



OHIO AUDITOR OF STATE
KEITH FABER



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

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OHIO AUDITOR OF STATE KEITH FABER



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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 December 31, 2018, 2017 and 2016, the related statements of activities and cash flows for the years then ended, the statements of functional expenses for the years ended December 31, 2018 and 2017, 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 the risks of material financial statement 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 such 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 obtained is sufficient and appropriate to support our audit opinions.

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, 2018, 2017 and 2016, 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.

Emphasis of Matter

As discussed in Note J to the 2018 financial statements, during 2018 the Corporation adopted new accounting guidance in Financial Accounting Standards Board (FASB) Accounting Standards Update 2016-14, *Presentation of Financial Statements of Not-For-Profit Entities*. We did not modify our opinion regarding this matter.

Other Matters

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 the financial statements for the years ended December 31, 2017 and 2016.

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 17, 2019, 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. While we did not opine on the internal control over financial reporting or on compliance, 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.



Keith Faber
Auditor of State

Columbus, Ohio

December 17, 2019

STATEMENTS OF FINANCIAL POSITION
COMMUNITY IMPROVEMENT CORPORATION OF OTTAWA COUNTY
December 31, 2018 and 2017

<u>ASSETS</u>	2018	2017
Current Assets:		
Cash and cash equivalents	\$ 415,862	\$ 154,389
Investments	128,587	127,320
Accounts receivable	33,499	45,527
Current portion of notes receivable	53,700	80,945
TOTAL CURRENT ASSETS	631,648	408,181
Equipment:		
Furniture and equipment	58,765	58,765
Leasehold improvements	7,739	7,739
	66,504	66,504
Less accumulated depreciation	54,791	51,592
NET EQUIPMENT	11,713	14,912
Other Assets:		
Notes receivable - net of current portion	78,177	164,304
TOTAL ASSETS	\$ 721,538	\$ 587,397
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities:		
Conveyance fees payable	\$ 115,699	\$ -
Accounts payable	8,492	4,849
Accrued payroll taxes	665	7,025
TOTAL CURRENT LIABILITIES	124,856	11,874
Net assets without donor restrictions	596,682	575,523
TOTAL LIABILITIES AND NET ASSETS	\$ 721,538	\$ 587,397

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

STATEMENTS OF ACTIVITIES
COMMUNITY IMPROVEMENT CORPORATION OF OTTAWA COUNTY
For the years ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
	Without Donor Restrictions	Without Donor Restrictions
Support:		
Conveyance fees	\$ 274,240	\$ 246,797
Job and Family Services consulting fee	73,517	87,624
Experience Ottawa County	19,568	19,112
OMJ Ottawa County (Ohio Means Jobs)	100,774	130,364
Reimbursements	13,799	10,738
Interest income	10,868	9,164
Other	7,000	7,000
TOTAL SUPPORT	<u>499,766</u>	<u>510,799</u>
Expenses:		
Program services	434,186	456,331
Management and general	44,421	44,156
TOTAL EXPENSES	<u>478,607</u>	<u>500,487</u>
Increase in Net Assets without donor restrictions	21,159	10,312
Net assets, beginning of year	<u>575,523</u>	<u>565,211</u>
Net assets, end of year	<u><u>\$ 596,682</u></u>	<u><u>\$ 575,523</u></u>

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

STATEMENTS OF CASH FLOWS
COMMUNITY IMPROVEMENT CORPORATION OF OTTAWA COUNTY
For the years ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
<u>CASH FLOWS FROM (FOR) OPERATING ACTIVITIES:</u>		
Increase in net assets	\$ 21,159	\$ 10,312
Adjustments to reconcile increase in net assets to net cash from (for) operating activities:		
Depreciation	3,199	3,514
Changes during the year in operating assets and liabilities:		
Accounts receivable	12,028	(34,899)
Conveyance fees payable	115,699	-
Accounts payable	3,643	(2,444)
Accrued payroll taxes	(6,360)	1,358
TOTAL CASH FLOWS FROM (FOR) OPERATING ACTIVITIES	<u>149,368</u>	<u>(22,159)</u>
<u>CASH FLOWS FROM (FOR) INVESTING ACTIVITIES:</u>		
Collections on notes receivable	113,372	65,150
Loans made during the year	-	(146,000)
Acquisitions of equipment and leasehold improvement	-	(1,445)
Reinvestment of interest earnings	(1,267)	(1,669)
CASH FROM (FOR) INVESTING ACTIVITIES	<u>112,105</u>	<u>(83,964)</u>
INCREASE (DECREASE) IN CASH	<u>261,473</u>	<u>(106,123)</u>
Cash and cash equivalents at beginning of year	<u>154,389</u>	<u>260,512</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$415,862</u>	<u>\$154,389</u>

