

Community Improvement Corporation of Geneva

**Financial Statements
December 31, 2011**



Dave Yost • Auditor of State

Board of Trustees
Community Improvement Corporation of Geneva
44 N. Forest St
PO Box 724
Geneva, OH 44041-0724

We have reviewed the *Independent Auditor's Report* of the Community Improvement Corporation of Geneva, Ashtabula County, prepared by Ciuni & Panichi, Inc., for the audit period January 1, 2011 through December 31, 2011. 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 Geneva is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost
Auditor of State

June 5, 2012

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Community Improvement Corporation of Geneva

For the Year Ended December 31, 2011

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Independent Auditor's Report

To the Board of Trustees
Community Improvement Corporation of Geneva

We have audited the accompanying statement of financial position of the Community Improvement Corporation of Geneva ("CIC") (a nonprofit organization and component unit of the City of Geneva) as of December 31, 2011, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the CIC's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit 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 audit provides 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 CIC as of December 31, 2011, and the respective changes in its net assets and cash flows for the year 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 April 26, 2012, on our consideration of the CIC's internal control over financial reporting and on 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 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.

Ciuni & Panichi, Inc.

Cleveland, Ohio
April 26, 2012

Community Improvement Corporation of Geneva

Statement of Financial Position

December 31, 2011

Assets

Assets:

Current assets:

Cash and cash equivalents	\$	31,662
Cash held as fiscal agent		59,350
Accounts receivable		53,153
Loans receivable		<u>7,054</u>
Total current assets		151,219

Non-current assets:

Capital assets and property held for sale or development, net of accumulated depreciation		<u>117,059</u>
Total assets	\$	<u><u>268,278</u></u>

Liabilities and Net Assets

Liabilities:

Current:

Accounts payable	\$	144
Due to other governments		3,485
Funds held as fiscal agent		<u>59,350</u>
Total current liabilities		62,979

Long-term:

Due to other governments		<u>44,558</u>
Total liabilities		<u>107,537</u>

Net assets:

Unrestricted		<u>160,741</u>
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Total liabilities and net assets	\$	<u><u>268,278</u></u>
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The accompanying notes are an integral part of these financial statements

Community Improvement Corporation of Geneva

Statement of Activities

For the Year Ended December 31, 2011

	<u>Unrestricted</u>
Unrestricted net assets:	
Public support and revenues:	
Interest income	\$ 104
Contributions	21,814
Other	<u>11,489</u>
Total public support and revenues	<u>33,407</u>
Expenses and losses:	
Economic development	34,507
Accounting and auditing	4,971
Depreciation	2,733
Fundraising	4,650
Loss on impairment of capital assets	98,600
Loss on sale of capital assets	251,247
Other	<u>51</u>
Total expenses and losses	<u>396,759</u>
Change in unrestricted net assets	(363,352)
Unrestricted net assets at beginning of year	<u>524,093</u>
Unrestricted net assets at end of year	\$ <u>160,741</u>

The accompanying notes are an integral part of these financial statements

Community Improvement Corporation of Geneva

Statement of Cash Flows

For the Year Ended December 31, 2011

Cash flows from operating activities:	
Change in net assets	\$ (363,352)
Adjustments to reconcile change in net assets to net cash used by operating activities:	
Depreciation	2,733
Loss on impairment of capital assets	98,600
Loss on sale of capital assets	251,247
Changes in operating assets and liabilities:	
Decrease in accounts receivable	40
Decrease in loans receivable	2,483
Decrease in accounts payable	(233)
Decrease in due to other governments	(780)
Decrease in funds held for fiscal agent	<u>(599)</u>
Net cash used by operating activities	(9,861)
Cash flows from investing activities:	
Proceeds from sale of capital assets	<u>2,000</u>
Net cash provided by investing activities	<u>2,000</u>
Net change in cash	(7,861)
Cash and cash equivalents and held as fiscal agent at beginning of year	<u>98,873</u>
Cash and cash equivalents and held as fiscal agent at end of year	\$ <u><u>91,012</u></u>
Supplemental disclosure of cash flow information:	
Capital assets sold in exchange for accounts receivable	\$ <u><u>53,153</u></u>

The accompanying notes are an integral part of these financial statements

Community Improvement Corporation of Geneva

Notes to the Financial Statements

December 31, 2011

Note 1: Summary of Significant Accounting Policies

The summary of significant accounting policies is presented to assist the reader in understanding and evaluating the financial statements of the Community Improvement Corporation of Geneva (“CIC”).

Nature of Activities

The CIC was incorporated in July 1997 by the City of Geneva (“the City”) under Sections 1724.01 et seq. of the Ohio Revised Code. The CIC is a separate body politic having power to act as an individual entity to carry out powers given to it under State statute. The CIC is a legally separate, non-profit organization, served by a 15 member board composed of City officials and community representatives.

The CIC was created to advance, encourage, and promote the industrial, economic, commercial, and civic development of Geneva and the territory surrounding Geneva in whatever way and by such means as will improve the normal growth, employment opportunities, and stability of employment in existing industries. The CIC is empowered with the ability to carry out the actions it considers necessary to achieve its mission.

Basis of Presentation

The CIC prepares its financial statements in accordance with the not-for-profit entity related provisions of the Financial Accounting Standards Board (“FASB”) which established the FASB Accounting Standards Codification (“ASC”) as the single source of authoritative accounting principles generally accepted in the United States of America.

The CIC 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, based upon the existence or absence of donor-imposed restrictions. The CIC does not have any temporarily restricted or permanently restricted net assets as of December 31, 2011.

