

CANTON COMMUNITY IMPROVEMENT CORPORATION

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2004



**Auditor of State
Betty Montgomery**

Board of Directors
Canton Community Improvement Corporation
218 Cleveland Avenue SW
Canton, Ohio 44702

We have reviewed the Independent Auditor's Report of the Canton Community Improvement Corporation, Stark County, prepared by Brott Mardis & Co., for the audit period January 1, 2004 to December 31, 2004. 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 Canton Community Improvement Corporation is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

May 16, 2005

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CANTON COMMUNITY IMPROVEMENT CORPORATION

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2004

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BROTT MARDIS & CO.

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Canton Community Improvement Corporation

We have audited the accompanying statement of financial position of Canton Community Improvement Corporation (the CIC), a component unit of the City of Canton, as of December 31, 2004, 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 the 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.

As discussed in Note A, the financial statements of the CIC are intended to present the financial position and results of operations of only that portion of the financial reporting entity of The City of Canton that is attributable to the transactions of the CIC. They do not purport to, and do not, present fairly the financial position and results of operations of the City of Canton as of December 31, 2004 in conformity with accounting principles generally accepted in the United States of America.

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, 2004, and the changes in its net assets and its 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 March 29, 2005, on our consideration of the CIC'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. 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 the 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.

Our audit was performed for the purpose of forming an opinion on the basic financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit 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.

A handwritten signature in black ink that reads "Broth Maudis & Co." in a cursive script.

Akron, Ohio
March 29, 2005

CANTON COMMUNITY IMPROVEMENT CORPORATION

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2004

ASSETS

CURRENT ASSETS:

Cash	\$ 67,845
Total current assets	67,845

CAPITAL ASSETS:

Land	21,000
Real estate	413,478
Less accumulated depreciation	48,186
	<u>386,292</u>

Total assets	<u>\$ 454,137</u>
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:

Accounts payable	\$ 5,000
Accrued wages and payroll taxes	5,680
Total current liabilities	10,680

NET ASSETS:

Unrestricted	<u>443,457</u>
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Total liabilities and net assets	<u>\$ 454,137</u>
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See notes to the financial statements.

CANTON COMMUNITY IMPROVEMENT CORPORATION

STATEMENT OF ACTIVITIES

DECEMBER 31, 2004

SUPPORT AND REVENUE:	
Grant funds	\$ 1,049,491
Rental income	40,950
Other program revenue	<u>3,090</u>
Total support and revenue	1,093,531
EXPENSES:	
Program services:	
Economic development grants	481,051
Economic development loans	604,032
Depreciation	6,328
Surveying and other professional fees	<u>360</u>
	<u>1,091,771</u>
Support services:	
Administrative wages and fees	42,906
Payroll taxes	3,333
Workers' compensation insurance	165
Legal and accounting fees	17,081
Bank charges and penalties	1,242
Office expense	349
Miscellaneous	<u>4,402</u>
	<u>69,478</u>
Total expenses	<u>1,161,249</u>
CHANGE IN NET ASSETS	(67,718)
NET ASSETS, BEGINNING OF YEAR	524,175
PRIOR PERIOD ADJUSTMENT:	
overstatement of capital assets	(13,000)
NET ASSETS, BEGINNING OF YEAR, as restated	<u>511,175</u>
NET ASSETS, END OF YEAR	<u><u>\$ 443,457</u></u>

See notes to the financial statements.

CANTON COMMUNITY IMPROVEMENT CORPORATION

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2004

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	\$ (67,718)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:	
Depreciation	6,328
(Increase) decrease in current assets:	
Accounts receivable	83,809
Increase (decrease) in current liabilities:	
Accounts payable	(23,466)
Accrued wages and payroll taxes	<u>1,516</u>
Net cash provided by operating activities	469

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchase of capital assets	<u>(2)</u>
Net cash used in investing activities	<u>(2)</u>

NET INCREASE IN CASH

467

CASH, BEGINNING OF YEAR

67,378

CASH, END OF YEAR

\$ 67,845

SCHEDULE OF NON-CASH INVESTING ACTIVITIES:

Exchange of land held for future use (nonmonetary exchange)	<u><u>\$ 47,000</u></u>
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See notes to the financial statements.

CANTON COMMUNITY IMPROVEMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2004

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of the Entity - Canton Community Improvement Corporation (the CIC), a component unit of the City of Canton, is a non-profit corporation organized under Chapter 1724 of the Ohio Revised Code for the purpose of promoting industrial, economic, commercial and civic development. The CIC has been designated as the City of Canton's agent for industrial and commercial distributions and research development. As agent the CIC disburses loan and grant funds to recipients for economic development projects approved by the Board of Directors. Because the CIC is only acting as agent, the City of Canton retains the loans and collects payments on the loans.

