

**CANTON COMMUNITY IMPROVEMENT
CORPORATION**

STARK COUNTY

AUDIT REPORT

For the year ended December 31, 2006

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



Mary Taylor, CPA
Auditor of State

Board of Directors
Canton Community Improvement Corporation
218 Cleveland Avenue S.W., 5th Floor
Canton, Ohio 44701

We have reviewed the *Report of Independent Accountants* of the Canton Community Improvement Corporation, Stark 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 Canton Community Improvement Corporation is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

June 15, 2007

This Page is Intentionally Left Blank.

CANTON COMMUNITY IMPROVEMENT CORPORATION

AUDIT REPORT

For the Year Ended December 31, 2006

TABLE OF CONTENTS

<u>Title</u>	<u>Page</u>
Report of Independent Accountants	1-2
Management's Discussion and Analysis	3-5
Statement of Financial Position	7
Statement of Activities and Changes in Net Assets	8
Statement of Cash Flows	9
Notes to the Financial Statements	10-14
Schedule of Federal Awards Expenditures	15
Notes to the Schedule of Federal Awards Expenditures	16
Report on Internal Control Over Financial Reporting and on Compliance and on Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	17-18
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with <i>OMB Circular A-133</i>	19-20
Schedule of Findings and Questioned Costs	21-22
Schedule of Prior Audit Findings	23

Charles E. Harris & Associates, Inc.
Certified Public Accountants

Rockefeller Building
614 W Superior Ave Ste 1242
Cleveland OH 44113-1306
Office phone - (216) 575-1630
Fax - (216) 436-2411

REPORT OF INDEPENDENT ACCOUNTANTS

**Canton Community Improvement Corporation
Stark County
218 Cleveland Avenue, S.W., 5th Floor
Canton, Ohio 44701**

To the Board of Directors:

We have audited the financial statements of the Canton Community Improvement Corporation (CCIC), a component unit of the City of Canton, Stark County, Ohio as of and for the year ended December 31, 2006, as listed in the table of contents. These financial statements are the responsibility of the CCIC's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements of the CCIC 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 CCIC. They do not purport to, and do not present fairly the financial position of the City of Canton as of December 31, 2006 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 Canton Community Improvement Corporation, Stark County, Ohio, as of December 31, 2006, and the results of its operations and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 3 through 5 is not a required part of the basic financial statements, but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, which consisted principally on inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated May 15, 2007, on our consideration of the Canton Community Improvement Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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.

Our audit was made for the purpose of forming an opinion on the financial statements of the Canton Community Improvement Corporation taken as a whole. The accompanying schedule of federal awards expenditures 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 financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Charles E. Harris & Associates, Inc.
May 15, 2007

Canton Community Improvement Corporation

Management's Discussion and Analysis

For the year ended December 31, 2006

The discussion and analysis for the Canton Community Improvement Corporation's (the CIC) financial performance provides and overall review of the CIC for the year ended December 31, 2006. The intent of this discussion and analysis is to look at the CIC's performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the CIC's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2006 are as follows:

- In total, net assets increased \$665,539 from 2005.
- Total assets increased \$571,392, which represents a 142.79% increase from 2005. This increase is due to capital asset additions for land held for future use.
- Total liabilities decreased by \$94,147, which represents a 31.12% decrease from 2005.

OVERVIEW OF THE FINANCIAL STATEMENTS

The basic financial statements include a statement of financial position, statement of activities and changes in net assets, and a statement of cash flows. Since the CIC only uses one fund for its operations, the entity wide and the fund presentation information is the same.

FINANCIAL ANALYSIS

A comparative analysis of 2006 and 2005 is presented below:

	<u>2006</u>	<u>2005</u>	Increase <u>(Decrease)</u>
Current and other assets	\$ 408,405	\$ 67,190	\$ 341,215
Capital assets, net	<u>563,141</u>	<u>332,964</u>	<u>230,177</u>
Total assets	<u>971,546</u>	<u>400,154</u>	<u>571,392</u>
Current liabilities	<u>208,399</u>	<u>302,546</u>	<u>(94,147)</u>
Total liabilities	<u>208,399</u>	<u>302,546</u>	<u>(94,147)</u>
Net assets			
Invested in capital assets, net of related debt	563,141	332,964	230,177
Unrestricted (deficit)	<u>200,006</u>	<u>(235,356)</u>	<u>435,362</u>
Total net assets (deficit)	<u>\$ 763,147</u>	<u>\$ 97,608</u>	<u>\$ 665,539</u>

The CIC experienced an increase in net assets for 2006 due to an increase in land held for future use.

