



**Auditor of State
Betty Montgomery**

**COMMUNITY IMPROVEMENT CORPORATION
OF OTTAWA COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Community Improvement Corporation
of Ottawa County
8043 W. State Route 163, Ste. 100
Oak Harbor, Ohio 43449-8878

To the Board of Trustees:

We have audited the accompanying statements of the financial position of the Community Improvement Corporation of Ottawa County (the Corporation) as of December 31, 2002 and 2001, and the related statements of activities and cash flows for the 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, 2002 and 2001, and the changes in its net assets and its cash flows for the years 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 August 12, 2003 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. 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.

We performed our audits to form 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. We subjected this information 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.

Community Improvement Corporation
of Ottawa County
Independent Accountants' Report
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This report is intended solely for the information and use of the audit committee, management, Board of Trustees, and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

August 12, 2003

**COMMUNITY IMPROVEMENT CORPORATION
OF OTTAWA COUNTY**

**STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2002 AND 2001**

	2002	2001
ASSETS AND OTHER DEBITS		
Current Assets:		
Cash and cash equivalents	\$ 352,785	\$ 295,779
Current maturities of notes receivable	25,507	26,386
Total Current Assets	378,292	322,165
Other Assets:		
Notes Receivable	42,060	67,567
Deposit with Industrial Commission	34	34
Total Other Assets	42,094	67,601
Furniture and Equipment:		
Less: Accumulated depreciation	(31,948)	(20,284)
Total Furniture and Equipment	19,806	24,060
Total Assets	\$ 440,192	\$ 413,826
LIABILITIES AND UNRESTRICTED NET ASSETS		
Current Liabilities:		
Accounts payable	\$ 4,929	\$ 10,922
Accrued payroll taxes	161	447
Total Current Liabilities	5,090	11,369
Unrestricted Net Assets	435,102	402,457
Total Liabilities and Unrestricted Net Assets	\$ 440,192	\$ 413,826

The notes to the financial statement are an integral part of this statement.

**COMMUNITY IMPROVEMENT CORPORATION
OF OTTAWA COUNTY**

**STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001**

	2002	2001
UNRESTRICTED NET ASSETS		
Support:		
Conveyance fees	\$ 186,294	\$ 151,862
JFS consulting	45,115	74,644
Interest income	6,999	10,547
Experience Ottawa County	8,250	8,379
WSOS DOL grant	27,568	6,000
Dinner revenues	2,050	1,945
Total Support	276,276	253,377
Expenses:		
Salaries and benefits	141,144	144,396
Office expenses	50,272	47,638
Marketing expenses	27,430	36,462
Workforce development	19,186	29,568
R & E projects	4,271	19,848
CIC meeting expenses	1,328	1,213
Development foundation		2,130
Total Expenses	243,631	281,255
Increase/(decrease) in Unrestricted Net Assets	32,645	(27,878)
Unrestricted Net Assets, January 1	402,457	430,335
Unrestricted Net Assets, December 31	\$ 435,102	\$ 402,457

The notes to the financial statement are an integral part of this statement.

**COMMUNITY IMPROVEMENT CORPORATION
OF OTTAWA COUNTY**

**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001**

	2002	2001
CASH FLOW FROM OPERATING ACTIVITIES		
Increase/(decrease) in net assets	\$ 32,645	\$ (27,878)
Adjustments to reconcile net assets to net cash provided by operating activities:		
Depreciation	11,663	9,292
(Increase)/decrease in:		
Accounts receivable		139
Increase/(decrease) in:		
Accounts payable	(5,993)	(20,013)
Accrued expenses	(285)	(366)
	<u>38,030</u>	<u>(38,826)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(7,410)	(12,226)
Loans made by corporation		(50,000)
Collection of notes receivable	26,386	59,320
	<u>18,976</u>	<u>(2,906)</u>
Net Cash Provided by Investing Activities		
Net Increase/(Decrease) in Cash	57,006	(41,732)
Cash, January 1	295,779	337,511
Cash, December 31	\$ 352,785	\$ 295,779

The notes to the financial statement are an integral part of this statement.

**COMMUNITY IMPROVEMENT CORPORATION
OF OTTAWA COUNTY**

**SCHEDULES OF EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001**

	2002	2001
SALARIES AND BENEFITS:		
Salary - Director	\$ 50,000	\$ 50,000
Salary - Workforce Director	47,869	45,000
Salary - Administrative Assistants	22,384	30,526
Payroll taxes	9,885	10,177
Employee health/life insurance	8,181	6,002
Retirement	2,825	2,691
Total Salaries and Benefits	\$ 141,144	\$ 144,396
OFFICE EXPENSES:		
Office supplies and expense	\$ 14,975	\$ 13,022
Depreciation expense	11,663	9,292
Communications	8,750	7,914
Membership/meetings/conferences	5,139	2,969
Legal and accounting fees	4,830	6,644
Travel/lodging/meals	3,865	6,654
Continuing education	1,050	1,143
Total Office Expenses	\$ 50,272	\$ 47,638
MARKETING EXPENSES:		
Experience Ottawa County	\$ 13,391	\$ 18,015
NORED dues	5,100	5,000
Advertising	3,658	3,846
Awards dinner	2,822	5,847
Web page	2,027	488
Business lunches	432	868
Other expenses		2,398
Total Marketing Expenses	\$ 27,430	\$ 36,462

The notes to the financial statement are an integral part of this statement.