The City of Canton (the City) is a municipal corporation incorporated under the laws of the State of Ohio. In accordance with the Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, the City's financial statements include all organizations, activities and functions which comprise the primary government and those legally separate entities for which the City is financially accountable. Financial accountability is defined as the appointment of a voting majority of the unit's board and either 1) the City's ability to impose its will over the unit, or 2) the possibility that the unit will provide a financial benefit or impose a financial burden to the City. The CIC is a legally separate entity and is reported by the City as a discretely presented component unit in its basic financial statements. The CIC does not include any other units in its presentation.

Basis of Accounting – the financial statements of the CIC are prepared using the accrual basis of accounting.

Capital Assets – Capital assets represent land and buildings donated or transferred to the CIC by the City of Canton to be used in future economic development projects as well as land currently being utilized for an economic development project. The land and buildings have been recorded at their fair value as of the date of the contribution, or at cost if purchased. Capital assets also include buildings being utilized for an economic development project. These buildings are stated at their fair value as of the date of the contribution, or at cost if purchased. Depreciation is computed using the straight-line method over the estimated useful life of the asset.

Program Revenue – Program revenue is derived from a grant passed through from the City of Canton. The grant funds received provide economic development loans and façade improvement grants, as well as administrative expenses of the CIC. Grant revenue is recognized to the extent that expenses eligible for reimbursement under the grant agreement have been incurred during the period.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES(Continued)

Federal Income Tax – Canton Community Improvement Corporation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

Estimates – The preparation of financial statements, in conformity with U.S. generally accepted 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 support, revenues and expenses during the reporting period. Actual results could differ from these estimates.

B. CAPITAL ASSETS AND PRIOR PERIOD ADJUSTMENT

A summary of changes in capital assets follows:

	Balance 1/1/2004	Prior Period Adjustment	Restated 1/1/2004	Additions	Disposals	Balance 12/31/2004
Land	\$ 33,650	\$ (12,650)	\$ 21,000	\$ -	\$ -	\$ 21,000
Land held for future use	142,471	5	142,476	47,001	47,000	142,477
Buildings	271,000	-	271,000	1	-	271,001
Scale housing	3,150	(3,150)	-	-	-	-
	<u>\$ 450,271</u>	<u>\$ (15,795)</u>	<u>\$ 434,476</u>	<u>\$ 47,002</u>	<u>\$ 47,000</u>	<u>\$ 434,478</u>

A summary of changes in accumulated depreciation follows:

	Balance 1/1/2004	Prior Period Adjustment	Restated 1/1/2004	Additions	Disposals	Balance 12/31/2004
Buildings	\$ 41,858	\$ -	\$ 41,858	\$ 6,328	\$ -	\$ 48,186
Scale housing	2,795	(2,795)	-	-	-	-
	<u>\$ 44,653</u>	<u>\$ (2,795)</u>	<u>\$ 41,858</u>	<u>\$ 6,328</u>	<u>\$ -</u>	<u>\$ 48,186</u>

The beginning balance of net assets has been restated for a prior period accounting error. This was due to property (capital assets) recorded on the December 31, 2003 financial statements that was owned by the City of Canton, not the CIC. The effect of this correction of an accounting error resulted in a decrease in beginning net assets of \$13,000.

C. COMMITMENTS

The Board of Directors of the CIC has approved various loans and grants that the CIC has yet to disburse. The borrowers must meet certain criteria documented in the loan agreements before they can receive these funds. The CIC was committed to eight loans and grants totaling \$659,979 at December 31, 2004.

D. CONCENTRATIONS

The CIC received 96% of revenue from the U.S. Department of Housing and Urban Development passed through from the City of Canton. A significant reduction in the level of these revenues, if this were to occur, would have a material effect on the CIC's programs and activities.

The CIC maintains its cash in a bank. This balance is insured by the Federal Deposit Insurance Corporation for up to \$100,000. At times throughout the year, the balance in this account may exceed federally insured limits. The CIC has not experienced any losses in this account, and management of the CIC believes it is not exposed to any significant credit risk on its cash.

E. DONATED FACILITIES AND SERVICES

The City of Canton provides the CIC with office space and various office services without charge. The value of the donated facilities is not recognized in the accompanying financial statements because no objective basis is available to measure the value of the donated facilities.

F. NONMONETARY TRANSACTIONS

During the year ended December 31, 2004, the CIC engaged in an exchange of a nonmonetary asset with another not-for-profit organization. This exchange qualified as a like-kind exchange as defined by Accounting Principles Board (APB) Opinion 29. The CIC exchanged land held for future use with a net book value of \$47,000 for another parcel of land held for future use. In accordance with APB 29, the land held for future use received by the CIC is recorded at the same net book value as the land held for future use given up by the CIC.

