

**COMMUNITY IMPROVEMENT
CORPORATION OF LAKE COUNTY**

LAKE COUNTY, OHIO

AUDIT REPORT

FOR THE YEAR ENDED DECEMBER 31, 2006

(WITH COMPARATIVE TOTALS FOR 2005)

Charles E. Harris and Associates, Inc.
Certified Public Accountants and Government Consultants



Mary Taylor, CPA

Auditor of State

Board of Directors
Community Improvement Corporation of Lake County
391 West Washington
Painesville, Ohio 44077

We have reviewed the *Report of Independent Accountants* of the Community Improvement Corporation of Lake County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2006 through December 31, 2006. 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.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

June 21, 2007

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COMMUNITY IMPROVEMENT CORPORATION OF LAKE COUNTY
LAKE COUNTY, OHIO
Audit Report
For the Year Ended December 31, 2006

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REPORT OF INDEPENDENT ACCOUNTANTS

Community Improvement Corporation of Lake County
301 W. Washington Street
Painesville, Ohio 44077

To the Board of Directors:

We have audited the accompanying statement of financial position of the Community Improvement Corporation of Lake County (CIC-LC) (a nonprofit organization) as of December 31, 2006 and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the CIC-LC's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the CIC-LC as of and for the year ended December 31, 2005 were audited by other auditors whose report dated May 4, 2006, expressed an unqualified opinion on those statements.

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 basic financial statements referred to above present fairly, in all material respects, the financial position of the CIC-LC as of December 31, 2006, and the changes in its net assets, in its cash flows, and in its functional expenses, 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 May 21, 2007 on our consideration of the CIC-LC'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 read in conjunction with this report in considering the results of our audit.

Charles E. Harris & Associates, Inc.
May 21, 2007

COMMUNITY IMPROVEMENT CORPORATION OF LAKE COUNTY
STATEMENT OF FINANCIAL POSITION
December 31, 2006
(With Comparative Totals for 2005)

	2006	2005
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 404,126	\$ 470,962
Grants and Contributions Receivable	82,226	104,789
Other Current Assets	644	-
Total Current Assets	486,996	575,751
PROPERTY AND EQUIPMENT - AT COST		
Furniture and Fixtures	43,396	43,396
Less: Accumulated Depreciation	43,396	43,396
Total Property and Equipment	-	-
OTHER ASSETS		
Revolving Loan Fund (Note 3)		
Cash	89,043	82,723
Loans Receivable	65,294	75,119
Total Other Assets	154,337	157,842
TOTAL ASSETS	\$ 641,333	\$ 733,593
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current Position of Note Payable (Note 6)	\$ 5,543	\$ 4,200
Accounts Payable	12,363	5,404
Accrued Payroll	16,000	12,090
Accrued Expenses	270	6,259
Funds Due Other Agencies	-	26,257
Total Current Liabilities	34,176	54,210
NOTE PAYABLE - Long-Term (Note 6)	50,444	57,118
Total Liabilities	84,620	111,328
NET ASSETS (Notes 1 and 8)		
Unrestricted	402,376	441,423
Temporarily Restricted	154,337	180,842
Total Net Assets	556,713	622,265
TOTAL LIABILITIES AND NET ASSETS	\$ 641,333	\$ 733,593

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

COMMUNITY IMPROVEMENT CORPORATION OF LAKE COUNTY

STATEMENT OF ACTIVITIES
 YEAR ENDED DECEMBER 31, 2006
 (With Comparative Totals for 2005)