Canton Community Improvement Corporation

Management's Discussion and Analysis

For the year ended December 31, 2006

Changes in Net Assets

The following table shows the changes in net assets for the fiscal year 2006 and 2005:

	<u>2006</u>	<u>2005</u>	<u>Increase (Decrease)</u>
Revenues			
Support and revenues:			
Rental income	\$ 24,590	\$ 21,150	\$ 3,440
Grants	2,187,367	1,799,088	388,279
Other	3,513	-	3,513
Total revenues	<u>2,215,470</u>	<u>1,820,238</u>	<u>395,232</u>
Operating expenses			
Program services:			
Economic and development grants	1,476,731	2,031,857	(555,126)
Depreciation	8,710	6,328	2,382
Support services:			
Administrative wages and fees	17,669	29,423	(11,754)
Payroll taxes	7,287	29,194	(21,907)
Worker's compensation insurance	231	199	32
Legal and accounting fees	13,636	6,738	6,898
Office expense	-	10,049	(10,049)
Miscellaneous	25,667	52,299	(26,632)
Total operating expenses	<u>1,549,931</u>	<u>2,166,087</u>	<u>(616,156)</u>
Change in net assets	665,539	(345,849)	1,011,388
Beginning net assets	<u>97,608</u>	<u>443,457</u>	<u>(345,849)</u>
Ending net assets	<u>\$ 763,147</u>	<u>\$ 97,608</u>	<u>\$ 665,539</u>

Total expenses decreased \$616,156 from 2005 to 2006. The primary decrease was due to a decrease in the need for economic and development grants for 2006.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2006, the CIC had \$563,141 invested in capital assets. The following table shows 2006 and 2005 balances:

Canton Community Improvement Corporation

Management's Discussion and Analysis

For the year ended December 31, 2006

Capital Assets, at Year End
(Net of Depreciation)

	<u>2006</u>	<u>2005</u>
Land	\$ 21,000	\$ 21,000
Land held for future use	306,371	95,477
Buildings	<u>235,770</u>	<u>216,487</u>
Total capital assets	<u>\$ 563,141</u>	<u>\$ 332,964</u>

Additional information on the CIC's capital assets can be found in Note 2.

Debt

Currently, the CIC does not have any debt obligations.

CURRENT FINANCIAL ISSUES AND CONCERNS

At December 31, 2006, the CIC had total assets of \$971,546 and total net assets of \$763,147 which resulted from an increase in net assets of \$665,539. Management continues to monitor all activity affecting the condition of the CIC.

REQUEST FOR INFORMATION

This financial report is designed to provide the citizens, taxpayers, and consumers of the City of Canton with a general overview of the CIC's financial position. . If you have any questions about this report or need additional financial information, contact Mandwel D. Patterson, Executive Director, 218 Cleveland Ave., 5th Floor, Canton, Ohio 44702, 330-2489-3344 or email to mdpatterson@ci.canton.oh.us.

This page is intentionally left blank.

Canton Community Improvement Corporation

Statement of Financial Position

December 31, 2006

Assets

Current assets:	
Cash and cash equivalents	\$ 390,643
Receivables:	
Accounts	<u>17,762</u>
Total current assets	408,405
Capital assets:	
Land	21,000
Real estate	655,271
Less: accumulated depreciation	<u>(113,130)</u>
Total capital assets	<u>563,141</u>
Total assets	<u>\$ 971,546</u>

Liabilities

Current liabilities:	
Accounts payable	\$ 55,734
Accrued wages and payroll taxes	1,281
Undistributed monies	<u>151,384</u>
Total liabilities	<u>208,399</u>

Net assets

Net assets:	
Invested in capital assets	563,141
Unrestricted	<u>200,006</u>
Total net assets	<u>\$ 763,147</u>

The accompanying notes are an integral part of these financial statements.

