



Dave Yost • Auditor of State



**COMMUNITY IMPROVEMENT CORPORATION OF OTTAWA COUNTY  
OTTAWA COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Community Improvement Corporation of Ottawa County  
Ottawa County  
8043 West State Route 163, Suite 100  
Oak Harbor, Ohio 43449

To the Board of Trustees:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the Community Improvement Corporation of Ottawa County, Ottawa County, Ohio (the Corporation), (a not-for-profit corporation), which comprise the statements of financial position as of and for the years ended December 31, 2016 and 2015, the related statements of activities and cash flows for the years then ended, 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 accounting principles generally accepted in the United States of America; this includes 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 those risks of financial statement material misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Corporation'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 Corporation'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 overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our opinion.

**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 Ottawa County, Ottawa County, Ohio as of December 31, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with the accounting principles generally accepted in the United States of America.

**Other Matter**

*Supplementary and Other Information*

Our audit was conducted to opine on the Corporation's financial statements taken as a whole.

The Schedules of Expenses present additional analysis and are not a required part of financial statements.

The schedules are management's responsibility, and derive from and relate directly to the underlying accounting and other records used to prepare the financial statements. We subjected this information to the auditing procedures we applied to the financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the financial statements taken as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2017, 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. 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 Corporation's internal control over financial reporting and compliance.



**Dave Yost**  
Auditor of State

Columbus, Ohio

December 8, 2017

STATEMENTS OF FINANCIAL POSITION  
COMMUNITY IMPROVEMENT CORPORATION OF OTTAWA COUNTY  
December 31, 2016 and 2015

<u>ASSETS</u>	<u>2016</u>	<u>2015</u>
Current Assets:		
Cash and cash equivalents	\$ 260,512	\$ 186,264
Investments	125,651	124,000
Accounts receivable	10,628	17,538
Current portion of notes receivable	58,790	55,795
TOTAL CURRENT ASSETS	<u>455,581</u>	<u>383,597</u>
Equipment:		
Furniture and equipment	57,320	54,892
Leasehold improvements	7,739	7,739
	<u>65,059</u>	<u>62,631</u>
Less accumulated depreciation	48,078	43,360
	<u>16,981</u>	<u>19,271</u>
Other Assets:		
Notes receivable - net of current portion	105,609	164,648
TOTAL ASSETS	<u>\$ 578,171</u>	<u>\$ 567,516</u>
 <u>LIABILITIES AND UNRESTRICTED NET ASSETS</u> 		
Current Liabilities:		
Accounts payable	\$ 7,293	\$ 8,259
Accrued payroll taxes	5,667	4,688
TOTAL CURRENT LIABILITIES	<u>12,960</u>	<u>12,947</u>
Unrestricted Net Assets	<u>565,211</u>	<u>554,569</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 578,171</u>	<u>\$ 567,516</u>

The accompanying notes are in integral part of the financial statements.

STATEMENTS OF ACTIVITIES  
COMMUNITY IMPROVEMENT CORPORATION OF OTTAWA COUNTY  
For the years ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Support:		
Conveyance fees	\$ 237,862	\$ 199,604
Job and Family Services consulting fee	84,039	64,933
Experience Ottawa County	17,022	15,677
OMJ Ottawa County (Ohio Means Jobs)	33,007	-
Reimbursements	8,515	18,716
Interest income	9,505	8,500
Other	1,500	1,500
TOTAL SUPPORT	<u>391,450</u>	<u>308,930</u>
Expenses:		
Program services	342,239	306,146
Management and general	38,569	36,280
TOTAL EXPENSES	<u>380,808</u>	<u>342,426</u>
Increase (Decrease) in Unrestricted Net Assets	<u>10,642</u>	<u>(33,496)</u>
Unrestricted Net Assets at Beginning of Year	<u>554,569</u>	<u>588,065</u>
Unrestricted Net Assets at End of Year	<u>\$ 565,211</u>	<u>\$ 554,569</u>

The accompanying notes are in integral part of the financial statements.



