

**REPORT ON THE AUDIT OF
FINANCIAL STATEMENTS**

**COMMUNITY IMPROVEMENT CORPORATION OF
OTTAWA COUNTY
DECEMBER 31, 2004 AND 2003**



**Auditor of State
Betty Montgomery**

Board of Trustees
Community Improvement Corporation of Ottawa County
8043 W. State Route 163, Suite 100
Oak Harbor, Ohio 43449

We have reviewed the *Independent Auditor's Report* of the Community Improvement Corporation of Ottawa County, prepared by Lublin Sussman Group LLP, for the audit period January 1, 2003 through December 31, 2004. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Community Improvement Corporation of Ottawa County is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

November 15, 2005

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LublinSussman Group LLP
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Community Improvement Corporation of
Ottawa County
8043 W. SR 163, Ste. 100
Oak Harbor, OH 43449-8878

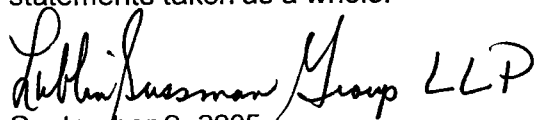
We have audited the accompanying statements of financial position of the Community Improvement Corporation of Ottawa County (the Corporation) as of December 31, 2004 and 2003, and the related statements of activities and cash flows years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 audits 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 audits provide 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 Corporation as of December 31, 2004 and 2003, and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 9, 2005 on our consideration of the Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. 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 audits.

Our audits were performed for the purpose of forming an opinion on the financial statements of the Corporation, taken as a whole. The accompanying Schedule of Expenses is presented for additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.


September 9, 2005
Toledo, Ohio

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**COMMUNITY IMPROVEMENT CORPORATION
OF OTTAWA COUNTY
STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31**

	<u>2004</u>	<u>2003</u>
ASSETS		
CURRENT ASSETS		
Cash (Note 5)	\$ 415,521	\$ 389,177
Accounts Receivable (Note 5)	24,338	9,414
Current Maturities of Notes Receivable (Notes 2, 5)	<u>19,275</u>	<u>28,422</u>
Total Current Assets	459,134	427,013
FIXED ASSETS		
Furniture and Equipment	<u>36,944</u>	<u>46,201</u>
Total	36,944	46,201
Less: Accumulated Depreciation	<u>(27,805)</u>	<u>(30,926)</u>
Net Furniture and Equipment	9,139	15,275
OTHER ASSETS		
Notes Receivable (Net of Current Portion) (Notes 2, 5)	88,546	48,095
Deposit with the Industrial Commission	<u>34</u>	<u>34</u>
Total Other Assets	<u>88,580</u>	<u>48,129</u>
TOTAL ASSETS	<u>\$ 556,853</u>	<u>\$ 490,417</u>
LIABILITIES AND UNRESTRICTED NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 8,540	\$ 10,949
Accrued Payroll Taxes	<u>3,791</u>	<u>3,731</u>
Total Current Liabilities	12,331	14,680
UNRESTRICTED NET ASSETS	<u>544,522</u>	<u>475,737</u>
TOTAL LIABILITIES AND UNRESTRICTED NET ASSETS	<u>\$ 556,853</u>	<u>\$ 490,417</u>

See Notes to Financial Statements

**COMMUNITY IMPROVEMENT CORPORATION
OF OTTAWA COUNTY
STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31**

UNRESTRICTED NET ASSETS	<u>2004</u>	<u>2003</u>
SUPPORT		
Conveyance Fees	\$ 247,330	\$ 205,213
Job and Family Services Consulting Fees	59,632	69,587
Interest Income	10,669	5,685
Experience Ottawa County	11,446	10,301
WSOS DOL Grant	<u>0</u>	<u>2,000</u>
Total Support	329,077	292,786
EXPENSES		
Salaries and Benefits	128,082	144,757
Office Expenses	61,075	57,758
Marketing Expenses	28,914	26,518
R&E Projects	31,839	14,746
Workforce Development	10,267	7,639
Meeting Expenses	<u>115</u>	<u>733</u>
Total Expenses	<u>260,292</u>	<u>252,151</u>
INCREASE IN UNRESTRICTED NET ASSETS	68,785	40,635
UNRESTRICTED NET ASSETS AT BEGINNING OF YEAR	<u>475,737</u>	<u>435,102</u>
UNRESTRICTED NET ASSETS AT END OF YEAR	<u>\$ 544,522</u>	<u>\$ 475,737</u>