Canton Community Improvement Corporation

Statement of Activities and Changes in Net Assets

Year ended December 31, 2006

Support and revenues:

Rental income	\$ 24,590
Grants	2,187,367
Other	3,513
Total support and revenues	<u>2,215,470</u>

Expenses:

Program services:

Economic development grants	1,476,731
Depreciation	8,710
Total program services	<u>1,485,441</u>

Support services:

Administrative wages and fees	17,669
Payroll taxes	7,287
Worker's Compensation insurance	231
Legal and accounting fees	13,636
Miscellaneous	25,667

Total support services 64,490

Total expenses 1,549,931

Change in net assets 665,539

Net assets at beginning of year 97,608

Net assets at end of year \$ 763,147

The accompanying notes are an integral part of these financial statements.

Canton Community Improvement Corporation

Statement of Cash Flows

Year ended December 31, 2006

Cash flows from operating activities:

Cash received from grants	\$ 2,170,925
Cash received from customers	30,383
Cash paid for goods and services	(1,605,071)
Cash paid to employees	<u>(30,297)</u>
Net cash provided by (used for) operating activities	<u>565,940</u>

Cash flows from capital and related financing activities:

Sale of capital assets	217,528
Acquisition of capital assets	<u>(456,415)</u>
Net cash provided by (used for) investing activities	<u>(238,887)</u>

Net increase (decrease) in cash 327,053

Cash and cash equivalents at beginning of year 63,590

Cash and cash equivalents at end of year \$ 390,643

Reconciliation of operating income (loss) to net cash provided by (used for) operating activities

Net operating income (loss) \$ 665,539

Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:

Depreciation	8,710
(Increase) decrease in assets:	
Accounts receivable	(14,162)
Increase (decrease) in liabilities:	
Accounts payable	(240,421)
Accrued wages and payroll taxes	(5,110)
Undistributed monies	<u>151,384</u>
Total adjustments	<u>(99,599)</u>
Net cash provided by (used for) operating activities	<u>\$ 565,940</u>

The accompanying notes are an integral part of these financial statements.

Canton Community Improvement Corporation

Notes to the Basic Financial Statements

For the Year Ended December 31, 2006

Note 1 - Summary of significant accounting policies

A. 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 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.

B. Basis of presentation

The CIC's basic financial statements consist of a statement of financial position, a statement of activities and changes in net assets, and a statement of cash flows. The CIC uses a single enterprise fund to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts.

Enterprise fund reporting focuses on the determination of the change in net assets, financial position and cash flows. An enterprise fund may be used to account for any activity for which a fee is charged to external users for goods and services. The CIC's enterprise fund accounts for the economic development of the Canton area.

C. Measurement focus

The enterprise fund is accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the CIC are included on the statement of financial position. The statement of activities and changes in net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in the net total assets. The statement of cash flows provides information about how the CIC finances and meets the cash flow needs of its enterprise activity.

Canton Community Improvement Corporation

Notes to the Basic Financial Statements

For the Year Ended December 31, 2006

D. Basis of accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. The CIC's financial statements are prepared using the accrual basis of accounting.

Revenue is recorded on the accrual basis when the exchange takes place. Expenses are recognized at the time they are incurred. The CIC has elected to consistently not follow Financial Accounting Standards Board pronouncements issued subsequent to November 30, 1989, as permitted under Governmental Accounting Standards Board Statement No. 20.

E. Cash and cash equivalents

Cash balances for the CIC are held by the City which serves as the fiscal agent. Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturity of three months or less from the date of acquisition.

The CIC did not have any investments at December 31, 2006.

F. Capital assets

Capital assets represent land and building 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.

G. Net assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the CIC or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The CIC applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. The CIC did not have any restricted net assets for 2006.

Canton Community Improvement Corporation

Notes to the Basic Financial Statements

For the Year Ended December 31, 2006

H. 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.

I. Federal income tax

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

J. 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.

Note 2 – Deposits and investments

Deposits

Custodial credit risk is the risk that in the event of bank failure, the government's deposits may not be returned to it. Protection of the CIC's cash and deposits is provided by the Federal Deposit Insurance Corporation as well as qualified securities pledged by the institution holding the assets. By law, financial institutions must collateralize all public deposits. The face value of the pooled collateral must equal at least 105 percent of public funds deposited. Collateral is held by trustees including the Federal Reserve Bank and designated third parties of the financial institution.