STATEMENTS OF CASH FLOWS

COMMUNITY IMPROVEMENT CORPORATION OF OTTAWA COUNTY

For the years ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<u>CASH FLOWS FROM (FOR) OPERATING ACTIVITIES:</u>		
Increase (decrease) in net assets	\$ 10,642	\$ (33,496)
Adjustments to reconcile increase (decrease) in net assets to net cash from (for) operating activities:		
Depreciation	4,718	5,665
Accounts receivable	6,910	(8,946)
Accounts payable	(966)	1,367
Accrued payroll taxes	979	433
CASH FROM (FOR) OPERATING ACTIVITIES	<u>22,283</u>	<u>(34,977)</u>
<u>CASH FLOWS FROM (FOR) INVESTING ACTIVITIES:</u>		
Collections on notes receivable	56,044	44,126
Acquisitions of equipment and leasehold improvement	(2,428)	(3,000)
Reinvestment of interest earnings	(1,651)	(1,111)
Loans made during the year	-	(50,000)
Redemptions of certificates of deposit	-	103,054
Investments in certificates of deposit	-	(124,000)
Decrease in deposit	-	34
CASH FROM (FOR) INVESTING ACTIVITIES	<u>51,965</u>	<u>(30,897)</u>
INCREASE (DECREASE) IN CASH	<u>74,248</u>	<u>(65,874)</u>
Cash and cash equivalents at beginning of year	186,264	252,138
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 260,512</u>	<u>\$ 186,264</u>

The accompanying notes are in integral part of the financial statements.

NOTES TO FINANCIAL STATEMENTS  
COMMUNITY IMPROVEMENT CORPORATION OF OTTAWA COUNTY  
December 31, 2016 and 2015

Note A - Organization

The Community Improvement Corporation of Ottawa County is a nonprofit corporation chartered in 1966. Its purpose is to advance, encourage and promote the industrial, economic, commercial and research development of Ottawa County. The primary source of funding comes from conveyance fees collected by Ottawa County on real estate transfers.

Note B - Accounting Policies

**Basis of Presentation:** The financial statements follow the recommendations of the Financial Accounting Standards Board in its 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 positions and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

**Taxes:** The Corporation is exempt from federal income tax under Section 501(c)(6) of the Internal Revenue Code.

**Property and Equipment:** Property and equipment are recorded at original cost. It is the Corporation's policy to capitalize property and equipment having a useful life of over one year. Depreciation has been computed using the double declining balance method over estimated useful lives.

**Use of Estimates:** The preparation of financial statements in conformity with generally accepted accounting principles required management to make estimates and assumptions that affect the reported amount of revenue and expenses during the reporting period. 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.

**Cash and Cash Equivalents:** For the purpose of cash flows, the Corporation considers all highly liquid investments with a maturity of three months or less to be cash equivalents.

**Investments:** Investments are carried at fair value and consist of certificates of deposit.

**Accounts Receivable:** Accounts receivable are stated in the balance sheet at their estimated realizable value. 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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
COMMUNITY IMPROVEMENT CORPORATION OF OTTAWA COUNTY  
December 31, 2016 and 2015

Note B - Accounting Policies (Continued)

Notes Receivable: Notes receivable are stated in the balance sheet at their estimated realizable value. The Corporation uses the direct write-off method for uncollectible notes. There is no material difference from using this method rather than the allowance method. Notes are charged to bad debt after management is satisfied that all attempts to collect the receivable have been exhausted.

Allocation of Functional Expenses: The cost 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.

Note C - 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 expense amounted to \$3,768 for 2016 and \$3,016 for 2015.

Note D - Lease Obligations

The Corporation leases office space under an annual operating lease, payable quarterly. Rent expense amounted to \$13,533 for 2016 and \$13,416 for 2015.

Note E - 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 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 from these organizations were unsecured and totaled \$5,708 as of December 31, 2016 and \$5,293 as of December 31, 2015.

The Corporation has extended secured credit with promissory notes to businesses in Ottawa County. The notes are to be used for promoting business startup and growth. Notes receivable totaled \$164,399 as of December 31, 2016 and \$220,443 as of December 31, 2015.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
COMMUNITY IMPROVEMENT CORPORATION OF OTTAWA COUNTY  
December 31, 2016 and 2015

Note F - Notes Receivable

The Corporation has made loans to companies and individuals for the startup of new businesses within the County. As of December 31, 2016 and 2015, the following notes receivable were outstanding:

	<u>2016</u>	<u>2015</u>
Ciao Bella, LLC, secured by real estate and personal guarantees, dated January 1, 2015 payable in 60 monthly installments of \$1,841 including interest payable at 3.99%, due January 2019	\$ 44,099	\$ 64,000
AJS Logistics, secured by real estate, dated September 1, 2015 payable in 60 monthly installments of \$1,459 including interest payable at 3%, due September 2019	46,161	62,026
Sloopy's Café, secured by real estate, dated July 29, 2015 payable in 60 installments of \$849 including interest at 5%, due August 2019	25,412	34,095
Ala Carte Café, secured by real estate and business assets, dated April 3, 2015 payable in 60 installments of \$276 including interest at 3.99%, due April 2019	7,114	10,322
State and Lincoln, LLC, secured by real estate and all assets, dated December 31, 2015 payable in 60 monthly installments of \$926 beginning February 1, 2016 including interest payable at 4.25%, due January 6, 2021	<u>41,613</u>	<u>50,000</u>
Total Notes Receivable	164,399	220,443
Less Current Maturities	<u>58,790</u>	<u>55,795</u>
Net Long-Term Notes Receivable	<u>\$ 105,609</u>	<u>\$ 164,648</u>