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

STATEMENTS OF FUNCTIONAL EXPENSES
COMMUNITY IMPROVEMENT CORPORATION OF OTTAWA COUNTY
For the years ended December 31, 2018 and 2017

	2018			2017		
	<u>Total</u>	<u>Program Services</u>	<u>General</u>	<u>Total</u>	<u>Program Services</u>	<u>General</u>
Salaries and Benefits:						
Salary – Director	\$ 88,118	\$ 83,713	\$ 4,405	\$ 84,085	\$ 79,881	\$ 4,204
Salary – Workforce Director	53,666	53,666	-	53,096	53,096	-
Salary – Administrative Assistant	36,632	3,663	32,969	35,613	3,561	32,052
Salary – Employment Resource Coordinator	42,979	42,979	-	39,846	39,846	-
Salary – Employment Resource Assistant	16,771	16,771	-	13,425	13,425	-
Employee health and life insurance	1,285	1,285	-	1,312	1,312	-
Payroll taxes	19,064	15,070	3,994	18,114	14,313	3,801
Retirement	4,592	3,630	962	3,953	3,124	829
Total Salaries and Benefits	<u>263,107</u>	<u>220,777</u>	<u>42,330</u>	<u>249,444</u>	<u>208,558</u>	<u>40,886</u>
Office Expenses:						
Travel, lodging and meals	12,177	12,177	-	12,541	12,541	-
Membership, meetings and conferences	19,582	19,582	-	22,891	22,891	-
Legal and accounting fees	4,664	3,731	933	13,255	10,604	2,651
Communications	5,888	5,888	-	5,185	5,185	-
Rent	13,533	13,533	-	13,533	13,533	-
Office supplies	23,168	22,010	1,158	12,387	11,768	619
Depreciation	3,199	3,199	-	3,514	3,514	-
Business insurance	3,836	3,836	-	2,911	2,911	-
Continuing education	3,139	3,139	-	5,190	5,190	-
Total Office Expenses	<u>89,186</u>	<u>87,095</u>	<u>2,091</u>	<u>91,407</u>	<u>88,137</u>	<u>3,270</u>
Marketing Expenses:						
Experience Ottawa County	29,710	29,710	-	27,093	27,093	-
Advertising	59,846	59,846	-	74,940	74,940	-
Awards dinner	6,142	6,142	-	7,160	7,160	-
Total Marketing Expenses	<u>95,698</u>	<u>95,698</u>	<u>-</u>	<u>109,193</u>	<u>109,193</u>	<u>-</u>
Development and Research Expenses:						
Economic development	7,442	7,442	-	27,127	27,127	-
Workforce development	23,174	23,174	-	23,316	23,316	-
Total Development and Research Expenses	<u>30,616</u>	<u>30,616</u>	<u>-</u>	<u>50,443</u>	<u>50,443</u>	<u>-</u>
TOTAL EXPENSES	<u>\$ 478,607</u>	<u>\$ 434,186</u>	<u>\$ 44,421</u>	<u>\$ 500,487</u>	<u>\$ 456,331</u>	<u>\$ 44,156</u>

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

NOTES TO FINANCIAL STATEMENTS
COMMUNITY IMPROVEMENT CORPORATION OF OTTAWA COUNTY
December 31, 2018 and 2017

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 of the Corporation have been prepared in accordance with U.S. generally accepted accounting principles ("US GAAP"), which require the Corporation to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Corporation's management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Corporation or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
COMMUNITY IMPROVEMENT CORPORATION OF OTTAWA COUNTY
December 31, 2018 and 2017

Note B - Accounting Policies (Continued):

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 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 \$4,592 for 2018 and \$3,953 for 2017.