A year-end, the carrying amount of the CIC's deposits was \$390,643 and the bank balance was \$390,661. Of the bank balance, \$290,661 was collateralized with securities held by the pledging financial institutions trust department or agent but not in the CIC's name.

Investments

The CIC did not have any investments at December 31, 2006.

Canton Community Improvement Corporation

Notes to the Basic Financial Statements

For the Year Ended December 31, 2006

Interest Rate Risk – The Ohio Revised Code generally limits securities purchases to those that mature within five years of the settlement date.

Concentration of Credit Risk – The CIC places no limits on the amount the CIC may invest in any one issuer.

Note 3 - Capital assets

Capital asset activity for the year ended December 31, 2006 is as follows:

	Balance 1/1/06	Additions	Deletions	Balance 12/31/06
Capital assets not being depreciated:				
Land	\$ 21,000	\$ -	\$ -	\$ 21,000
Land held for future use	<u>95,477</u>	<u>428,422</u>	<u>(217,528)</u>	<u>306,371</u>
Total capital assets not being depreciated	116,477	428,422	(217,528)	327,371
Capital assets being depreciated:				
Buildings	<u>320,907</u>	<u>27,993</u>	<u>-</u>	<u>348,900</u>
Total capital assets being depreciated	320,907	27,993	-	348,900
Less accumulated depreciation				
Building	<u>(104,420)</u>	<u>(8,710)</u>	<u>-</u>	<u>(113,130)</u>
Total accumulated depreciation	(104,420)	(8,710)	-	(113,130)
Total capital assets being depreciated, net	<u>216,487</u>	<u>19,283</u>	<u>-</u>	<u>235,770</u>
Total capital asset, net	<u>\$ 332,964</u>	<u>\$ 447,705</u>	<u>\$ (217,528)</u>	<u>\$ 563,141</u>

The beginning balances for buildings and accumulated depreciation were restated by \$49,906. The net effect was zero.

Note 4 - Commitments

The Board of Directors of the CIC has approved various loans and grants that the CIC 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 four loans and grants totaling \$280,000 at December 31, 2006.

Canton Community Improvement Corporation

Notes to the Basic Financial Statements

For the Year Ended December 31, 2006

Note 5 - Concentrations

The CIC received 99% of their revenue from the U.S. Department of Housing and Urban Development which passed through from the City of Canton.

Note 6 - 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.

Note 7 - Operating lease

The CIC leases property to several local Canton businesses. One lease is for a three year term ending July 30, 2008, with the option to be renewed by the lessee in two year increments. The second lease is for a five year term ending June 30, 2009, with the option to be renewed by the lessee for another five years. Future minimum rental payments to be received over the next three years are as follows:

Year Ending	
<u>December 31,</u>	<u>Amount</u>
2007	\$ 25,140
2008	24,420
2009	<u>11,700</u>
	<u>\$ 61,260</u>

Note 8 – Change in Accounting Principles

For the year ended December 31, 2006, the CIC has implemented GASB Statement No 46, “Net Assets Restricted by Enabling Legislation”, and GASB Statement No. 47, “Accounting for Termination Benefits”. The implementation of these new standards did not require a restatement of balances.

CANTON COMMUNITY IMPROVEMENT CORPORATION

Schedule of Federal Awards Expenditures

For the Year Ended December 31, 2006

<u>Federal Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Receipts Recognized</u>	<u>Program Expenditures</u>
<i><u>U.S. Department of Housing and Urban Development</u></i>			
Pass-through from City of Canton Community Development Block Grant	14.218	\$ 2,155,924	\$ 2,091,965
Total U.S. Department of Housing and Urban Development		<u>2,155,924</u>	<u>2,091,965</u>
Total Federal Expenditures		<u>\$ 2,155,924</u>	<u>\$ 2,091,965</u>

See accompanying Notes to the Schedule of Federal Awards Expenditures

CANTON COMMUNITY IMPROVEMENT CORPORATION
Notes to the Schedule of Federal Awards Expenditures
For the Year Ended December 31, 2006

1. **General**

The accompanying schedule of federal awards expenditures is a summary of the activity of Canton Community Improvement Corporation's federal awards programs. The schedule has been prepared on the cash basis of accounting.