**COMMUNITY IMPROVEMENT CORPORATION
OF OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. 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.

Beginning in 1993, the Corporation expanded its operations. Its primary source of funding comes from conveyance fees collected by Ottawa County on real estate transfers. In addition to its distribution of conveyance fees monies, Ottawa County also provides the Corporation with office space.

B. 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.

C. Statement of Cash Flows

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

D. 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.

E. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles required management to make estimates and assumptions that affect certain reported amount and disclosures. Accordingly, actual results could differ from those estimates

F. Method of Accounting

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

G. Financial Statement 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. In addition, the Corporation is required to present a statement of cash flows.

**COMMUNITY IMPROVEMENT CORPORATION
OF OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

2. NOTES RECEIVABLE

The Corporation has loans outstanding for the start up of new businesses within the County. As of December 31, 2002 and 2001, the following loans were outstanding:

	2002	2001
Lakecraft Inc. - secured by equipment, dated March 13, 1998 payable in 48 monthly installments of \$697.70 including interest at 5.5%		\$ 2,074
Northern Manufacturing Co., Inc. - secured by equipment dated September 17, 1999 payable in 60 monthly installments of \$1,415.35 including interest at 5%	\$ 32,261	47,224
Northern Manufacturing Co., Inc. - secured by equipment dated September 17, 1999 payable in 60 monthly installments of \$1,415.35 including interest at 5%	35,306	44,655
Total Notes Receivable	67,567	93,953
Less: Current Maturities	(25,507)	(26,386)
Long-Term Notes Receivable	\$ 42,060	\$ 67,567

3. PAYABLE TO OTTAWA COUNTY COMMISSIONERS

The Corporation entered into an informal agreement with the Ottawa County Commissioners for administering the development of the Ottawa County Industrial Park. Eighty-five percent of the proceeds from the sales of the lots in the park shall be paid to the Commissioners with fifteen percent of the proceeds retained by as a commission. A final payment from Signature Label for the purchase of property was paid in 2001 and the eighty-five percent of the proceeds amounting to \$25,500 was paid to the Ottawa County Commissioners.

4. 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 \$2,825 and \$2,691 for the years ending December 31, 2002 and 2001, respectively.

5. RELATED PARTY TRANSACTIONS

The Corporation established the Ottawa County Development Foundation (the Foundation) in 2001. The purpose of the Foundation is to acquire materials, equipment, and funding for the development of workforce training in Ottawa County. The training is coordinated by the Corporation, Ottawa County Department of Job and Family Services, Ottawa County Job Store, Ottawa County

**COMMUNITY IMPROVEMENT CORPORATION
OF OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

Employers Association, and local academic institutions. The Foundation's Board is comprised of three Trustees. All three trustees also sit on the Corporation's Board of Trustees. The Corporation paid \$2,130 in legal expenses in 2001 on behalf of the Foundation prior to its approval by the Internal Revenue Service (IRS). The Foundation received donations of a boat, trailer, and sound absorbing panels in the amount of \$7,300. These items are used in the marine trades program which is administered by the Corporation.

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**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL
CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Community Improvement Corporation
of Ottawa County
8043 W. State Route 163, Ste. 100
Oak Harbor, Ohio 43449-8878

To the Board of Trustees:

We have audited the accompanying financial statements of the Community Improvement Corporation of Ottawa County (the Corporation) as of and for the years ended December 31, 2002 and 2001, and have issued our report thereon dated August 12, 2003. 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.

Compliance

As part of obtaining reasonable assurance about whether the Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 audits and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2002-001.

Internal Control over Financial Reporting

In planning and performing our audits, we considered the Corporation'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 assurance 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 over financial reporting that might be material weaknesses. A material weakness is a 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 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. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Corporation in a separate letter dated August 12, 2003.

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

August 12, 2003

**COMMUNITY IMPROVEMENT CORPORATION
OF OTTAWA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2002 AND 2001**

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

FINDING NUMBER 2002-001

Finding For Recovery Repaid Under Audit

Corporation employee DeAnna Kuzma submitted time sheets for payment which included hours previously submitted for payment resulting in overpayment in the following amount:

Dates	Time In	Time Out	Hours Worked	First Date Paid	First Check Number	Second Date Paid	Second Check Number
08/07/01	4:30 PM	5:00 PM	0.50	08/15/01	5459	09/18/01	5494
08/09/01	9:00 AM	10:00 AM	1.00	08/15/01	5459	09/18/01	5494
11/13/01	9:30 AM	1:15 PM	3.75	11/15/01	5591	11/30/01	5604
11/13/01	2:30 PM	2:45 PM	0.25	11/15/01	5591	11/30/01	5604
07/02/02	11:00 AM	11:15 AM	0.25	07/15/02	5888	07/31/02	5907
07/09/02	9:30 AM	3:00 PM	5.50	07/15/02	5888	07/31/02	5907
			11.25	- Total Hours Paid Twice			
			\$ 14.20	- Hourly Rate			
			<u>\$ 159.75</u>	- Amount of Overpayment			

We issued a finding for recovery against employee DeAnna Kuzma in the amount of \$159.75 for the overpayment of compensation in fiscal years 2002 and 2001. Ms. Kuzma reimbursed the Corporation on receipt number 9693 dated July 11, 2003.



**Auditor of State
Betty Montgomery**

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COMMUNITY IMPROVEMENT CORPORATION

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 11, 2003**