

COMMUNITY IMPROVEMENT CORPORATION OF LAKE COUNTY

LAKE COUNTY

JANUARY 1, 2001 TO DECEMBER 31, 2001

PREPARED BY: HEISER & JESKO



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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Board of Trustees
Community Improvement Corporation of Lake County

We have reviewed the Independent Auditor's Report of the Community Improvement Corporation of Lake County, prepared by Heiser & Jesko for the audit period January 1, 2001 through December 31, 2001. 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 Lake County is responsible for compliance with these laws and regulations.

JIM PETRO
Auditor of State

April 24, 2002

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COMMUNITY IMPROVEMENT CORPORATION OF LAKE COUNTY

FINANCIAL STATEMENTS

DECEMBER 31, 2001

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INDEPENDENT AUDITOR'S REPORT

BOARD OF TRUSTEES
COMMUNITY IMPROVEMENT CORPORATION OF LAKE COUNTY
LAKE COUNTY, OHIO

We have audited the accompanying Statement of Financial for Community Improvement Corporation of Lake County as of December 31, 2001 and the related Statements of Activities, Functional Expenses and Cash Flows for the year then ended. These financial statements are the responsibility of the Company'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 the financial position of Community Improvement Corporation of Lake County as of December 31, 2001 and the changes in its net assets and cash flows for the year then ended.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 12, 2002 on our consideration of Community Improvement Corporation of Lake County's internal control over financial reporting and on 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 audit.

Willoughby, Ohio
March 12, 2002

Heiser & Jesko

COMMUNITY IMPROVEMENT CORPORATION OF LAKE COUNTY

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2001

ASSETS

CURRENT ASSETS	
Cash (Note 1)	\$467,867
Grants Receivable	131,746
Prepaid Rent	<u>33,968</u>
	<u>633,581</u>
PROPERTY AND EQUIPMENT - AT COST (Note 1)	
Furniture & Fixtures	43,396
Less: Accumulated Depreciation	<u>22,722</u>
	<u>20,674</u>
OTHER ASSETS	
Restricted Cash (Note 5)	
Prepaid Rent - Long-Term (Note 4)	20,296
Deposits	<u>199</u>
	<u>20,495</u>
	<u>\$674,750</u>

LIABILITIES AND NET ASSETS

LIABILITIES	
Accounts Payable	\$ 23,740
Funds Due Other Agencies	<u>41,052</u>
	<u>64,792</u>
NET ASSETS (Note 1)	<u>609,958</u>
	<u>\$674,750</u>

COMMUNITY IMPROVEMENT CORPORATION OF LAKE COUNTY

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2001

PUBLIC SUPPORT AND REVENUES	
PUBLIC SUPPORT	
SBDC (Less Pass Through Grants)	\$ 92,840
Membership	90,275
Lake County	78,750
PTA Grants (Less Pass Through Grants - Note 5)	62,145
LCSBAC	40,000
ITAC Grant	36,951
OYTP - Membership	17,700
- Grant	12,603
Ashtabula/Lake County (OPTA)	18,000
In-Kind Contribution	9,083
Other	60,207
	<u>518,554</u>
REVENUES	
LCSBAC & Enterprise Zone Fees	35,082
Other Fees & Income	24,388
Interest Income	15,629
	<u>75,099</u>
TOTAL PUBLIC SUPPORT AND REVENUES	<u>593,653</u>
EXPENSES	
Personnel Costs	319,207
Contract & Consultant Services	75,617
Occupancy	45,835
Travel & Conferences	32,690
Office	23,508
Professional Fees	18,170
Computer	16,518
Printing & Copier	13,535
Special Events & Other	12,773
Telephone	12,229
In-Kind Expenses	9,083
Dues & Subscriptions	7,257
Depreciation	7,574
Automobile	6,418
Postage	4,566
Advertising & Promotion	4,229
	<u>609,209</u>
TOTAL EXPENSES	<u>609,209</u>
CHANGE IN NET ASSETS	(15,556)
PRIOR PERIOD ADJUSTMENT (Note 1)	61,098
NET ASSETS - Beginning	<u>564,416</u>
NET ASSETS - Ending	<u>\$609,958</u>

See accompanying notes.

