



Dave Yost • Auditor of State

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

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Dave Yost • Auditor of State

INDEPENDENT AUDITORS' 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:

Report on the Financial Statements

We have audited the accompanying financial statements of Community Improvement Corporation of the City of Van Wert and the County of Van Wert, (the CIC) as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the accounting principles generally accepted in the United States of America. This responsibility includes the designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the CIC's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the CIC's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse audit opinion.

Basis for Adverse Opinion

As described in Note 1B of the financial statements, the CIC prepared these financial statements using the cash accounting basis. However, Ohio Revised Code 1724.05 and Ohio Administrative Code Section 117-2-03 requires these statements to follow accounting principles generally accepted in the United States of America. The effects on the financial statement on the financial statements of the variances between the regulatory basis of accounting described in Note 1B and accounting principles generally accepted in the United States of America, although no reasonably determinable, are presumably material.

Adverse Opinion

In our opinion, because of the matter described in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the 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 and for the years ended December 31, 2012 and 2011 in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 6 to the financial statement, 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. This matter does not affect our opinion on these financial statements.

Other Matters

Required Supplementary Information

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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 9, 2013, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the CIC's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

**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 YEARS ENDED DECEMBER 31, 2012 and 2011**

	<u>2012</u>	<u>2011</u>
Cash Receipts:		
Rent Received	\$65,342	\$42,665
Corporate Support Grants	6,033	2,250
Government Support Donations	15,549	28,626
Property Sale	18,000	
Lease Deposits Received	2,800	
Job Ready Site Deposit	240,896	
Dinner Receipts	9,270	7,596
Business Competition Grant	3,105	
Miscellaneous Income		269
Total Cash Receipts	<u>360,995</u>	<u>81,406</u>
Cash Disbursements:		
Light & power	7,831	8,994
Real Estate Taxes	10,201	10,835
Repairs and Maintenance	1,320	2,903
Legal & professional fees	2,750	8,531
Property Purchase	18,001	
Grant - Business Plan Challenge	3,048	
Advertising and Promotion		296
Marketing		450
Heat	4,980	10,253
Insurance	5,143	4,814
Dinner Expense	5,032	3,796
Telephone	1,305	2,970
Cleaning	3,235	2,760
Office supplies	281	9,583
Ground Maintenance	1,963	2,147
Dues	4,431	974
Meeting Expense	632	1,133
Trash	1,330	1,354
Water and Sewer	304	290
Security	3,108	
Appraisal and Recording Fees	495	
Training	675	231
Workers Compensation	135	100
Business Fee	430	73
Option Extension	240,422	3
Fixed Asset Acquisitions		17,604
Total Cash Disbursements	<u>317,052</u>	<u>90,094</u>
Total Receipts Over/(Under) Disbursement	43,943	(8,688)
Net assets at January 1	<u>22,562</u>	<u>31,250</u>
Net assets at December 31	<u>\$66,505</u>	<u>\$22,562</u>

See accompanying notes to the basic financial statements.

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**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, 2012 AND 2011**

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

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 as required.

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, 2012 AND 2011
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Economic Dependence

The CIC is dependent upon the City 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>2012</u>	<u>2011</u>
Demand deposits	<u>\$66,505</u>	<u>\$22,562</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 2012 and 2011, a total of \$18,792 of the rent revenue was received from Security Central Corporation each year. This represents 29% of the total rent revenues and 5% of all revenues of the CIC in 2012 and 44% of the total rent revenues and 23% of all revenues of the CIC in 2011.

**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, 2012 AND 2011
(Continued)**

5. NOTES PAYABLE

In April of 2010, they secured a \$70,000 note with Business Development Corporation payable on demand. As of December 31, 2012 and 2011, 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, 2012. 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 Security Central Corporation agreed to waive the payments for 2011 and 2012.

The changes in the CIC's long-term obligations during 2012 were as follows:

	Principal Outstanding 1/1/2012	Additions	Deductions	Principal Outstanding 12/31/2012
Note(Line of Credit)	\$ 70,000	\$0	\$0	\$ 70,000
Mortgage Note	434,707			434,707
Total Debt	<u>\$500,212</u>	<u>\$0</u>	<u>\$0</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, 2012, are as follows:

Year	Principal	Interest	Total
2013	\$110,824	\$39,176	\$150,000
2014	23,522	6,478	30,000
2015	23,993	6,007	30,000
2016	24,458	5,542	30,000
2017	24,962	5,038	30,000
2018-2022	132,490	17,510	150,000
2023-2024	94,458	2,714	97,172
	<u>\$434,707</u>	<u>\$82,465</u>	<u>\$517,172</u>

6. FINANCIAL UNCERTAINTIES/SUBSEQUENT EVENT

The Board has determined that it is reasonably possible that the CIC will not be able to meet its obligations under the mortgage note obligation on the property during 2013 due to the unanticipated low occupancy rates of 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 of 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.

On June 26, 2013, the CIC sold the building and real estate associated with the Van Wert Area Business Innovation Center for \$475,000 and paid off, in its entirety, the principal and all accrued interest owed to Security Central Corporation as of that date.

**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, 2012 AND 2011
(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 \$50,000
Data Compromise:	Limit \$50,000
Identity Recovery:	Limit \$15,000
Building Replacement:	Limit \$2,534,000
Personal Property Replacement:	Limit \$25,000



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INDEPENDENT AUDITORS' 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, in accordance with auditing standards generally accepted in the United States of America and the Comptroller General of the United States' *Government Auditing Standards*, 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, 2012 and 2011, and have issued our report thereon dated September 9, 2013, wherein we noted the CIC prepared its financial statements using the cash accounting basis 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 they will not be able to meet their 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

As part of our financial statement audit, we considered the CIC's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the CIC's internal control. Accordingly, we have not opined on it.

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 a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the CIC's financial statements. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

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, opining 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 2012-001.

Entity's Response to Findings

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

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the CIC's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the CIC's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Dave Yost
Auditor of State

Columbus, Ohio

September 9, 2013

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

**SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2012-001

Noncompliance

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 its annual financial report for the years ended December 31, 2011 and 2012 in accordance with GAAP as codified by Government Accounting Standards Board Statement No. 34, nor did the CIC file the financial reports 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 2012 annual report as of September 9, 2013 and the 2011 annual report was not filed until September 24, 2012. 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
DECEMBER 31, 2012 AND 2011**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2010-01	Ohio Rev. Code 1724.05, Financial Statement Presentation	No	Repeated as Finding 2012-001



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**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
OCTOBER 15, 2013**