

**COMMUNITY IMPROVEMENT
CORPORATION OF LAKE COUNTY**

LAKE COUNTY, OHIO

AUDIT REPORT

FOR THE YEAR ENDED DECEMBER 31, 2007

(WITH COMPARATIVE TOTALS FOR 2006)

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
301 W. Washington Street
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, 2007 through December 31, 2007. 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

September 4, 2008

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COMMUNITY IMPROVEMENT CORPORATION OF LAKE COUNTY
LAKE COUNTY, OHIO
AUDIT REPORT
FOR THE YEAR ENDED DECEMBER 31, 2007

TABLE OF CONTENTS

<u>Title</u>	<u>Page</u>
Report of Independent Accountants	1
Statement of Financial Position	2
Statement of Activities	3
Statement of Cash Flows	4
Statement of Functional Expenses	5
Notes to the Financial Statements	6 - 14
Report on Internal Control over Financial Reporting and on Compliance And Other Matters Based on an Audit of Financial Statements Required by <i>Government Auditing Standards</i>	15 - 16
Schedule of Prior Audit Findings	17

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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 and for the year ended December 31, 2007 and the related Statements of Activities, Functional Expenses and the Statement of 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 prior year summarized comparative information has been derived from the 2006 financial statements and, in our report dated May 21, 2007, we expressed an unqualified opinion on those financial 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 financial statements referred to above present fairly, in all material respects, the financial position of the CIC-LC as of December 31, 2007, 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 June 25, 2008 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.
June 25, 2008

COMMUNITY IMPROVEMENT CORPORATION OF LAKE COUNTY

STATEMENT OF FINANCIAL POSITION

December 31, 2007

(With Comparative Totals for 2006)

	<u>2007</u>	<u>2006</u>
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 249,798	\$ 404,126
Grants and Contributions Receivable	80,132	82,226
Other Current Assets	300	644
Total Current Assets	<u>330,230</u>	<u>486,996</u>
PROPERTY AND EQUIPMENT - AT COST		
Furniture and Fixtures	43,396	43,396
Less: Accumulated Depreciation	<u>43,396</u>	<u>43,396</u>
Total Property and Equipment	-	-
OTHER ASSETS		
Revolving Loan Fund (Note 3)		
Cash	101,431	89,043
Loans Receivable	<u>47,817</u>	<u>65,294</u>
Total Other Assets	<u>149,248</u>	<u>154,337</u>
TOTAL ASSETS	<u><u>\$ 479,478</u></u>	<u><u>\$ 641,333</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current Position of Note Payable (Note 6)	\$ 5,758	\$ 5,543
Accounts Payable	11,937	12,363
Accrued Payroll	1,277	16,000
Accrued Expenses	55	270
Funds Due Lake County Port Authority	256,475	-
Funds Due Others	<u>30,000</u>	<u>-</u>
Total Current Liabilities	305,502	34,176
NOTE PAYABLE - Long-Term (Note 6)	<u>41,952</u>	<u>50,444</u>
Total Liabilities	347,454	84,620
NET ASSETS (Notes 1 and 8)		
Unrestricted	30,486	402,376
Temporarily Restricted	<u>101,538</u>	<u>154,337</u>
Total Net Assets	<u>132,024</u>	<u>556,713</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 479,478</u></u>	<u><u>\$ 641,333</u></u>

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, 2007
 (With Comparative Totals for 2006)

	Temporarily Restricted	Unrestricted	2007	2006
PUBLIC SUPPORT AND REVENUE				
PUBLIC SUPPORT:				
Small Business Development Center	-	\$ 59,510	\$ 59,510	\$108,816
Procurement Technical Assistance Center	-	97,388	97,388	98,201
Lake County Commissioners	-	88,950	88,950	88,950
Membership	-	63,625	63,625	69,350
Lake County Small Business Assistance Center	-	94,775	94,775	75,000
Donated Services and Rent	-	64,967	64,967	51,557
Third Frontier (Note 5)	-	23,946	23,946	11,804
Port Authority	-	46,801	46,801	10,000
Special Events	-	4,000	4,000	-
Other	-	5,191	5,191	9,088
Team NEO	-	-	-	13,000
	<hr/>	<hr/>	<hr/>	<hr/>
Total Public Support	-	549,153	549,153	535,766
NET ASSETS RELEASED FROM RESTRICTION	\$ (56,033)	56,033	-	-
REVENUES:				
Lake County Small Business Assistance Center (SBA) and Enterprise Zone Fees	-	24,278	24,278	23,588
Other Fees and Income	-	19,640	19,640	12,525
Interest Income	3,234	5,568	8,802	12,532
	<hr/>	<hr/>	<hr/>	<hr/>
Total Revenues	3,234	49,486	52,720	48,645
TOTAL PUBLIC SUPPORT AND REVENUES	(52,799)	654,672	601,873	584,411
EXPENSES				
PROGRAM:				
Small Business Development Center and International Trade Assistance Center	-	202,592	202,592	229,987
Procurement Program	-	212,678	212,678	199,244
Enterprise Zone & Other	-	46,849	46,849	38,473
SBA 504	-	5,947	5,947	3,957
Revolving Loan Fund	-	4,850	4,850	22,869
Cash Assets Transferred to Lake County Port Authority	-	408,588	408,588	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total Program Expenses	-	881,504	881,504	494,530
General and Administrative	-	145,058	145,058	155,433
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL EXPENSES	-	1,026,562	1,026,562	649,963
CHANGE IN NET ASSETS	(52,799)	(371,890)	(424,689)	(65,552)
NET ASSETS - BEGINNING OF YEAR	154,337	402,376	556,713	622,265
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NET ASSETS - END OF YEAR	\$ 101,538	\$ 30,486	\$ 132,024	\$556,713
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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, 2007
(With Comparative Totals for 2006)