COMMUNITY IMPROVEMENT CORPORATION OF LAKE COUNTY

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2001

CASH FLOW FROM OPERATING ACTIVITIES	
Change in Net Assets	<u>\$(15,556)</u>
Adjustments to Reconcile Change in Net Assets to Cash Provided by Operating Activities:	
Prior Period Adjustment (Note 1)	61,098
Depreciation	7,574
Changes in Assets & Liabilities:	
Increase in Grants Receivable	(131,746)
Decrease in Prepaid Rent	33,968
Increase in Liabilities	<u>64,792</u>
Total Adjustments	<u>35,686</u>
NET INCREASE IN CASH	20,130
CASH AT BEGINNING OF YEAR	<u>447,737</u>
CASH AT END OF YEAR	<u>\$467,867</u>

See accompanying notes.

COMMUNITY IMPROVEMENT CORPORATION OF LAKE COUNTY

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2001

	<u>Procurement Program</u>	<u>SBDC & SBA 504</u>	<u>ITAC</u>	<u>Enterprise Zone & Other</u>	<u>Workforce Development Initiative</u>	<u>Total Programs</u>	<u>General & Administrative</u>	<u>TOTAL</u>
Personnel Costs	\$ 89,121	\$ 85,983	\$62,034	\$36,431	\$	\$273,569	\$ 45,638	\$319,207
Contract &								
Consulting Services	14,637	27,985	207	624	31,019	74,472	1,145	75,617
Occupancy	6,480	10,565				17,045	28,790	45,835
Printing & Copier	3,510	6,541	713	1,723	567	13,054	481	13,535
Professional Fees		1,580		2,231		3,811	14,359	18,170
Office & Miscellaneous	11,514	3,736	1,234	727	1,243	18,454	5,054	23,508
Travel & Conferences	14,435	1,660	3,838	2,983	495	23,411	9,279	32,690
Special Events & Other		584	1,370	325	10,366	12,645	128	12,773
Telephone	2,734		1,581	1,592	1,581	7,488	4,741	12,229
Dues & Subscriptions	875	205	267		5,025	6,372	885	7,257
In-Kind Expenses		9,083				9,083		9,083
Depreciation							7,574	7,574
Automobile		86	481	58		625	5,793	6,418
Postage	200	3,302	538	289	237	4,566		4,566
Computer	8,012	444	359	944	646	10,405	6,113	16,518
Advertising & Promotion		2,539				2,539	1,690	4,229
	<u>\$151,518</u>	<u>\$154,293</u>	<u>\$72,622</u>	<u>\$47,927</u>	<u>\$51,179</u>	<u>\$477,539</u>	<u>\$131,670</u>	<u>\$609,209</u>

COMMUNITY IMPROVEMENT CORPORATION OF LAKE COUNTY

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2001

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF OPERATION AND MISSION STATEMENT

Community Improvement Corporation of Lake County (CIC) was incorporated under the not-for-profit corporation laws in the State of Ohio and is exempt from federal income taxation under Internal Revenue Code Section 501(C)(4). The purpose of CIC is to advance, encourage and promote the industrial, economic, commercial and civic development of the County of Lake, Ohio and the municipal corporations located in Lake County.

CHANGE IN ACCOUNTING METHOD - PRIOR PERIOD ADJUSTMENT

Effective March 12, 2001, Ohio Senate Bill 265 requires "Community Improvement Corporations" to prepare their audited financial statements in accordance with accounting principles generally accepted in the United States. Therefore, CIC has changed its method of accounting from the "modified cash basis" to generally accepted accounting principles (GAAP) as required by the State of Ohio for the year ended December 31, 2001. The significant changes were to increase receivables by approximately \$61,000 and increase "Net Assets" by \$61,098. This amount is shown as a "prior period adjustment" in the financial statements.