	Temporarily Restricted	Unrestricted	2006	2005
PUBLIC SUPPORT AND REVENUE				
PUBLIC SUPPORT:				
Small Business Development Center		\$ 108,816	\$108,816	\$114,536
Procurement Technical Assistance Center (Net of Pass-Through Grants - Note 7)		98,201	98,201	88,477
Lake County Commissioners Membership		88,950	88,950	88,950
Lake County Small Business Assistance Center		69,350	69,350	70,300
Donated Services and Rent		75,000	75,000	50,000
Third Frontier (Note 5)		51,557	51,557	41,961
Revolving Loan Fund, Microloan and Fees (Note 3)		11,804	11,804	32,608
Port Authority		-	-	25,000
Other		10,000	10,000	20,000
Team NEO	\$ 13,000	9,088	9,088	9,790
		-	13,000	-
 Total Public Support	13,000	522,766	535,766	541,622
 NET ASSETS RELEASED FROM RESTRICTION	(43,863)	43,863	-	-
 REVENUES:				
Lake County Small Business Assistance Center (SBA) and Enterprise Zone Fees	-	23,588	23,588	54,093
Other Fees and Income	-	12,525	12,525	10,988
Interest Income	4,358	8,174	12,532	9,610
 Total Revenues	4,358	44,287	48,645	74,691
 TOTAL PUBLIC SUPPORT AND REVENUES	(26,505)	610,916	584,411	616,313
 EXPENSES				
PROGRAM:				
Small Business Development Center and International Trade Assistance Center	-	229,987	229,987	238,864
Procurement Program	-	199,244	199,244	154,323
Enterprise Zone & Other	-	38,473	38,473	53,072
SBA 504	-	3,957	3,957	31,280
Revolving Loan Fund	-	22,869	22,869	21,981
 Total Program Expenses	-	494,530	494,530	499,520
 General and Administrative	-	155,433	155,433	135,741
 TOTAL EXPENSES	-	649,963	649,963	635,261
 CHANGE IN NET ASSETS	(26,505)	(39,047)	(65,552)	(18,948)
 NET ASSETS - BEGINNING OF YEAR	180,842	441,423	622,265	641,213
 NET ASSETS - END OF YEAR	\$ 154,337	\$ 402,376	\$556,713	\$622,265

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

COMMUNITY IMPROVEMENT CORPORATION OF LAKE COUNTY
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2006
(With Comparative Totals for 2005)

	2006	2005
CASH FLOW FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (65,552)	\$ (18,948)
Adjustments to Reconcile Change in Net Assets to Cash Provided by (Used by) Operating Activities:		
Changes in Assets & Liabilities:		
Decrease (Increase) in Receivables	21,919	(27,254)
Decrease (Increase) in Revolving Loan Fund	9,824	(54,644)
Increase (Decrease) in Liabilities	(21,376)	41,410
Total Adjustments	10,367	(40,488)
Net Cash Provided by (Used by) Operating Activities	(55,185)	(59,436)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Small Business Loan	-	31,333
Payments on Small Business Loan	(5,331)	(748)
Net Cash Provided by Financing Activities	(5,331)	30,585
NET INCREASE (DECREASE) IN CASH	(60,516)	(28,851)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	553,685	582,536
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 493,169	\$ 553,685

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

COMMUNITY IMPROVEMENT CORPORATION OF LAKE COUNTY
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2006
(With Comparative Totals For 2005)

	SBCD & ITAC	Procurement Program	Enterprise Zone & Other	SBA 504	Revolving Loan Program	Total Programs	General & Administrative	2006 TOTAL	2005 TOTAL
Personnel Costs	\$ 99,816	\$ 113,438	\$ 27,065	\$ 2,969	\$ 14,784	\$ 258,072	\$ 48,501	\$ 306,573	\$ 349,965
Contract and Consulting Services	66,243	15,636	7,204	-	-	89,083	59,128	148,211	115,857
Occupancy	32,276	39,035	-	-	-	71,311	5,644	76,955	39,698
Travel and Conference	5,956	21,427	129	222	51	27,785	4,734	32,519	38,776
Professional Fees	4,287	3,037	-	-	-	7,324	12,040	19,364	24,242
Computer	9,359	1,822	1,880	-	-	13,061	3,883	16,944	16,234
Office and Miscellaneous	2,985	537	327	-	7,700	11,549	4,824	16,373	12,153
Printing and Copier	4,580	3,039	322	-	-	7,941	2,327	10,268	10,935
Automobile	57	-	-	-	-	57	4,992	5,049	5,064
Special Events - Other	-	-	-	-	-	-	4,835	4,835	3,238
Telephone	1,245	1,188	845	-	-	3,278	815	4,093	6,570
Postage	2,350	65	101	729	24	3,269	-	3,269	4,690
Advertising	-	-	-	-	310	310	2,848	3,158	6,186
Dues and Subscriptions	833	20	600	37	-	1,490	862	2,352	1,653
Total	<u>\$ 229,987</u>	<u>\$ 199,244</u>	<u>\$ 38,473</u>	<u>\$ 3,957</u>	<u>\$ 22,869</u>	<u>\$ 494,530</u>	<u>\$ 155,433</u>	<u>\$ 649,963</u>	<u>\$ 635,261</u>