Note G - Fair Value Measurements

Cash equivalents are presented on the financial statements at fair value. In determining fair value, we use various methodologies and prioritize the use of observable inputs. We assess the inputs used to measure fair value using a three-tier hierarchy based on the extent to which inputs used in measuring fair value are observable in the market:

Level 1 - Inputs include quoted prices for identical instruments and are the most observable.

Level 2 - Inputs include quoted prices for similar assets and observable inputs such as interest rates, currency exchange rates and yield curves.



NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
COMMUNITY IMPROVEMENT CORPORATION OF OTTAWA COUNTY  
December 31, 2016 and 2015

Note G - Fair Value Measurements (continued)

Level 3 - Inputs include data not observable in the market and reflect management's judgements about the assumptions market participants would use in pricing the asset or liability.

The use of observable and unobservable inputs and their significance in measuring fair value are reflected in our hierarchy assessment.

Valuation Methodologies:

Cash Equivalents and Investments - Highly liquid investments with a maturity of 90 days or less at date of purchase are classified as Cash and cash equivalents. Investments with a maturity date greater than 90 days at the date of purchase are classified as Investments. Certificates of deposit are reported at par value, which approximates fair value.

The fair values of all investments listed below as of December 31, 2016 and 2015 are reported at par value as of the measurement date (level 2 of the fair value hierarchy).

	<u>Assets at Fair Value as of December 31, 2016</u>	<u>Assets at Fair Value as of December 31, 2015</u>
Certificates of Deposit	\$ 125,651	\$ 124,000

Note H - Subsequent Events

In connection with the preparation of the financial statements, the Corporation has evaluated events subsequent to December 31, 2016 through November 29, 2017, which is the date the financial statements were available to be issued. The Corporation has loaned funds to the following companies subsequent to December 31, 2016:

Brown Dog Gelato - \$46,000 note dated March 9, 2017

Twin Oast Brewing LLC - \$100,000 note dated September 5, 2017

SCHEDULES OF EXPENSES

COMMUNITY IMPROVEMENT CORPORATION OF OTTAWA COUNTY

For the years ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Salaries and Benefits:		
Salary – Director	\$ 81,724	\$ 77,823
Salary – Workforce Director	49,284	45,686
Salary – Administrative Assistant	32,067	29,151
Salary – Employment Resource Coordinator	15,507	-
Employee health and life insurance	1,105	1,012
Payroll taxes	14,098	12,360
Retirement	3,768	3,016
Total Salaries and Benefits	<u>197,553</u>	<u>169,048</u>
Office Expenses:		
Travel, lodging and meals	10,822	14,915
Membership, meetings and conferences	12,525	13,957
Legal and accounting fees	7,506	12,563
Communications	4,517	4,279
Rent	13,533	13,416
Office supplies	10,229	12,120
Depreciation	4,718	5,665
Business insurance	2,738	2,548
Continuing education	2,618	3,039
Total Office Expenses	<u>69,206</u>	<u>82,502</u>
Marketing Expenses:		
Experience Ottawa County	22,468	20,185
Advertising	59,510	22,592
Awards dinner	8,123	4,320
Total Marketing Expenses	<u>90,101</u>	<u>47,097</u>
Development and Research Expenses:		
Economic development	15,701	18,077
Workforce development	8,247	25,702
Total Development and Research Expenses	<u>23,948</u>	<u>43,779</u>
TOTAL EXPENSES	<u>\$ 380,808</u>	<u>\$ 342,426</u>



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Community Improvement Corporation of Ottawa County  
Ottawa County  
8043 West State Route 163, Suite 100  
Oak Harbor, Ohio 43449

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Community Improvement Corporation of Ottawa County, Ottawa County, Ohio (the Corporation) as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements, and have issued our report thereon dated December 8, 2017.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the Corporation'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 Corporation'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 Corporation'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 Corporation'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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

***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 Corporation's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Corporation's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State

Columbus, Ohio

December 8, 2017





# Dave Yost • 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  
DECEMBER 28, 2017**