Note D - Lease Obligations:

The Corporation leases office space under an annual operating lease, payable quarterly. Rent expense amounted to \$13,533 for 2018 and 2017.

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: Ohio Means Jobs and Jobs and Family Services consulting fees. Accounts receivable from these organizations were unsecured and totaled \$30,462 as of December 31, 2018 and \$44,583 as of December 31, 2017.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
COMMUNITY IMPROVEMENT CORPORATION OF OTTAWA COUNTY
December 31, 2018 and 2017

Note E - Concentration of Credit Risk (continued):

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 \$131,877 as of December 31, 2018 and \$245,249 as of December 31, 2017.

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, 2018 and 2017, the following notes receivable were outstanding:

	<u>2018</u>	<u>2017</u>
QuinStock Adventures, LLC, secured by real estate and all assets, dated September 5, 2018 payable in interest only payments for 9 months then in 60 monthly installment payments of \$2,113 beginning July 1, 2018 including interest payable at 3.5%, due June 1, 2023	\$ 88,991	\$ 100,000
State and Lincoln, LLC, secured by real estate and all assets, dated December 31, 2017 payable in 60 monthly installments of \$926 beginning February 1, 2018 including interest payable at 4.25%, due January 6, 2021	22,139	32,084
AJS Logistics, secured by real estate, dated September 1, 2017 payable in 60 monthly installments of \$1,459 including interest payable at 3%, due September 2019	12,969	28,429
Sloopy's Café, secured by real estate, dated July 29, 2017 payable in 60 installments of \$849 including interest payable at 5%, due August 2019	6,691	16,285
Ala Carte Café, secured by real estate and business assets, dated April 3, 2017 payable in 60 installments of \$276 including interest payable at 3.99%, due April 2019	1,087	4,026
Brown Dog Gelato, LLC, secured by real estate and all assets, dated March 9, 2018 payable in 60 monthly installments of \$837 beginning April 9, 2018 including interest payable at 3.5%	-	41,037

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
COMMUNITY IMPROVEMENT CORPORATION OF OTTAWA COUNTY
December 31, 2018 and 2017

Note F - Notes Receivable (continued):

	<u>2018</u>	<u>2017</u>
Ciao Bella, LLC, secured by real estate and personal guarantees, dated January 1, 2017 payable in 60 monthly installments of \$1,841 including interest payable at 3.99%,	<u>-</u>	<u>23,388</u>
Total Notes Receivable	131,877	245,249
Less Current Maturities	<u>53,700</u>	<u>80,945</u>
Net Long-Term Notes Receivable	<u>\$ 78,177</u>	<u>\$ 164,304</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.

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, 2018 and 2017 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, 2018</u>	<u>Assets at Fair Value as of December 31, 2017</u>
Certificates of Deposit	\$ 128,587	\$ 127,320

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
COMMUNITY IMPROVEMENT CORPORATION OF OTTAWA COUNTY
December 31, 2018 and 2017

Note H - Liquidity and funds available:

The following table reflects the Corporation's financial assets as of December 31, 2018, reduced by amounts not available for general expenditure within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year, assets held by others, perpetual endowments, or because the governing board has set aside the funds for a specific contingency reserve or a long-term investment as board designated endowments. These board designations could be drawn upon if the board approves that action.

Financial assets:	
Cash	\$ 415,862
Investments	128,587
Accounts receivable	33,499
Current portion of notes receivable	<u>53,700</u>
Financial assets at year-end	<u>631,648</u>
Less those unavailable to general expenditure within one year:	
Investments	<u>128,587</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 503,061</u>

The Corporation has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

Note I - Conveyance Fee Payable:

In February 2019, it was discovered that the Corporation received excess conveyance fees from Ottawa County for 2018. This overpayment amounted to \$115,699 as of December 31, 2018. The Corporation repaid this amount in March, 2019.