COMPARATIVE STATEMENTS

Since the previous year was presented on a "Modified Cash Basis" it is not comparable to the current year and therefore was not presented.

BASIS OF PRESENTATION

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) in its Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements for Not-for-Profit Organizations. Under those provisions, net assets and revenues, gains, and losses are classified based on the absence of existence and nature of donor-imposed restrictions as follows:

- Unrestricted Net Assets - Net assets that are not subject to donor-imposed stipulations.
- Temporarily Restricted Net Assets - Net assets subject to donor-imposed stipulations that can be fulfilled by actions of the Organization pursuant to those stipulations or that expire by the passage of time.

COMMUNITY IMPROVEMENT CORPORATION OF LAKE COUNTY

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2001

NOTES (CONTINUED) :

- Permanently Restricted Net Assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of such assets would permit the Organization to use all or part of the income earned on the asset.

There are no permanently restricted funds at December 31, 2001.

FUNCTIONAL ALLOCATION OF EXPENSES

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

USE OF ESTIMATES

The preparation of financial statements in conformity with the modified cash basis accounting principles 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.

DEPRECIATION

CIC depreciates its Property and Equipment over the estimated useful lives of the assets based upon the straight-line method.

TAX STATUS

CIC is a non-profit organization that is tax exempt under Section 501(c)(4) of the Internal Revenue Code.

CONTRIBUTIONS

All contributions are considered unrestricted unless specifically restricted by the donor.

COMMUNITY IMPROVEMENT CORPORATION OF LAKE COUNTY

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2001

NOTES (CONTINUED) :

RENOVATIONS & EQUIPMENT

Maintenance and repairs are charged to operations and expenditures for renewals and improvements and the fair value of donated fixed assets are capitalized. Provision for depreciation of assets is recorded by a charge against operations at rates which amortize the cost of such assets over their lives computed on the straight line method. The depreciable lives of assets generally are 10 years except for computers which are 5 years.

The cost of assets retired or otherwise disposed of and the related accumulated depreciation have been eliminated from the accounts and any resulting gain or loss charged to revenue.

Depreciation expense for each of the years ended December 31, 2001 and 2000 was \$7,574.

MAJOR FUNDING AND CONCENTRATION OF RISK

Major funding is as disclosed in the Statement of Activities (Page 3).

FINANCIAL INSTRUMENTS

The amounts recorded on the Statement of Financial Position for the financial instruments approximates the fair value of those items.

CASH FLOWS

For purposes of reporting cash flows, cash and cash equivalents include cash on hand and amounts on deposit that can be withdrawn on demand or mature within six months. Included in cash are savings and certificates of deposits of approximately \$353,000 in 2001 and \$301,000 in 2000.

NOTE 2. DESCRIPTION OF PROGRAM AND SUPPORTING SERVICES

The following program and supporting services are included in the accompanying financial statements:

PROCUREMENT PROGRAM

This program offers a wide range of services designed to assist business and industry involved in the federal market arena, or those intending to enter. Through several specially designed programs, a general knowledge of how-to-sell to government agencies is provided. The services also include assistance with local government bids, and state bids (Ohio and others).

COMMUNITY IMPROVEMENT CORPORATION OF LAKE COUNTY

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2001

NOTES (CONTINUED) :

SMALL BUSINESS DEVELOPMENT CENTER (SBDC)

SBDC provides a wide range of free management counseling to existing and start-up small businesses in Lake County.

SBA 504

The loan program provides low fixed rate loans, minimal down payment, and long-term incentives for small businesses investing in fixed assets.

ITAC

International Trade Assistance Center provides counseling and support to companies wishing to begin exporting. The Center also supports regional trade missions, conducts training seminars, provides internet research and acts as a clearinghouse for its clients connecting them with all of the export support providers in this region.

ENTERPRISE ZONE

The Enterprise Zone serves as an additional economic development tool for communities attempting to retain and expand their economic base. The Center assists communities in remaining competitive by offering tax incentives for growth and development of new or existing businesses.