Basis of Accounting

The financial statements of the CIC have been prepared on the accrual basis of accounting. Due to the nature and significant of the CIC’s relationship to the City, the CIC is presented as a component unit of the City.

Contributions

Contributions received are recorded as unrestricted support unless there are any donor-imposed restrictions.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Community Improvement Corporation of Geneva

Notes to the Financial Statements (continued)

December 31, 2011

Note 1: Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents

For purposes of the statements of cash flows, the CIC considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Loans Receivable

The CIC has loaned money to various city businesses. Payments of principle and interest are due monthly and are not secured. The loans range in interest rate from 1.63% to 3.88%. The carrying amount of loans receivable is reduced by an allowance that reflects management's best estimate of the amounts that will not be collected. Management individually reviews loans receivable balances that are not current and based on an assessment of current creditworthiness, estimates the portion, if any, of the balance that will not be collected. At December 31, 2011, all amounts are deemed collectible.

Capital Assets

All purchased capital assets and other property are stated at cost. Donated property is capitalized at estimated fair value at the date of donation. Property valued at \$107,600 at December 31, 2011 was donated by the City of Geneva and outside donors.

The CIC capitalizes asset purchases having a cost of \$500 or more. The CIC depreciates the capital assets other than land using the straight line method based on the estimated useful lives of the assets of ten years.

Income Taxes

The CIC has qualified for a tax exemption under Section 501c(3) of the Internal Revenue Code and, accordingly, no provision for federal income tax has been recorded in the accompanying financial statements.

Income taxes are accounted for under the provisions of the "Income Taxes" topic of the FASB ASC. Uncertain income tax positions are evaluated at least annually by management. The CIC classifies interest and penalties related to income tax matters as income tax expense in the accompanying financial statements. As of December 31, 2011, the CIC has identified no uncertain income tax positions and has incurred no amounts for income tax penalties and interest for the year then ended.

The CIC believes it is no longer subject to examinations by the Internal Revenue Service for fiscal years prior to December 31, 2008.

Community Improvement Corporation of Geneva

Notes to the Financial Statements (continued)

December 31, 2011

Note 1: Summary of Significant Accounting Policies (continued)

Functional Allocation of Expenses

The costs of providing various programs and related supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated to the appropriate programs and supported services.

Subsequent Events

In preparing these financial statements, the CIC has evaluated events and transactions for potential recognition or disclosure through April 26, 2012, the date the financial statements were available to be issued.

Note 2: Concentrations

At December 31, 2011, the carrying amount of CIC's deposits was \$91,012, and the bank balance was \$92,303, which was covered by Federal Depository Insurance.

At December 31, 2011, accounts receivable of \$53,153 is due from one non-profit entity related to the sale of property.

Note 3: Related Parties

Five of the 15 trustees serving the CIC are elected or appointed officials of the City of Geneva as mandated by the Ohio Revised Code with only the City Manager being specified.

In prior years, the City of Geneva transferred two land parcels to the CIC. The amount outstanding at December 31, 2011 is \$44,558 which is included in "Due to Other Governments" on the statement of financial position. Once the CIC sells the land to either a developer or business, the CIC will pay the City this balance.

Note 4: Capital Assets

The CIC's property and equipment consist of the following at December 31, 2011:

Land	\$	107,600
Equipment		27,330
Less: accumulated depreciation		<u>(17,871)</u>
Total	\$	<u>117,059</u>

Community Improvement Corporation of Geneva

Notes to the Financial Statements (continued)

December 31, 2011

Note 4: Capital Assets (continued)

The CIC sold land in 2011 that was donated in 2010. The land was recorded in 2010 at its estimated fair market value of \$306,400. The land was sold for \$56,500 less expenses paid for closing costs. A loss of \$251,247 is shown in the accompanying statement of activities.

Due to the economic condition and process of selling property, the CIC determined that the carrying amount of certain parcels of property exceeded their fair value. Accordingly, the CIC concluded that a capital asset impairment loss was probable and recognized an estimated loss of \$98,600 in 2011.

Note 5: Functional Classification of Expenses

Expenses by function for the year ended December 31, 2011 were as follows:

Fundraising	\$ 4,650
General and administrative	5,022
Program services	<u>37,240</u>
Total functional expense	\$ <u><u>46,912</u></u>

Note 6: Subsequent Events

Subsequent to December 31, 2011, a non-profit entity signed an option agreement granting them the option to purchase a parcel of property from the CIC for a purchase price of \$63,600. As consideration for the option agreement, CIC received \$2,000 and the non-profit has until January 31, 2013 to exercise the option.

**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 Geneva

We have audited the financial statements of the Community Improvement Corporation of Geneva (the "CIC"), a component unit of the City of Geneva, as of and for the year ended December 31, 2011, and have issued our report thereon dated April 26, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

Management of the CIC is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the CIC'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 CIC's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the CIC's internal control over financial reporting.

A *deficiency in internal control* 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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the CIC's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Board of Trustees
Community Improvement Corporation of Geneva

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the CIC'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*.

This report is intended solely for the information and use of management, Auditor of State's Office, Board of Trustees, and others within the entity and is not intended to be and should not be used by anyone other than these specified parties.

Cini & Panichi, Inc.

Cleveland, Ohio
April 26, 2012



Dave Yost • Auditor of State

COMMUNITY IMPROVEMENT CORPORATION OF GENEVA

ASHTABULA 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
JUNE 19, 2012**