	<u>2007</u>	<u>2006</u>
CASH FLOW FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (424,689)	\$ (65,552)
Adjustments to Reconcile Change in Net Assets to Cash Provided by (Used by) Operating Activities:		
Changes in Assets & Liabilities:		
Decrease (Increase) in Receivables	2,438	21,919
Decrease (Increase) in Revolving Loan Fund	17,477	9,824
Increase (Decrease) in Liabilities	<u>271,112</u>	<u>(21,376)</u>
Total Adjustments	<u>291,027</u>	<u>10,367</u>
Net Cash Provided by (Used by) Operating Activities	(133,662)	(55,185)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on Small Business Loans	<u>(8,278)</u>	<u>(5,331)</u>
Net Cash Provided by Financing Activities	<u>(8,278)</u>	<u>(5,331)</u>
NET INCREASE (DECREASE) IN CASH	(141,940)	(60,516)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>493,169</u>	<u>553,685</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 351,229</u></u>	<u><u>\$ 493,169</u></u>

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, 2007
(With Comparative Totals For 2006)

	<u>SBCD & ITAC</u>	<u>Procurement Program</u>	<u>Enterprise Zone & Other</u>	<u>SBA 504</u>	<u>Revolving Loan Program</u>	<u>Total Programs</u>	<u>General & Administrative</u>	<u>2007 TOTAL</u>	<u>2006 TOTAL</u>
Personnel Costs	\$ 102,559	\$ 119,403	\$ 22,041	\$ 4,258	\$ 4,389	\$ 252,650	\$ 90,293	\$ 342,943	\$ 306,573
Contract and Consulting Services	43,526	37,711	19,387	272	-	100,896	4,093	104,989	148,211
Occupancy	37,042	36,694	-	-	-	73,736	5,462	79,198	76,955
Travel and Conference	4,165	11,009	143	285	-	15,602	4,025	19,627	32,519
Professional Fees	4,179	2,679	-	-	-	6,858	13,775	20,633	19,364
Computer	2,111	1,000	626	-	-	3,737	961	4,698	16,944
Office and Miscellaneous	2,012	735	-	-	461	3,208	4,335	7,543	16,373
Printing and Copier	3,137	2,007	-	-	-	5,144	6,014	11,158	10,268
Automobile	9	-	-	10	-	19	6,127	6,146	5,049
Special Events - Other	-	-	-	-	-	-	5,113	5,113	4,835
Telephone	1,113	1,124	738	-	-	2,975	1,252	4,227	4,093
Postage	2,105	227	178	1,122	-	3,632	99	3,731	3,269
Advertising	-	-	-	-	-	-	2,110	2,110	3,158
Dues and Subscriptions	634	89	3,736	-	-	4,459	1,399	5,858	2,352
Transfer of Assets to Lake County Port Authority	-	-	-	-	-	-	408,588	408,588	-
Total	<u>\$ 202,592</u>	<u>\$ 212,678</u>	<u>\$ 46,849</u>	<u>\$ 5,947</u>	<u>\$ 4,850</u>	<u>\$ 472,916</u>	<u>\$ 553,646</u>	<u>\$ 1,026,562</u>	<u>\$ 649,963</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, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF OPERATION AND MISSION STATEMENT

The 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. The LCEDC will be transferred to the newly formed Lake County Port Authority on January 1, 2008.

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

COMPARATIVE STATEMENTS

The financial statements include certain prior-year (2006) 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, 2006, from which the comparative total amounts were derived. The previous auditor's report dated May 21, 2007 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, 2007

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, 2007.

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 money market checking accounts. 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, 2007, the CIC-LC had \$40,974 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, 2007

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 2007 and 2006.

