

**COMMUNITY IMPROVEMENT CORPORATION OF
OTTAWA COUNTY**

AUDITED FINANCIAL STATEMENTS

DECEMBER 31, 2006 AND 2005



Mary Taylor, CPA
Auditor of State

Board of Trustees
Community Improvement Corporation of Ottawa County
8043 West SR 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, 2005 through December 31, 2006. 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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

September 5, 2007

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LublinSussman Group LLP

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Community Improvement Corporation of
Ottawa County
8043 W. State Route 163
Oak Harbor, OH 43449

We have audited the accompanying statements of financial position of the Community Improvement Corporation of Ottawa County (the Corporation) as of December 31, 2006 and 2005, 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, 2006 and 2005, 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 June 15, 2007 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 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 considered in assessing the results of our audit.

Our audits were conducted for the purpose of forming an opinion on the basic 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.



June 15, 2007
Toledo, Ohio

- 2 -

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

	<u>2006</u>	<u>2005</u>
ASSETS		
CURRENT ASSETS		
Cash (Note 5)	\$ 538,550	\$ 451,994
Accounts Receivable (Note 5)	13,689	11,416
Current Maturities of Notes Receivable (Notes 2, 5)	<u>97,379</u>	<u>34,876</u>
Total Current Assets	649,618	498,286
FIXED ASSETS		
Furniture and Equipment	<u>34,897</u>	<u>29,708</u>
Total	34,897	29,708
Less: Accumulated Depreciation	<u>(26,448)</u>	<u>(20,925)</u>
Net Furniture and Equipment	8,449	8,783
OTHER ASSETS		
Notes Receivable (Net of Current Portion) (Notes 2, 5)	149,078	157,857
Deposit with the Industrial Commission	<u>34</u>	<u>34</u>
Total Other Assets	<u>149,112</u>	<u>157,891</u>
TOTAL ASSETS	<u>\$ 807,179</u>	<u>\$ 664,960</u>
LIABILITIES AND UNRESTRICTED NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 36,908	\$ 10,382
Accrued Payroll Taxes	4,770	4,393
Escrow - liability	<u>2,500</u>	<u>2,500</u>
Total Current Liabilities	44,178	17,275
UNRESTRICTED NET ASSETS	<u>763,001</u>	<u>647,685</u>
TOTAL LIABILITIES AND UNRESTRICTED NET ASSETS	<u>\$ 807,179</u>	<u>\$ 664,960</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>2006</u>	<u>2005</u>
SUPPORT		
Conveyance Fees	\$ 328,646	\$ 252,135
Job and Family Services Consulting Fees	77,814	82,491
Interest Income	17,875	13,756
Experience Ottawa County	<u>21,510</u>	<u>11,595</u>
Total Support	445,845	359,977
EXPENSES		
Program Services	313,247	238,380
Management and General	<u>17,282</u>	<u>18,434</u>
Total Expenses	<u>330,529</u>	<u>256,814</u>
INCREASE IN UNRESTRICTED NET ASSETS	115,316	103,163
UNRESTRICTED NET ASSETS AT BEGINNING OF YEAR	<u>647,685</u>	<u>544,522</u>
UNRESTRICTED NET ASSETS AT END OF YEAR	<u>\$ 763,001</u>	<u>\$ 647,685</u>

See Notes to Financial Statements

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

	<u>2006</u>	<u>2005</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in Net Assets	\$ 115,316	\$ 103,163
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	5,523	4,122
Loss on Disposal of Fixed Assets	0	1,436
Other Changes in Current Assets and Liabilities:		
Accounts Receivable	(2,273)	12,922
Accounts Payable	26,526	1,841
Accrued Expenses	377	602
Escrow Deposits Held	<u>0</u>	<u>2,500</u>
Total Adjustments	<u>30,153</u>	<u>23,423</u>
Net Cash Provided by Operating Activities	145,469	126,586
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property and Equipment	(5,189)	(5,202)
Loans Made by Corporation	(86,750)	(109,000)
Collection of Notes Receivable	<u>33,026</u>	<u>24,089</u>
Net Cash Used by Investing Activities	(58,913)	(90,113)
CASH FLOWS FROM FINANCING ACTIVITIES	0	0
NET INCREASE IN CASH AND CASH EQUIVALENTS	86,556	36,473
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>451,994</u>	<u>415,521</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 538,550</u>	<u>\$ 451,994</u>
 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, 2006 AND 2005

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 72% 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, 2006 and 2005. In addition, the Corporation is required to present a statement of cash flows.

ALLOCATION OF FUNCTIONAL EXPENSES

The costs of providing the various program services and supporting activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the various functions.

COMMUNITY IMPROVEMENT CORPORATION
OF OTTAWA COUNTY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ACCOUNTS RECEIVABLE

The Corporation 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.

ADVERTISING

Advertising costs are charged to expense when incurred. Amounts charged to advertising expense were \$4,642 and \$5,976 for the years ended December 31, 2006 and 2005, respectively.

