not been recorded from the prior year. Accordingly, an adjustment of \$ 6,171 was made during 2011 to increase accrued vacation as of the beginning of the year. A corresponding entry was made to decrease previously reported unrestricted net assets.

**NOTE 8 – SUBSEQUENT EVENTS**

Subsequent events have been evaluated through May 2, 2012, which is the date the financial statements were available to be issued.

*Supplemental Information*



*Luderman & Konst, Inc.*  
Certified Public Accountants

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE  
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH 'GOVERNMENT AUDITING STANDARDS'**

**May 2, 2012**

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

We have audited the financial statements of the Community Improvement Corporation of Henry County, Ohio, Inc. (a Nonprofit Organization) as of and for the year ended December 31, 2011, and have issued our report thereon dated May 2, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits in *Government Auditing Standards*, issued by the Comptroller General of the United States.

***Internal Control Over Financial Reporting***

Management of Community Improvement Corporation of Henry County, Ohio Inc. is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Community Improvement Corporation of Henry County, Ohio, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Community Improvement Corporation of Henry County, Ohio, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization'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, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purposes 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 to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies in internal control over financial reporting. (See significant deficiency 2011-1) A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

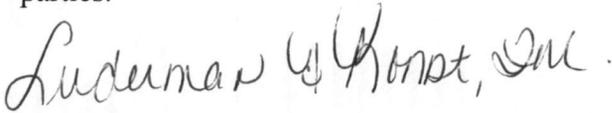
To The Board of Trustees Of  
The Community Improvement Corporation of Henry County, Ohio, Inc.  
Page 2

***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the Organization'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 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*.

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

This report is intended solely for the information and use of management, and the Board of Trustee, and the Auditor of State and is not intended to be used and should not be used by anyone other than these specified parties.



Luderman & Konst, Inc.  
Certified Public Accountants

**COMMUNITY IMPROVEMENT CORPORATION OF HENRY COUNTY, OHIO, INC.**  
**SCHEDULE OF FINDINGS AND RESPONSE**  
*December 31, 2011*

**SIGNIFICANT DEFICIENCY 2011-1**

**Condition**

Management lacks the necessary accounting expertise to prevent, detect, and correct a potential misstatement in the financial statements or notes.

**Criteria**

Government auditing standards require that management possess the necessary accounting expertise to prevent, detect, and correct a potential misstatement in the financial statements or notes.

**Cause**

Internal controls over financial reporting are not in place due to the Organizations' inability to afford professional accounting staff.

**Effect**

Because management lacks the necessary accounting expertise to prevent, detect, and correct a potential misstatement in the financial statements or notes, there could be misstatements in the financial reporting.

**Recommendation**

We recommend that management review the situation and explore possible alternatives.

**Response**

The Henry County CIC will continue to work with Penrod and George, Henry County Auditor, and the CIC Board Treasurer, to eliminate potential misstatements in the financial reporting but at this time, the agency (consisting of only two full-time employees and no part-time employees) cannot afford to hire a professional accounting staff.



# Dave Yost • Auditor of State

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

**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  
JULY 19, 2012**