COMMUNITY IMPROVEMENT CORPORATION OF LAKE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ADVERTISING COSTS

Advertising costs are expended when incurred. Advertising expense for the years ended December 31, 2007 and 2006 amounted to \$2,110 and \$3,158, 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 affects 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, 2007

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. The SDBC program was transferred to the Lake County Port Authority on October 1, 2007.
- **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. The ITAC program was transferred to the Lake County Port Authority on October 1, 2007.
- **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). The PTAC program will be transferred to the Lake County Port Authority on January 1, 2008.
- **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. The Enterprise Zone program will be transferred to the Lake County Port Authority on January 1, 2008.
- **SBA 504** – The Loan program provides low fixed rate loans, minimal down payments, and long-term incentives for small businesses investing in fixed assets. The SBA 504 Loan program will be transferred to the Lake County Port Authority on January 1, 2008.
- **Revolving Loan Fund** – The Revolving Loan program will remain part of CIC of LC. See Note 3.

COMMUNITY IMPROVEMENT CORPORATION OF LAKE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

2. DESCRIPTION OF PROGRAM AND SUPPORTING SERVICES (CONTINUED)

PROGRAMS (continued)

- **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. The Workforce Development Initiative program will be transferred to the Lake County Port Authority on January 1, 2008.
- **Site Selection** – 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 Site Selection program will be transferred to the Lake County Port Authority on January 1, 2008.
- **Industrial Development Revenue Bonds** – The Industrial Development Revenue Bond function provides assistance to businesses to obtain financing through the industrial development revenue bonds. The Industrial Development Revenue Bonds program will remain part of CIC of LC.

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 did not receive any public or private funds for its Revolving Loan Fund (RLF) program in 2007 or 2006. 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 \$47,817 (2007) and \$65,294 (2006).

COMMUNITY IMPROVEMENT CORPORATION OF LAKE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

4. OPERATING LEASE COMMITMENTS

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, 2007, was \$33,064.

As of January 1, 2008 the Lake County Port Authority will be paying the rent to Lake Erie College.

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:

	2007	2006	2005
Maximum Grant	\$ 7,269	\$ 49,500	\$ 33,000
Number of Interns	4	15	10
Administrative Fee	\$ -	\$ 4,500	\$ 3,000

The contract ended 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, were used to provide financial assistance to eligible low-income individuals, minority entrepreneurs and other small businesses. CIC – LC decided not to request the last one-third.

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, 2007

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 including interest are as follows:

2008	\$ 7,668
2009	7,668
2010	7,668
2011	7,668
2012	7,668
2013 - 2014	<u>12,780</u>
	<u><u>\$ 51,120</u></u>

The SBA note will remain with the CIC-LC.

7. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at December 31, 2007 and 2006 are from the Revolving Loan Fund in the amount of \$101,538 and \$154,337 respectively.

8. 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 expenses under this plan amounted to \$6,375 (2007), \$6,558 (2006) and \$7,871 (2005).

COMMUNITY IMPROVEMENT CORPORATION OF LAKE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

9. LAKE COUNTY PORT AUTHORITY

The Board of County Commissioners of the County of Lake, Ohio adopted a resolution on February 22, 2007 creating the Lake County Port Authority (the "Port Authority"), a body corporate and politic and a political subdivision of the State of Ohio, for the purpose of promoting projects that will provide for the creation of jobs and employment opportunities and improving the economic welfare of the residents of County of Lake, as well as encouraging projects to enhance, foster, aid, provide or promote transportation, economic development, housing, recreation, education, governmental operations, culture or research within the territory served by the Port Authority. The Board of Trustees of the Community Improvement Corporation of Lake County (the "CIC") has determined that the purposes of the CIC and the Port Authority are similar and that for the best interests of the residents of the County of Lake, Ohio, and in the best interests of the CIC to allow the activities regarding economic development other than the functions contemplated by Chapter 165 of the Ohio Revised Code now conducted by the CIC to be conducted by the Port Authority in the future.

On September 28, 2007 the Board of Trustees of the CIC voted to transfer assets to the Lake County Port Authority. Transferred will be the resources, assets, programs, including the Lake County Economic Development Center, personnel, responsibilities, other than the functions contemplated by Chapter 165 of the Ohio Revised Code, and liabilities to the Port Authority. The Lake County Port Authority will take over the programs noted in Note 2.

Because some of the liabilities are in the name of the CIC, a portion of the cash to be transferred will be retained by CIC to pay these bills. When the liabilities are met any remaining cash will be transferred to the Port Authority. The CIC has retained \$256,475 of Port Authority money to pay these bills. The total amount transferred to the Port Authority including the amount retained was \$408,588.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS REQUIRED BY 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, 2007, and have issued our report thereon dated June 25, 2008. 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-LC'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-LC'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 CIC-LC'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 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.

June 25, 2008

COMMUNITY IMPROVEMENT CORPORATION OF LAKE COUNTY
FOR THE YEAR ENDED DECEMBER 31, 2007

SCHEDULE OF PRIOR AUDIT FINDINGS

The prior audit report, for the year ending December 31, 2006, 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
SEPTEMBER 30, 2008