Note J - Adoption of New Accounting Standard:

The Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-14, Presentation of Financial Statements of Not-for-Profit Entities (Topic 958) became effective for the Corporation's financial statements beginning in 2018. The ASU amends how not-for-profit organizations classify their net assets, as well as the information presented in the financial statements and notes about liquidity, financial performance and cash flows. The Corporation adopted this new standard during the year ended December 31, 2018 on a retrospective basis. Below is a summary of the changes made.

The Corporation has adjusted the presentation of its financial statements accordingly, applying the changes retrospectively to the comparative period presented. The new standards change the following aspects of the Corporation's financial statements:

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
COMMUNITY IMPROVEMENT CORPORATION OF OTTAWA COUNTY
December 31, 2018 and 2017

Note J - Adoption of New Accounting Standard (continued):

- The temporary restricted (and permanently restricted) net assets classes have been combined into a single net asset class called net assets with donor restrictions.
- The unrestricted net asset class has been renamed net assets without donor restrictions.
- The financial statements include a new disclosure about liquidity and availability of resources (Note H).

The changes have the following effect on net assets at January 1, 2017:

<u>Net Asset Class</u>	<u>As Originally Presented</u>	<u>After Adoption of ASU 2016-14</u>
Unrestricted net assets	\$ 575,523	\$ -
Temporarily restricted net assets	-	-
Permanently restricted net assets	-	-
Net assets without donor restrictions	-	575,523
Net assets with donor restrictions	-	-
Total net assets	<u>\$ 575,523</u>	<u>\$ 575,523</u>

In addition, certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

Note K - Subsequent Events:

In connection with the preparation of the financial statements, the Corporation has evaluated events subsequent to December 31, 2018 through the date of the opinion letter and has concluded that no additional disclosures were required.

STATEMENTS OF FINANCIAL POSITION
COMMUNITY IMPROVEMENT CORPORATION OF OTTAWA COUNTY
December 31, 2017 and 2016

<u>ASSETS</u>	2017	2016
Current Assets:		
Cash and cash equivalents	\$ 154,389	\$ 260,512
Investments	127,320	125,651
Accounts receivable	45,527	10,628
Current portion of notes receivable	80,945	58,790
TOTAL CURRENT ASSETS	408,181	455,581
Equipment:		
Furniture and equipment	58,765	57,320
Leasehold improvements	7,739	7,739
	66,504	65,059
Less accumulated depreciation	51,592	48,078
NET EQUIPMENT	14,912	16,981
Other Assets:		
Notes receivable - net of current portion	164,304	105,609
TOTAL ASSETS	\$ 587,397	\$ 578,171
<u>LIABILITIES AND UNRESTRICTED NET ASSETS</u>		
Current Liabilities:		
Accounts payable	\$ 4,849	\$ 7,293
Accrued payroll taxes	7,025	5,667
TOTAL CURRENT LIABILITIES	11,874	12,960
Unrestricted Net Assets	575,523	565,211
TOTAL LIABILITIES AND NET ASSETS	\$ 587,397	\$ 578,171

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

STATEMENTS OF ACTIVITIES
COMMUNITY IMPROVEMENT CORPORATION OF OTTAWA COUNTY
For the years ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Support:		
Conveyance fees	\$ 246,797	\$ 237,862
Job and Family Services consulting fee	87,624	84,039
Experience Ottawa County	19,112	17,022
OMJ Ottawa County (Ohio Means Jobs)	130,364	33,007
Reimbursements	10,738	8,515
Interest income	9,164	9,505
Other	<u>7,000</u>	<u>1,500</u>
TOTAL SUPPORT	510,799	391,450
Expenses:		
Program services	456,331	342,239
Management and general	<u>44,156</u>	<u>38,569</u>
TOTAL NET ASSETS	<u>500,487</u>	<u>380,808</u>
Increase in Unrestricted Net Assets	10,312	10,642
Unrestricted Net Assets at Beginning of Year	<u>565,211</u>	<u>554,569</u>
Unrestricted Net Assets at End of Year	<u>\$ 575,523</u>	<u>\$ 565,211</u>

