

CANTON COMMUNITY IMPROVEMENT
CORPORATION

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2002

This audit report is subject to review and acceptance by the Auditor of State's office, and the requirements of ORC 117.25 are not met until the Auditor of State certifies this report. This process takes approximately two weeks and reports are subject to change if the Auditor of State determines that modification of a report is necessary to comply with required accounting or auditing standards.



**Auditor of State
Betty Montgomery**

Board of Directors
Canton Community Improvement Corporation
218 Cleveland Ave SW 5th Floor
Canton, OH 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, 2002 through December 31, 2002. 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.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

August 19, 2003

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CANTON COMMUNITY IMPROVEMENT CORPORATION

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2002

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BROTT MARDIS & CO.

Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Canton Community Improvement Corporation

We have audited the accompanying statement of fund net assets of Canton Community Improvement Corporation (the Organization) as of December 31, 2002, and the related statement of activities for the year then ended. These financial statements are the responsibility of the Organization'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 provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the fund net assets of the Organization as of December 31, 2002, and its activities 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 5, 2003, on our consideration of the Organization's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants for the year ended December 31, 2002. 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 considering the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information the Governmental Accounting Standards Board requires. We applied limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion thereon.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of the Organization taken as a whole. The accompanying schedule of expenditures of federal awards for the year ended December 31, 2002, 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.


Akron, Ohio
March 5, 2003

Canton Community Improvement Corporation
Management's Discussion and Analysis
For the year ended December 31, 2002

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of Canton Community Improvement Corporation's financial performance provides an overview of the Canton Community Improvement Corporation's financial activities for the year ended December 31, 2002. The intent of this discussion and analysis is to look at the Corporation's financial performance as a whole.

FINANCIAL HIGHLIGHTS

- Total net assets increased \$21,723 or a 7 percent increase over 2001

USING THIS ANNUAL FINANCIAL REPORT

This annual report consists of a series of financial statements and notes to those statements. These statements are prepared and organized so the reader can understand the Canton Community Improvement Corporation as a financial whole. The statements will provide a detailed look at our specific financial condition.

The Statement of Fund Net Assets and Statement of Activities provide information about the activities of the Corporation as a whole and present a longer-term view of the Corporation's finances.

REPORTING OF THE CORPORATION AS A WHOLE

Statement of Fund Net Assets and the Statement of Activities

One of the most important questions asked about the Corporation's finances is, "Is the Corporation as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the Corporation as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. Accrual of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Corporation's net assets and changes in them. You can think of the Corporation's net assets, the difference between assets, what the corporation owns, and liabilities, what the Corporation owes, as one way to measure the Corporation's financial health, or financial position. Over time, increases or decreases in the Corporation's net assets are one indicator of whether its financial health is improving or deteriorating.

The Statement of Fund Net Assets and the Statement of Activities are divided into the following categories:

- Assets
- Liabilities
- Net Assets
- Program Expenses and Revenues
- General Revenue
- Net Assets Beginning of Year and End of Year

THE CORPORATION AS A WHOLE

Recall that the Statement of Net Assets pictures the Corporation as a whole. The following provides a summary of the Corporation's net assets for 2002 compared to 2001.

	2002	2001
Net Assets		
Assets		
Current and Other Assets	\$ 50,954	\$ 257,441
Capital Assets, Net	<u>301,063</u>	<u>305,378</u>
Total Assets	352,017	562,819
Liabilities		
Current and other liabilities	<u>20,482</u>	<u>253,007</u>
Total Liabilities	20,482	253,007
Net Assets		
Invested in Capital Assets, Net of related debt	301,063	305,378
Unrestricted	<u>30,472</u>	<u>4,434</u>
Total Net Assets	331,535	309,812

Total assets decreased by \$210,802 from 2001 to 2002, while the total liabilities decreased by \$232,525. The current liabilities decreased mainly due to the payment of loans and grants initiated in the previous year. Net assets increased \$21,723. For 2002, the Corporation had a good performance year. Operating costs were kept in line with previous years.

GENERAL FUND BUDGETING HIGHLIGHTS

The Corporation has not utilized all money available from The City of Canton due to limitations in the number of projects that meet the criteria for disbursement. The Corporation works diligently to find projects that qualify for CDBG funding. The administrative money allocated to the Corporation is budgeted and spent as budgeted.

CAPITAL ASSETS

There were no increases in capital assets in 2002. Land parcels owned by the Corporation are either being leased or are actively for sale. The Corporation would like to see these properties used for industrial, economic, commercial or civic development.

CURRENT FINANCIAL RELATED ACTIVITIES

The Corporation is financially strong. During 2003, a search for a new administrator will take place and the Corporation will continue its purpose of promoting industrial, economic, commercial and civic development in the Canton area.

CONTACTING THE CORPORATION'S FINANCIAL MANAGEMENT

If you have any questions about this report or need additional information, contact Sheila Barrino, City of Canton Community Economic Development Department.