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

COMMUNITY IMPROVEMENT CORPORATION OF LAKE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF OPERATION AND MISSION STATEMENT

Community Improvement Corporation of Lake County (CIC-LC) was incorporated in 1963, for the purpose of advancing, encouraging and promoting the industrial, economic commercial and civic development of the County of Lake and the municipal corporations located therein for the industrial, commercial, distribution and research development in such political subdivisions in accordance with Section 1724.03 of the Ohio Revised Code.

CIC-LC's website address is www.lakecountyohio.org/cic.

The Lake County Economic Development Center (LCEDC) was established in 1985 as a committee of CIC-LC to address the economic growth of Lake County and an increased standard of living for its residents. The mission of LCEDC is to continually monitor, analyze and foster the economic development growth of Lake County in partnership with public and private community leaders.

LCEDC's website address is www.lcedc.org.

COMPARATIVE STATEMENTS

The financial statements include certain prior-year (2005) comparative total amounts. Such total amounts do not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States. Accordingly, such amounts should be read in conjunction with the CIC-LC's financial statements for the year ended December 31, 2005, from which the comparative total amounts were derived. The previous auditor's report dated May 4, 2006 expressed an unqualified opinion on those financial statements.

BASIS OF ACCOUNTING

The CIC-LC follows standards of accounting and financial reporting prescribed for not-for-profit CIC-LCs. It uses the accrual basis of accounting, which recognizes revenues when earned and expenses when incurred.

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:

COMMUNITY IMPROVEMENT CORPORATION OF LAKE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- **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 CIC-LC pursuant to those stipulations or that expire by the passage of time.
- **Permanently Restricted Net Assets** – Net assets subject to donor-imposed stipulations that they be maintained permanently by the CIC-LC. Generally, the donors of such assets would permit the CIC-LC to use all or part of the income earned on the asset.

There are no permanently restricted funds at December 31, 2006.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of amounts on deposit with commercial banks and interest bearing and non-interest bearing accounts, all available within 90 days following demand.

CONCENTRATIONS OF CREDIT RISK

Financial instruments, which potentially subject CIC-LC to concentrations of credit risk, consist primarily of periodic temporary investments of excess cash. The CIC-LC places its temporary excess cash in high quality financial institutions. Portions of these investments are in excess of the Federal Deposit Insurance Corporation (FDIC) limit. At December 31, 2006, the CIC-LC had \$76,576 in total deposits at one bank in excess of the FDIC limit. The CIC-LC has not experienced any losses on such accounts and believes it is not exposed to any significant credit risk on cash and short-term investments.

LOANS RECEIVABLE

Loans receivable are stated at the amount management expects to collect from balances outstanding at year-end. Based on management's assessment of the credit history with clients having outstanding balances and current relationships with them, it has concluded that realization losses on balances outstanding at year-end will be immaterial.

COMMUNITY IMPROVEMENT CORPORATION OF LAKE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

PROPERTY AND EQUIPMENT

Maintenance and repairs are charged to operations and expenditures for renewals and improvements and the fair value of donated fixed assets are capitalized. The CIC-LC follows their grant guidelines and capitalizes fixed assets over \$5,000. 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 depreciation 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 has been eliminated from the accounts and any resulting gain or loss charged to revenue.

DEPRECIATION

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

As of December of 2004 Property and Equipment was completely depreciated.