SITE SELECTION AND INDUSTRIAL REVENUE BONDS

This program works in cooperation with the local commercial real estate brokers and property owners to keep an updated inventory of available property. The municipalities are providing local tax information and area promotional features for businesses that wish to relocate in the area.

The Industrial Revenue Bond function provides assistance to businesses to obtain financing through the industrial revenue bonds.

WORKFORCE DEVELOPMENT INITIATIVE

A Development Initiative has been established to address the local business community's concerns regarding the availability of skilled labor. Its mission is to raise the appropriate technical skills, employability skills, and educational level of the entry-level technical workforce in Lake County.

COMMUNITY IMPROVEMENT CORPORATION OF LAKE COUNTY

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2001

NOTES (CONTINUED) :

GENERAL AND ADMINISTRATIVE

Includes the functions necessary to maintain an equitable employment program; ensure an adequate working environment; provide coordination and articulation of the Organization's program strategy through the Office of the President; secure proper administrative function of the Board of Directors; maintain competent legal services for the program administration of the Organization; and manage the financial and budgetary responsibilities of the Organization.

NOTE 3. RECLASSIFICATION OF EXPENSES

Certain expense items of the prior year have been reclassified to conform with the December 31, 2001 financial statement presentation.

NOTE 4. OPERATING LEASE COMMITMENTS

In the last quarter of 1998 CIC moved its operations to Lake Erie College. In lieu of rent for 5 years, CIC agreed to renovate its space for a cost of approximately \$156,000. This cost is reported as prepaid rent-current and prepaid rent-long-term on the statement of financial position. The costs of the renovations will be credited by Lake Erie College against rent due each month in the amount of approximately \$2,830 per month or \$33,968 per year. Total prepaid rent at December 31, 2001 is \$33,968.

All other lease commitments are for automobiles and office equipment and are not significant to these financial statements.

CIC has an option to renew the lease at Lake Erie College for an additional five years beginning October 1, 2003 at terms to be agreed upon by both parties.

NOTE 5. PASS THROUGH FUNDS

Funds to other agencies of \$228,977 in 2001 and \$83,940 in 2000 are not reflected in these financial statements as expenditures or income.

COMMUNITY IMPROVEMENT CORPORATION OF LAKE COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED DECEMBER 31, 2001

This schedule of expenditures of federal awards includes the federal grant activity of Community Improvement Corporation of Lake County ("CIC") and is presented on cash expenditures. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic financial statements.

<u>Federal Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Cash Expenditures</u>	
<u>DEPARTMENT OF DEFENSE</u>			
Procurement Technical Assistance (PTA) for Business Firms	12.002	\$ 37,471	
<u>SMALL BUSINESS ADMINISTRATION</u>			
Small Business Development Centers	59.037	158,240	
International Trade Assistance Center		<u>36,951</u>	<u>195,191</u>
			<u>\$232,662</u>

Based on the above expenditures, OMB Circular A-133 does not apply to this audit of the year ended December 31, 2001.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

BOARD OF TRUSTEES
COMMUNITY IMPROVEMENT CORPORATION
OF LAKE COUNTY

We have audited the financial statements of Community Improvement Corporation of Lake County as of and for the year ended December 31, 2001, and have issued our report thereon dated March 12, 2002. 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* by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Community Improvement Corporation of Lake County'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 audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Community Improvement Corporation of Lake County'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.

This report is intended for the information of the audit committee, management, federal awarding agencies, pass-through entities and the State of Ohio, and is not intended to be and should not be used by anyone other than these specified parties.

Willoughby, Ohio
March 12, 2002

Heiser & Jesko

COMMUNITY IMPROVEMENT CORPORATION OF LAKE COUNTY

SCHEDULE OF AUDIT FINDINGS

YEAR ENDED DECEMBER 31, 2001

PRIOR YEAR FINDINGS

There were no prior year findings.

CURRENT YEAR FINDINGS

There were no current year findings.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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COMMUNITY IMPROVEMENT CORPORATION OF LAKE COUNTY

LAKE 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
MAY 9, 2002**