(2) NOTES RECEIVABLE

The Corporation has loans outstanding for the start up of new businesses within the County. As of December 31, 2006 and 2005, the following loans were outstanding:

	<u>2006</u>	<u>2005</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.	\$ 29,472	\$ 30,943
Port Clinton Manufacturing - secured by equipment, dated July 14, 2005 payable in 60 monthly installments of \$610 including interest at 3%, due July 14, 2010.	24,871	31,355
Slips Lubricants Corporation - secured by equipment, dated October 10, 2005 payable in 60 monthly installments of \$1,412 including interest at 5%, due October 10, 2010.	66,025	72,784
Fellhauer MSI Inc. - secured by equipment, dated December 12, 2006 payable in 60 monthly installments of \$702 including interest at 5.5%, due February 9, 2012.	36,750	0
BEC Holdings, Inc. - secured by equipment, dated May 30, 2006 payable in 60 monthly installments of \$941 including interest at 5%, due May 30, 2010.	44,775	0

COMMUNITY IMPROVEMENT CORPORATION
OF OTTAWA COUNTY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

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.	0	4,601
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.	2,401	5,347
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>42,163</u>	<u>47,703</u>
Total Notes Receivable	246,457	192,733
Less: Current Maturities	<u>(97,379)</u>	<u>(34,876)</u>
Net Long-Term Notes Receivable	<u>\$ 149,078</u>	<u>\$ 157,857</u>

(3) DEFINED CONTRIBUTION PENSION PLAN

The Corporation sponsors a defined contribution pension plan which began in January 2001. Under this plan, eligible employees may elect to have contributions withheld on their behalf. The Corporation will contribute a matching contribution up to 3% of the employee's compensation for the year. Under this plan, the Corporation's matching contribution recorded as an expense totaled \$3,361 and \$1,231 for the years ended December 31, 2006 and 2005, 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, 2006 and 2005, respectively, amounted to \$9,716 and \$9,560, 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 \$293,141 and \$140,217 for the years ended December 31, 2006 and 2005.

**COMMUNITY IMPROVEMENT CORPORATION
OF OTTAWA COUNTY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

(5) CONCENTRATION OF CREDIT RISK (CONTINUED)

The Corporation has accounts receivable 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 \$13,689 and \$11,416 at December 31, 2006 and 2005, respectively.

The Corporation has extended secured credit with Notes Receivable to businesses in Ottawa County. The notes are to be used for promoting business start up and growth. At December 31, 2006 and 2005, the Corporation considered notes receivable to be fully collectible and amounted to \$246,457 and \$192,733, respectively (See Note 2).

(6) SUBSEQUENT EVENT

During the year ended December 31, 2006, the Corporation was involved in a lawsuit with one of its note holders who defaulted on their loan. A settlement was reached subsequent to year end and full payment of the loan, in the amount of \$66,025, was received in April 2007.

SUPPLEMENTAL INFORMATION

See Notes to Financial Statements

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

	<u>2006</u>	<u>2005</u>
SALARIES AND BENEFITS:		
Salary-Workforce Director	\$ 53,866	\$ 51,531
Salary-Director	47,300	43,165
Salary-Administrative Assistants	29,318	27,603
Employee Health/Life Insurance	16,253	14,713
Payroll Taxes	11,058	10,481
Retirement (Note 3)	<u>3,361</u>	<u>1,231</u>
Total Salaries and Benefits	161,156	148,724
OFFICE EXPENSES		
Legal and Accounting Fees	28,568	11,045
Travel/Lodging/Meals	12,605	7,972
Communications	10,214	5,379
Rent (Note 4)	9,716	9,560
Membership/Meetings/Conferences	8,742	16,039
Office Supplies and Expense	7,361	7,405
Depreciation Expense	5,523	4,122
Scholarships	1,500	0
Continuing Education	284	144
Loss on Disposal of Fixed Assets	<u>0</u>	<u>1,436</u>
Total Office Expenses	84,513	63,102
MARKETING EXPENSES		
Experience Ottawa County	24,381	15,647
Awards Dinner	5,194	1,997
Advertising	<u>4,642</u>	<u>5,976</u>
Total Marketing Expenses	34,217	23,620
DEVELOPMENT AND RESEARCH EXPENSES		
R&E Projects	43,139	12,540
Workforce Development	<u>7,504</u>	<u>8,828</u>
Total Development and Research Expenses	<u>50,643</u>	<u>21,368</u>
TOTAL EXPENSES	<u>\$ 330,529</u>	<u>\$ 256,814</u>

See Notes to Financial Statements

LublinSussman Group LLP

Certified Public Accountants

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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. State Route 163
Oak Harbor, OH 43449

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, 2006 and 2005 and have issued our report thereon dated June 15, 2007. 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 of the United States.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered Community Improvement Corporation of Ottawa County'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 the Community Improvement Corporation of Ottawa County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the organization's financial statements is more than inconsequential will not be prevented or detected by the organization's internal control. We consider the deficiency described in the accompanying schedule of findings and responses to be a significant deficiency in internal control over financial reporting. (Finding 2006-1)

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the organization's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider item 2006-1 to be a material weakness.

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 June 15, 2007.

Community Improvement Corporation of Ottawa County's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. We did not audit Community Improvement Corporation of Ottawa County's response and, accordingly, we express no opinion on it.

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.


June 15, 2007
Toledo, Ohio

**COMMUNITY IMPROVEMENT CORPORATION
OF OTTAWA COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2006 AND 2005**

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

FINDING NUMBER 2006-1

MATERIAL WEAKNESS - Preparation of Financial Statements

The Ottawa County Improvement Corporation's management has engaged an independent accounting firm to compile the financial statements and prepare footnote disclosures in accordance with generally accepted accounting principles. During our audit we proposed significant journal entries to these financial statements, which caused the original financial statements to be materially misstated.

Recommendation: The Ottawa County Improvement Corporation's management should review the financial statements and provide updated information to the independent accountant when available.

Response: The Ottawa County Improvement Corporation is committed to ensuring that adequate controls are, and remain, in place for the efficient and responsible management of the organization. In doing so, we will make every effort to ensure that all information is provided to the organization's accountant that prepares financial statements and performs our compilation. This responsibility will ensure that all financial figures of the organization are correct and appropriate.

COMMUNITY IMPROVEMENT CORPORATION
OF OTTAWA COUNTY
SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2006 AND 2005

There were no findings in the prior year; therefore, no schedule is required.



Mary Taylor, CPA
Auditor of State

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
SEPTEMBER 18, 2007**