See Notes to Financial Statements

**COMMUNITY IMPROVEMENT CORPORATION
OF OTTAWA COUNTY
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31**

	<u>2004</u>	<u>2003</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in Net Assets	\$ 68,785	\$ 40,635
Adjustments to Reconcile Net Assets to Net Cash Provided by Operating Activities:		
Interest Income Added to Note Receivable	(995)	0
Depreciation	4,953	7,064
Loss on Disposal of Fixed Assets	1,183	58
Other Changes in Current Assets and Liabilities:		
Accounts Receivable	(14,924)	(9,414)
Accounts Payable	(2,409)	6,020
Accrued Expenses	60	3,569
Total Adjustments	<u>(12,132)</u>	<u>7,297</u>
Net Cash Provided by Operating Activities	56,653	47,932
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property and Equipment	0	(2,590)
Loans Made by Corporation	(60,000)	(35,000)
Collection of Notes Receivable	<u>29,691</u>	<u>26,050</u>
Net Cash Used by Investing Activities	(30,309)	(11,540)
 CASH FLOWS FROM FINANCING ACTIVITIES	0	0
 NET INCREASE IN CASH AND CASH EQUIVALENTS	26,344	36,392
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>389,177</u>	<u>352,785</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 415,521</u>	<u>\$ 389,177</u>
 NON-CASH INVESTING ACTIVITIES:		
Interest Income Added to Note Receivable	\$ 995	\$ 0
 SUPPLEMENTAL DISCLOSURE:		
Cash paid for interest	\$ 0	\$ 0
Cash paid for income taxes	\$ 0	\$ 0

See Notes to Financial Statements

**COMMUNITY IMPROVEMENT CORPORATION
OF OTTAWA COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003**

ORGANIZATION

The Community Improvement Corporation of Ottawa County (the Corporation) is an Ohio nonprofit corporation chartered in 1966. Its purpose is to advance, encourage, and promote the industrial, economic, commercial, and research development of Ottawa County. Its primary source of funding has been from public and private contributions.

The Corporation's primary source of funding (approximately 75% of total revenue) comes from conveyance fees collected by Ottawa County on real estate transfers.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

INCOME TAX STATUS

The Corporation is exempt from Federal income tax as an organization described in Section 501(c)(6) of the Internal Revenue Code. The Corporation is also exempt from State of Ohio income tax as described in Chapter 1702 of the Ohio Revised Code.

STATEMENT OF CASH FLOWS

The Corporation considers all short-term investments with an original maturity of three months or less to be cash equivalents.

PROPERTY AND EQUIPMENT

Property and equipment is recorded at cost. Depreciation is computed using the double declining balance basis over estimated useful lives of 5 to 7 years. Maintenance and repairs are charged to operations when incurred. Betterments and renewals are capitalized.

MANAGEMENT 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.

BASIS OF ACCOUNTING

The financial statements of the Corporation have been prepared on the accrual basis of accounting.

BASIS OF PRESENTATION

The Corporation follows Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Corporation 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. There were no temporarily restricted or permanently restricted net assets at December 31, 2004 and 2003. In addition, the Corporation is required to present a statement of cash flows.

ACCOUNTS RECEIVABLE

The Company uses the direct write-off method for uncollectible accounts. There is no material difference from using this method rather than the allowance method. Accounts are charged to bad debt after management is satisfied that all attempts to collect the receivable have been exhausted.

**COMMUNITY IMPROVEMENT CORPORATION
OF OTTAWA COUNTY**
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

(2) NOTES RECEIVABLE

The Corporation has loans outstanding for the start up of new businesses within the County. As of December 31, 2004 and 2003, the following loans were outstanding:

	<u>2004</u>	<u>2003</u>
Village Early Childhood Center - secured by real estate, dated August 29, 2003 payable in 60 monthly installments of \$223 including interest at 3%, due August 29, 2008.	\$ 32,799	\$ 34,458
Northern Manufacturing Co., Inc. - secured by equipment, dated September 17, 1999 payable in 60 monthly installments of \$1,415 including interest at 5%, due September 17, 2004.	0	16,532
Northern Manufacturing Co., Inc. - secured by equipment, dated May 15, 2001 payable in 60 monthly installments of \$931 including interest at 4.5%, due May 15, 2006.	15,299	25,527
Glazed and Blazed - secured by inventory and real estate, dated February 12, 2004 payable in 36 monthly installments of \$278 including interest at 3%, due February 12, 2007.	8,728	0
Nagoyha Japanese Steakhouse - secured by equipment and real estate, dated May 26, 2004 payable in 49 monthly installments of \$573 beginning May 10, 2005 and one final payment of \$28,213 including interest at 3%, due May 26, 2009.	<u>50,995</u>	<u>0</u>
Total Notes Receivable	107,821	76,517
Less: Current Maturities	<u>(19,275)</u>	<u>(28,422)</u>
Net Long-Term Notes Receivable	<u>\$ 88,546</u>	<u>\$ 48,095</u>

**COMMUNITY IMPROVEMENT CORPORATION
OF OTTAWA COUNTY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003**

(3) DEFINED CONTRIBUTION PENSION PLAN

The Corporation sponsors a defined contribution pension plan which began in January 2001. Under this plan, eligible employees may make a salary reduction election to have their compensation for each pay period reduced by a percentage. The Corporation will contribute a matching contribution up to 3 percent to the employee's compensation for the year. Under this plan, the Corporation's matching contribution recorded as an expense totaled \$1,776 and \$2,456 for the years ended December 31, 2004 and 2003, respectively.