MAJOR FUNDING

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

CONTRIBUTIONS

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

CONTRIBUTED SERVICES

SFAS 116 states that for donated services to be recognized in the financial statements, the services must either (a) create or enhance non-financial assets or (b) be specialized skills, provided by entities or persons possessing those skills, that would be purchased if not donated.

COMPENSATED ABSENCES

Employees of CIC-LC are entitled to paid vacations, sick days and personal days off depending on job classification, length of service and other factors. CIC-LC's policy is to recognize the costs of compensated absences when actually paid to employees. The effect of this method instead of accruing these costs is minimal in 2006 and 2005.

COMMUNITY IMPROVEMENT CORPORATION OF LAKE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ADVERTISING COSTS

Advertising costs are expended when incurred. Advertising expense for the years ended December 31, 2006 and 2005 amounted to \$3,158 and \$6,186, respectively.

INCOME TAX STATUS

CIC-LC is incorporated as a not-for-profit CIC-LC under Chapters 1702 and 1724 of the Ohio Revised Code, is exempt from federal income taxes under Internal Revenue Code Section 501©(4), and is not considered a private foundation under Section 509(a)(2).

FUNCTIONAL ALLOCATION OF EXPENDITURES

The costs of providing the various programs and activities have been summarized on the 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 accounting principles generally accepted in the United States requires management to make estimates and assumptions that effect 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.

A number of volunteers have donated significant amounts of their time assisting CIC-LC with programs, management and internal functions and various committee assignments. These donated services have not been recognized in the accompanying statement of changes in net assets because the criteria for recognition of such volunteer efforts under SFAS 116 have not been satisfied.

RELATED PARTIES

Members of the Board include officers of lending institutions who may be a party to the loan agreement with an applicant. CIC-LC's policy is for those applicable board members to abstain from voting on approval of these applications.

COMMUNITY IMPROVEMENT CORPORATION OF LAKE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

2. DESCRIPTION OF PROGRAM AND SUPPORTING SERVICES

PROGRAMS

- **Small Business Development Center (SDBC)** – SDBC provides a wide range of free management counseling to existing and start-up small businesses in Lake County.
- **International Trade Assistance Center (ITAC)** – ITAC 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.
- **Procurement Technical Assistance Center (PTAC)** – This program offers a wide range of services designed to assist business and industry involved in the federal market area, 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).
- **Enterprise Zone** – The Enterprise Zone serves as an additional economic development tool for communities in Lake County 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.
- **SBA 504** – The Loan program provides low fixed rate loans, minimal down payments, and long-term incentives for small businesses investing in fixed assets.
- **Revolving Loan Fund** – See Note 3.
- **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
FOR THE YEAR ENDED DECEMBER 31, 2006

2. DESCRIPTION OF PROGRAM AND SUPPORTING SERVICES (CONTINUED)

- **Site Selection and Industrial Development 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 Development Revenue Bond function provides assistance to businesses to obtain financing through the industrial development revenue bonds.

GENERAL AND ADMINISTRATIVE

Includes the functions necessary to maintain an equitable employment program; ensure an adequate working environment; provide coordination and articulation of the CIC-LC'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 CIC-LC; and manage the financial and budgetary responsibilities of the CIC-LC.

3. REVOLVING LOAN FUND

The CIC-LC received \$ -0- (2006) and \$57,979 (2005) in public and private funds for its Revolving Loan Fund (RLF) program. Loans of up to \$20,000 are disbursed to credit-worthy businesses on varying terms, with interest approximating the prime rate. Loans outstanding at December 31 were \$65,294 (2006) and \$75,119 (2005).

4. OPERATING LEASE COMMITMENTS

In the last quarter of 1998, CIC-LC moved its operations to Lake Erie College (Painesville, Ohio). In lieu of rent for 5 years, CIC-LC agreed to renovate its space for a cost of approximately \$156,000. The costs of the renovations were credited to Lake Erie College against rent due each month in the annual amount of \$33,968. Prepaid rent became fully expired during 2003.

The lease was verbally renewed as contributed rent on a month-to-month basis beginning October 1, 2003 and ending on September 30, 2005.