G. OPERATING LEASE

The CIC leases property with a book value of \$1 to a local Canton business. The lease is for a five year term ending June 30, 2009, with an option to be renewed by the lessee for another five year term. Future minimum rental payments to be received over the next five years are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2005	\$ 21,300
2006	21,900
2007	22,500
2008	23,100
2009	11,700
	<u>\$ 100,500</u>

CANTON COMMUNITY IMPROVEMENT CORPORATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED DECEMBER 31, 2004

<u>FEDERAL GRANTOR/PASS-THROUGH ENTITY/PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>FEDERAL EXPENDITURES</u>
U.S. Department of Housing and Urban Development Pass-through from City of Canton Community Development Block Grant	14.218	\$ <u>1,049,491</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS		\$ <u><u>1,049,491</u></u>

Note A. Basis of Presentation

The above schedule of expenditures of federal awards includes the federal grant activity of the Organization and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

SUPPLEMENTAL DATA



BROTT MARDIS & CO.

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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*

Board of Directors
Canton Community Improvement Corporation

We have audited the financial statements of Canton Community Improvement Corporation (the CIC), a component unit of the City of Canton, as of and for the year ended December 31, 2004, and have issued our report thereon dated March 29, 2005. 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

In planning and performing our audit, we considered the CIC'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 an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the CIC's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as item 2004-002.

A material weakness is a reportable 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 caused by error or fraud in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions, and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, the reportable condition described above is also considered a material weakness.

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 the Board of Directors, management, and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.


Akron, Ohio
March 29, 2005



BROTT MARDIS & CO.

Certified Public Accountants

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Directors
Canton Community Improvement Corporation

Compliance

We have audited the compliance of Canton Community Improvement Corporation (the CIC), a component unit of the City of Canton, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2004. The CIC's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contract, and grants applicable to each of its major federal programs is the responsibility of the CIC's management. Our responsibility is to express an opinion on the CIC's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the CIC's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the CIC's compliance with those requirements.

In our opinion, the CIC complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2004.

Internal Control Over Compliance

The management of the CIC is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the CIC's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable 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 noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program 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 compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Board of Directors, management, and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.



Akron, Ohio
March 29, 2005

CANTON COMMUNITY IMPROVEMENT CORPORATION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED DECEMBER 31, 2004

SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of the CIC.
2. One material weakness was disclosed during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of the CIC were disclosed during the audit.
4. One reportable condition was disclosed during the audit of the major federal award programs.
5. The auditor's report on compliance for the major federal award programs for the CIC expresses an unqualified opinion on all major federal programs.
6. No audit findings relative to the major federal award programs for the CIC are reported in this Schedule.
7. The program tested as the major program was the U.S. Department of Housing and Urban Development Community Development Block Grant – CFDA # 14.218.
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. The CIC was determined to be a low-risk auditee.

FINDINGS - FINANCIAL STATEMENT AUDIT

See accompanying schedule of findings.

FINDINGS AND QUESTIONED COSTS - FEDERAL AWARDS

None

CANTON COMMUNITY IMPROVEMENT CORPORATION

SCHEDULE OF FINDINGS

YEAR ENDED DECEMBER 31, 2004

FINDINGS - FINANCIAL STATEMENT AUDIT

Material Weakness

FINDING NUMBER 2004-002

- Condition:* Certain properties previously reported on the books of the CIC were discovered to be owned by the City of Canton, not the CIC, during those previous years. Additionally, multiple property transactions are occurring that are not recorded in the minutes of the Board of Directors or the financial statements.
- Criteria:* The CIC should have internal controls in place to assure that all properties acquired or sold on behalf of and owned by the CIC are accurately documented and recorded in the financial statements.
- Effect:* The CIC's property, as reported for the year ended December 31, 2003, was materially misstated, resulting in a prior period adjustment for a correction of an error.
- Recommendation:* The CIC needs to be in direct communication with the City of Canton's Department of Community Economic Development and Planning, regarding all property acquired or sold on behalf of the CIC. In order to achieve this communication goal, we recommend that the City's Department of Community Economic Development and Planning provide quarterly schedules of property and transactions to the CIC and its board members. This will enable the CIC to accurately report property in the financial statements. Also, all property transactions need to be discussed by the Board of Directors and appropriately recorded in the minutes of the meetings of the Board of Directors.



**Auditor of State
Betty Montgomery**

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CANTON COMMUNITY IMPROVEMENT CORPORATION

STARK 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 26, 2005**