CANTON COMMUNITY IMPROVEMENT CORPORATION

STATEMENT OF FUND NET ASSETS

DECEMBER 31, 2002

	<u>Governmental Activities</u>
ASSETS:	
Cash	\$ 39,296
Accounts receivable-City of Canton	11,648
Deposit	10
Nondepreciable capital assets	156,321
Depreciable capital assets, net	<u>144,742</u>
 Total assets	 352,017
LIABILITIES:	
Accounts payable	4,399
Accounts payable-City of Canton	12,896
Accrued payroll taxes	<u>3,187</u>
 Total liabilities	 <u>20,482</u>
NET ASSETS:	
Invested in capital assets, net of related debt	301,063
Unrestricted	<u>30,472</u>
	<u>\$ 331,535</u>

See accompanying notes to the basic financial statements.

CANTON COMMUNITY IMPROVEMENT CORPORATION

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2002

		<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental Activities:					
Community development	\$ 945,587	\$ 817	\$ 583,440	\$ 379,209	\$ 17,879
Total governmental activities	<u>\$ 945,587</u>	<u>\$ 817</u>	<u>\$ 583,440</u>	<u>\$ 379,209</u>	<u>17,879</u>
			<u>General Revenues:</u>		
			Interest earned		158
			Miscellaneous		<u>3,686</u>
			Total general revenues		<u>3,844</u>
			Change in net assets		21,723
			Net assets - beginning of year		<u>309,812</u>
			Net assets - end of year		<u>\$ 331,535</u>

See accompanying notes to the basic financial statements.

CANTON COMMUNITY IMPROVEMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2002

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of the Entity - Canton Community Improvement Corporation (the CIC) 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, 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.

Capital Assets – Nondepreciable capital assets represent land and buildings donated 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. Depreciable capital assets represent buildings being utilized for an economic development project. These buildings are stated at their fair value as of the date of the contribution less accumulated depreciation. 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.

Accounts receivable consists of grant funds due from the City of Canton. No allowance is considered necessary.

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

B. CAPITAL ASSETS

A summary of changes in capital assets follows:

	Balance 1/1/2002	Additions	Disposals	Balance 12/31/2002
Land	\$ 13,850	-	-	\$ 13,850
Land held for future use	142,471	-	-	142,471
Buildings	180,800	-	-	180,800
Scale housing	3,150	-	-	3,150
	<u>\$ 340,271</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 340,271</u>

A summary of changes in accumulated depreciation follows:

	Balance 1/1/2002	Additions	Disposals	Balance 12/31/2002
Buildings	\$ 32,583	\$ 4,073	\$ -	\$ 36,656
Scale housing	2,309	243	-	2,552
	<u>\$ 34,892</u>	<u>\$ 4,316</u>	<u>\$ -</u>	<u>\$ 39,208</u>

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 ten loans totaling \$278,826 at December 31, 2002.

D. CONCENTRATIONS

The CIC received 60.3% 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.

E. LEASES

The CIC leases scale housing to a company for \$208 per month. The original term of the lease agreement has expired and the lease is now month to month. The rental income for the year ended December 31, 2002 was \$2,591.

F. 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.

G. CHANGE IN ACCOUNTING PRINCIPLES

For 2002, the CIC has implemented GASB Statement No. 34, “Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments”. GASB 34 creates new basic financial statements for reporting on the CIC’s financial activities.

CANTON COMMUNITY IMPROVEMENT CORPORATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED DECEMBER 31, 2002

<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>583,440</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS		\$ <u><u>583,440</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



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 Directors
Canton Community Improvement Corporation

We have audited the financial statements of Canton Community Improvement Corporation (the Organization) as of and for the year ended December 31, 2002, and have issued our report thereon dated March 5, 2003. 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.

Compliance

As part of obtaining reasonable assurance about whether the Organization'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 the Organization'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 statement 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 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.

Brett Maudis & Co.

Akron, Ohio

March 5, 2003



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 Organization) 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, 2002. The Organization'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 Organization's management. Our responsibility is to express an opinion on the Organization'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 Organization'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 Organization's compliance with those requirements.

In our opinion, the Organization 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, 2002.

Internal Control Over Compliance

The management of the Organization 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 Organization'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 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 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.

Beott Maddis & Co.

Akron, Ohio
March 5, 2003

CANTON COMMUNITY IMPROVEMENT CORPORATION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED DECEMBER 31, 2002

SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of the Organization.
2. No reportable conditions were disclosed during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of the Organization were disclosed during the audit.
4. No reportable conditions were 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 Organization expresses an unqualified opinion on all major federal programs.
6. No audit findings relative to the major federal award programs for the Organization are reported in this Schedule.
7. The programs tested as major programs included: 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 Organization was not determined to be a low-risk auditee.

FINDINGS - FINANCIAL STATEMENT AUDIT

None

FINDINGS AND QUESTIONED COSTS - FEDERAL AWARDS

None



**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
SEPTEMBER 18, 2003**