Charles E. Harris & Associates, Inc.
Certified Public Accountants

Rockefeller Building
614 W Superior Ave Ste 1242
Cleveland OH 44113-1306
Office phone - (216) 575-1630
Fax - (216) 436-2411

**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**

Canton Community Improvement Corporation
Stark County
218 Cleveland Avenue, S. W., 5th Floor
Canton, Ohio 44701

To the Board of Directors:

We have audited the financial statements of the Canton Community Improvement Corporation (CCIC), a component unit of the City of Canton, Stark County, Ohio as of and for the year ended December 31, 2006, and have issued our report thereon dated May 15, 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 Controls Over Financial Reporting

In planning and performing our audit, we considered the CCIC's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the CCIC's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the CCIC'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 CCIC's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of the CCIC's financial statements that is more than inconsequential will not be prevented or detected by the CCIC'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 CCIC'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 the CCIC's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grants agreements and other matters, 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*.

We noted certain matters that we have reported to management of the CCIC in a separate letter dated May 15, 2007.

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

Charles E. Harris & Associates, Inc.
May 15, 2007

Charles E. Harris & Associates, Inc.
Certified Public Accountants

Rockefeller Building
614 W Superior Ave Ste 1242
Cleveland OH 44113-1306
Office phone - (216) 575-1630
Fax - (216) 436-2411

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

Canton Community Improvement Corporation
Stark County
218 Cleveland Avenue, S.W., 5th Floor
Canton, Ohio 44701

To Board of Directors:

Compliance

We have audited the compliance of the Canton Community Improvement Corporation (CCIC), Stark County, Canton, Ohio with the types of compliance requirements described in *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended December 31, 2006. CCIC's major federal program is 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, contracts and grants applicable to its major federal program is the responsibility of the CCIC's management. Our responsibility is to express an opinion on the CCIC'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 CCIC'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 on the CCIC's compliance with those requirements.

In our opinion, CCIC complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2006.

Internal Control Over Compliance

The management of the CCIC is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the CCIC'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 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 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 for the information of the Board of Directors, management and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Charles E. Harris & Associates, Inc.
May 15, 2007

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 SECTION .505**

**CANTON COMMUNITY IMPROVEMENT CORPORATION
STARK COUNTY
DECEMBER 31, 2006**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	<i>Type of Financial Statement Opinion</i>	Unqualified
(d)(1)(ii)	<i>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</i>	No
(d)(1)(ii)	<i>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</i>	No
(d)(1)(iii)	<i>Was there any reported material non-compliance at the financial statement level (GAGAS)?</i>	No
(d)(1)(iv)	<i>Were there any material internal control weakness conditions reported for major federal programs?</i>	No
(d)(1)(iv)	<i>Were there any other reportable internal control weakness conditions reported for major federal programs?</i>	No
(d)(1)(v)	<i>Type of Major Programs' Compliance Opinion</i>	Unqualified
(d)(1)(vi)	<i>Are there any reportable findings under Section .510</i>	No
(d)(1)(vii)	<i>Major Program:</i>	CDBG Entitlement Program CFDA # 14.218
(d)(1)(viii)	<i>Dollar Threshold: Type A/B Programs</i>	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	<i>Low Risk Auditee?</i>	No

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - (continued)
OMB CIRCULAR A-133 SECTION .505

CANTON COMMUNITY IMPROVEMENT CORPORATION
STARK COUNTY
DECEMBER 31, 2006

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

CANTON COMMUNITY IMPROVEMENT CORPORATION
STARK COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2006

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid: Explain: Per ADAM 2001-10- Disclose the current year finding in this schedule
2005-01	Improper reporting of properties	Yes	Fully Corrected. Procedures implemented for proper accounting of properties.



Mary Taylor, CPA
Auditor of State

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
JUNE 28, 2007**