(4) LEASE OBLIGATIONS

The Corporation leases office space under a month-to-month operating lease, payable quarterly. Rent expense for the years ended December 31, 2004 and 2003, respectively, amounted to \$9,850 and \$9,777, respectively.

(5) CONCENTRATION OF CREDIT RISK

Financial instruments which potentially subject the Corporation to concentration of credit risk consist principally of cash deposited in financial institutions and accounts and notes receivable.

The Corporation's cash is deposited in two separate financial institutions. Cash accounts at both banks are insured by the FDIC for up to \$100,000. Amounts in excess of federally insured limits were \$144,509 and \$81,585 for the years ended December 31, 2004 and 2003.

Concentration of credit risk with respect to accounts receivable is due to receivables that arise from income that comes from two major sources: Ottawa County conveyance fees and Jobs and Family Services consulting fees. Accounts receivable were unsecured and totaled \$24,338 and \$9,414 at December 31, 2004 and 2003, respectively.

A concentration of credit risk for notes receivable is a direct result of the Corporation extending secured credit to a limited number of businesses in Ottawa County for promoting business start up and growth. At December 31, 2004 and 2003, the Corporation considered notes receivable to be fully collectible and amounted to \$107,821 and \$76,517, respectively (See Note 2).

(6) FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the Corporation's program and management and general activities have been allocated, as follows:

	<u>2004</u>	<u>2003</u>
Program Service	\$ 246,271	\$ 234,317
Management and General	14,021	17,834
Total	<u>\$ 260,292</u>	<u>\$ 252,151</u>

SUPPLEMENTAL INFORMATION

See Notes to Financial Statements

COMMUNITY IMPROVEMENT CORPORATION
OF OTTAWA COUNTY
SCHEDULE OF EXPENSES
FOR THE YEARS ENDED DECEMBER 31

	<u>2004</u>	<u>2003</u>
SALARIES AND BENEFITS:		
Salary-Workforce Director	\$ 58,026	\$ 48,288
Salary-Director	26,985	49,680
Salary-Administrative Assistants	24,412	24,570
Payroll Taxes	9,254	10,760
Employee Health/Life Insurance	7,629	9,003
Retirement (Note 3)	<u>1,776</u>	<u>2,456</u>
Total Salaries and Benefits	128,082	144,757
OFFICE EXPENSES		
Office Supplies and Expense	11,882	11,736
Legal and Accounting Fees	10,767	5,484
Membership/Meetings/Conferences	10,663	9,822
Rent (Note 4)	9,850	9,777
Communications	6,499	5,980
Depreciation Expense	4,953	7,064
Travel/Lodging/Meals	4,563	3,424
Loss on Disposal of Fixed Assets	1,183	58
Continuing Education	715	260
Audit Expense	<u>0</u>	<u>4,153</u>
Total Office Expenses	61,075	57,758
MARKETING EXPENSES		
Experience Ottawa County	22,983	18,107
Awards Dinner	2,946	0
Advertising	1,606	2,786
Web Page	1,264	5,409
Business Lunches	<u>115</u>	<u>216</u>
Total Marketing Expenses	<u>28,914</u>	<u>26,518</u>
TOTAL EXPENSES	<u>\$ 218,071</u>	<u>\$ 229,033</u>

See Notes to Financial Statements

LublinSussman Group LLP
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**

To the Board of Trustees
Community Improvement Corporation of
Ottawa County
8043 W. SR 163, Ste. 100
Oak Harbor, OH 43449-8878

We have audited the financial statements of the Community Improvement Corporation of Ottawa County (the Corporation) as of and for the years ended December 31, 2004 and 2003 and have issued our report thereon dated September 9, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller of the United States.

Internal Control Over Financial Reporting

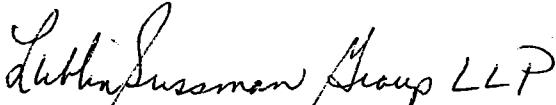
In planning and performing our audit, we considered Community Improvement Corporation of Ottawa County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Community Improvement Corporation of Ottawa County'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 or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Community Improvement Corporation of Ottawa County in a separate letter dated September 9, 2005.

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


September 9, 2005
Toledo, Ohio

COMMUNITY IMPROVEMENT CORPORATION
OF OTTAWA COUNTY
SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2004 AND 2003

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	<u>Explanation</u>
2002-01	A finding for recovery repaid under audit was issued for overpayment of wages to an employee in the amount of \$159.75.	Yes	The employee reimbursed the Corporation on July 11, 2003.



**Auditor of State
Betty Montgomery**

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COMMUNITY IMPROVEMENT CORPORATION OF OTTAWA COUNTY

OTTAWA 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 29, 2005**