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

STATEMENTS OF CASH FLOWS
COMMUNITY IMPROVEMENT CORPORATION OF OTTAWA COUNTY
For the years ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<u>CASH FLOWS FROM (FOR) OPERATING ACTIVITIES:</u>		
Increase in net assets	\$ 10,312	\$ 10,642
Adjustments to reconcile increase in net assets to net cash from (for) operating activities:		
Depreciation	3,514	4,718
Changes during the year in operating assets and liabilities:		
Accounts receivable	(34,899)	6,910
Accounts payable	(2,444)	(966)
Accrued payroll taxes	1,358	979
CASH FROM (FOR) OPERATING ACTIVITIES	<u>(22,159)</u>	<u>22,283</u>
<u>CASH FLOWS FROM (FOR) INVESTING ACTIVITIES:</u>		
Collections on notes receivable	65,150	56,044
Loans made during the year	(146,000)	-
Acquisitions of equipment and leasehold improvement	(1,445)	(2,428)
Reinvestment of interest earnings	(1,669)	(1,651)
CASH FROM (FOR) INVESTING ACTIVITIES	<u>(83,964)</u>	<u>51,965</u>
INCREASE (DECREASE) IN CASH	(106,123)	74,248
Cash and cash equivalents at beginning of year	260,512	186,264
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 154,389</u>	<u>\$ 260,512</u>

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

NOTES TO FINANCIAL STATEMENTS
COMMUNITY IMPROVEMENT CORPORATION OF OTTAWA COUNTY
December 31, 2017 and 2016

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, 2017 and 2016

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 \$3,953 for 2017 and \$3,768 for 2016.

Note D - Lease Obligations

The Corporation leases office space under an annual operating lease, payable quarterly. Rent expense amounted to \$13,533 for 2017 and 2016.

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: WSOS and Jobs and Family Services consulting fees. Accounts receivable from these organizations were unsecured and totaled \$44,583 as of December 31, 2017 and \$10,202 as of December 31, 2016.

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 \$245,249 as of December 31, 2017 and \$164,399 as of December 31, 2016.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
COMMUNITY IMPROVEMENT CORPORATION OF OTTAWA COUNTY
December 31, 2017 and 2016

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, 2017 and 2016, the following notes receivable were outstanding:

	<u>2017</u>	<u>2016</u>
Ciao Bella, LLC, secured by real estate and personal guarantees, dated January 1, 2016 payable in 60 monthly installments of \$1,841 including interest payable at 3.99%, due January 2019	\$ 23,388	\$ 44,099
AJS Logistics, secured by real estate, dated September 1, 2016 payable in 60 monthly installments of \$1,459 including interest payable at 3%, due September 2019	28,429	46,161
Sloopy's Café, secured by real estate, dated July 29, 2016 payable in 60 installments of \$849 including interest payable at 5%, due August 2019	16,285	25,412
Ala Carte Café, secured by real estate and business assets, dated April 3, 2016 payable in 60 installments of \$276 including interest payable at 3.99%, due April 2019	4,026	7,114
State and Lincoln, LLC, secured by real estate and all assets, dated December 31, 2016 payable in 60 monthly installments of \$926 beginning February 1, 2017 including interest payable at 4.25%, due January 6, 2021	32,084	41,613
Brown Dog Gelato, LLC, secured by real estate and all assets, dated March 9, 2017 payable in 60 monthly installments of \$837 beginning April 9, 2017 including interest payable at 3.5%, due March 9, 2022	41,037	-
QuinStock Adventures, LLC, secured by real estate and all assets, dated September 5, 2017 payable in interest only payments for 9 months then in 60 monthly installment payments of \$2,113 beginning July 1, 2018 including interest payable at 3.5%, due June 1, 2023	<u>100,000</u>	<u>-</u>
Total Notes Receivable	245,249	164,399
Less Current Maturities	<u>80,945</u>	<u>58,790</u>
Net Long-Term Notes Receivable	<u>\$ 164,304</u>	<u>\$ 105,609</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
COMMUNITY IMPROVEMENT CORPORATION OF OTTAWA COUNTY
December 31, 2017 and 2016

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.