CIC-LC entered into a three-year lease with Lake Erie College, commencing on October 1, 2005, for its offices in Painesville, Ohio for \$2,755 per month. Total rent expense for the year ended December 31, 2006, was \$33,064.

COMMUNITY IMPROVEMENT CORPORATION OF LAKE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

4. OPERATING LEASE COMMITMENTS (CONTINUED)

Minimum annual payments under this lease for the next two years are as follows:

2007	\$33,064
2008	\$24,798

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

5. THIRD FRONTIER PROGRAM

CIC-LC is the recipient of a “purchase of services” cost-reimbursement contract from the Ohio Department of Job and Family Services (ODJFS), under the Ohio Third Frontier Program. Funds are available for reimbursing area businesses for up to \$3,000 per eligible intern.

Grant details:

	2006	2005
Maximum Grant	\$ 49,500	\$ 33,000
Number of Interns	15	10
Administrative Fee	\$ 4,500	\$ 3,000

The contract was renewed through June 30, 2007.

6. NOTE PAYABLE – SMALL BUSINESS ADMINISTRATION (SBA)

The CIC-LC obtained a note payable with the U.S. Small Business Administration, as part of its microloan program. The proceeds, of which one-third of the total was advanced in 2005 and one-third in 2004, will be used to provide financial assistance to eligible low-income individuals, minority entrepreneurs and other small businesses. The final one-third has not been advanced as of December 31, 2006.

The advances on the note accrue interest at 1.75% for the first year and will be retained or increased two (2) additional percentage points in the second year based on the average size of microloans issued by CIC-LC.

COMMUNITY IMPROVEMENT CORPORATION OF LAKE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

6. NOTE PAYABLE – SMALL BUSINESS ADMINISTRATION (SBA) (CONTINUED)

Principal payments for the 2005 and 2004 advances began November 1, 2005, and will be amortized with the first year's accrued interest over a nine (9) year period.

Maturities of long-term debt are as follows:

2007	\$	5,543
2008		5,758
2009		5,993
2010		6,231
2011		6,479
2012 - 2015		<u>25,983</u>
		<u>\$ 55,987</u>

7. PASS-THROUGH GRANTS

Grants received and subsequently passed through to subcontractor were subtracted from the Statement of Activities. During 2006, the only pass-through grant received was for the Procurement Technical Assistance Center in the amount of \$15,107.

8. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at December 31, 2006 and 2005 are comprised of the following:

	<u>2006</u>	<u>2005</u>
Revolving Loan Fund	\$ 154,337	\$ 157,842
Team NEO	<u>-</u>	<u>23,000</u>
Total	<u>\$ 154,337</u>	<u>\$ 180,842</u>

9. RETIREMENT PLAN

CIC-LC has a Simple IRA covering employees over age 21 with one year of service. Annual contributions are limited to matching employee contributions of up to three (3) percent of the employee's salary. Pension expense under this plan amounted to \$6,558 (2006) and \$7,871 (2005).

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

Community Improvement Corporation of Lake County
301 W. Washington Street
Painesville, Ohio 44077

To the Board of Directors:

We have audited the financial statements of Community Improvement Corporation of Lake County (CIC-LC)(a nonprofit CIC-LC) as of and for the year ended December 31, 2006, and have issued our report thereon dated May 21, 2007. 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 Community Improvement Corporation of Lake County'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 Community Improvement Corporation of Lake County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the CIC-LC's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the CIC-LC's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the CIC-LC's financial statements that is more than inconsequential will not be prevented or detected by the CIC-LC's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the CIC-LC's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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.

Compliance and Other Matters

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 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, the audit committee, the Board of Directors, and is not intended to be and should not be used by anyone other than these specified parties.

Charles E. Harris & Associates, Inc.

May 21, 2007

SCHEDULE OF PRIOR AUDIT FINDINGS

The prior audit report, for the year ending December 31, 2005, reported no material citations or recommendations.



Mary Taylor, CPA
Auditor of State

**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
JULY 3, 2007**