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, 2017 and 2016 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, 2017</u>	<u>Assets at Fair Value as of December 31, 2016</u>
Certificates of Deposit	\$ 127,320	\$ 125,651

Note H - Subsequent Events

In connection with the preparation of the financial statements, the Corporation has evaluated events subsequent to December 31, 2017 through the opinion letter date and has concluded that no additional disclosures were required.

SCHEDULES OF EXPENSES

COMMUNITY IMPROVEMENT CORPORATION OF OTTAWA COUNTY

For the years ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Salaries and Benefits:		
Salary – Director	\$ 84,085	\$ 81,724
Salary – Workforce Director	53,096	49,284
Salary – Administrative Assistant	35,613	32,067
Salary – Employment Resource Coordinator	39,846	15,507
Salary – Employment Resource Assistant	13,425	-
Employee health and life insurance	1,312	1,105
Payroll taxes	18,114	14,098
Retirement	3,953	3,768
Total Salaries and Benefits	<u>249,444</u>	<u>197,553</u>
Office Expenses:		
Travel, lodging and meals	12,541	10,822
Membership, meetings and conferences	22,891	12,525
Legal and accounting fees	13,255	7,506
Communications	5,185	4,517
Rent	13,533	13,533
Office supplies	12,387	10,229
Depreciation	3,514	4,718
Business insurance	2,911	2,738
Continuing education	5,190	2,618
Total Office Expenses	<u>91,407</u>	<u>69,206</u>
Marketing Expenses:		
Experience Ottawa County	27,093	22,468
Advertising	74,940	59,510
Awards dinner	7,160	8,123
Total Marketing Expenses	<u>109,193</u>	<u>90,101</u>
Development and Research Expenses:		
Economic development	27,127	15,701
Workforce development	23,316	8,247
Total Development and Research Expenses	<u>50,443</u>	<u>23,948</u>
TOTAL EXPENSES	<u>\$ 500,487</u>	<u>\$ 380,808</u>

OHIO AUDITOR OF STATE KEITH FABER



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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, 2018, 2017 and 2016, and the related notes to the financial statements, and have issued our report thereon dated December 17, 2019, wherein we noted the Corporation adopted new accounting guidance in Financial Accounting Standards Board (FASB) Accounting Standards Update 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* during 2018.

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 opinions 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. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2018-001 to be a material weakness.

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*.

Corporation's Response to Finding

The Corporation's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not subject the Corporation's response to the auditing procedures applied in the audit of the financial statements 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 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.



Keith Faber
Auditor of State

Columbus, Ohio

December 17, 2019

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

**SCHEDULE OF FINDINGS
DECEMBER 31, 2018 AND 2017**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2018-001

Financial Reporting – Material Weakness

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16.

Due to a lack of management oversight, the Corporation failed to adopt the provisions of Financial Accounting Standards Board (FASB) Update 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* for the year ended December 31, 2018 in its annual report filing with the HINKLE system. FASB Update 2016-14 is to improve the current net asset classification requirements and the information presented in the financial statements and notes about a not-for-profit entity's liquidity, financial performance, and cash flows.

By not implementing FASB Update 2016-14 the Corporation did not fully disclose the current net asset classification requirements or the updated requirements for the financial statements and notes to the financial statements about its liquidity, financial performance, or cash flows. The financial statements and notes to the financial statements have been updated by the Corporation to properly reflect adoption of FASB Update 2016-14.

The Corporation should monitor FASB updates for new financial statements and notes filing requirements and adopt the updates by the required time frame established by FASB.

Officials' Response:

The OCIC engages outside accounting firm Apling & Associates to assist the Corporation with various fiscal responsibilities, including timely and proper filings of various reports. OCIC received correspondence from Apling & Associates acknowledging Finding Number 2018-001 as noted in the Auditor of State's Report and OCIC accepts the outside accounting firm's explanation of the material weakness related to the FASB Update 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. The OCIC remains committed to working together with our outside accounting firm to ensure proper and timely reports are filed in accordance with current Government Auditing Standards.

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OHIO AUDITOR OF STATE
KEITH FABER



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 31, 2019**