

**CANTON COMMUNITY IMPROVEMENT CORPORATION
STARK COUNTY**

INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED DECEMBER 31, 2012

Varney, Fink & Associates, Inc.
Certified Public Accountants



Dave Yost • Auditor of State

Board of Directors
Canton Community Improvement Corporation
218 Cleveland Avenue S.W.
Canton, Ohio 44702

We have reviewed the *Independent Auditors' Report* of the Canton Community Improvement Corporation, Stark County, prepared by Varney, Fink & Associates, Inc., for the audit period January 1, 2012 through December 31, 2012. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Canton Community Improvement Corporation is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

February 10, 2014

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**CANTON COMMUNITY IMPROVEMENT CORPORATION
STARK COUNTY
INDEPENDENT AUDITOR’S REPORT
FOR THE YEAR ENDED DECEMBER 31, 2012**

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INDEPENDENT AUDITOR'S REPORT

Canton Community Improvement Corporation
Stark County
218 Cleveland Avenue S.W.
Canton, Ohio 44702

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of the of Canton Community Improvement Corporation, Stark County, Ohio a component unit of the City of Canton, Ohio (the Corporation), as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Corporation's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Corporation's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the of Canton Community Improvement Corporation, Stark County, Ohio, as of December 31, 2012, and the respective changes in financial position and its cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 3 A to the financial statements, during 2012, the Corporation adopted new accounting guidance, GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. Our opinion is not modified with respect to this matter.

As discussed in Note 3B to the financial statements, beginning net position on the 2012 financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 16, 2013, on our consideration of the Corporation'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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control over financial reporting and compliance.

Varney, Fink & Associates

Varney, Fink & Associates, Inc.
Certified Public Accountants

May 16, 2013

Canton Community Improvement Corporation
Management's Discussion and Analysis
For the Year Ended December 31, 2012
(Unaudited)

The discussion and analysis for Canton Community Improvement Corporation's (CCIC) financial performance provides an overall review of CCIC for the year ended December 31, 2012. The intent of this discussion and analysis is to look at CCIC's performance as a whole; readers should also review the notes to the basic financial statements to enhance their understanding of CCIC's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2012 are as follows:

- In total, net position decreased \$195,958 from 2011. The primary reason for the decrease is due to a decrease in grant revenue.
- Total assets decreased \$358,969 from 2011. This is mainly due to a decrease in intergovernmental receivables.
- Total liabilities decreased by \$163,011, which represents a 71.2% decrease from 2011. This decrease was mainly due to a decrease in accounts payable.
- The total revenue amounted to \$81,811 in 2012, which is a decrease of \$592,843 from 2011 or 26.2%. A decrease in grants was the main reason for the decrease in revenue.
- The \$353,674 decrease in total operating expenses from 2011 was caused by a decrease in the Economic Development Grants expense.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Canton Community Improvement Corporation
Management's Discussion and Analysis
For the Year Ended December 31, 2012
(Unaudited)

FINANCIAL ANALYSIS

A comparative analysis of 2012 and 2011 is presented below:

Changes in Net Position

The following table shows the changes in net position for the years 2012 and 2011:

Table 1
Net Position

	2012	2011 Restated
Assets		
Current Assets	\$78,889	\$397,893
Capital Assets, Net	2,960,085	3,000,050
Total Assets	3,038,974	3,397,943
Liabilities		
Current and Other Liabilities	65,915	228,926
Net Position		
Net Investment in Capital Assets, Restated	2,960,085	3,000,050
Restricted for Economic Development	3,587	0
Unrestricted (Deficit)	9,387	168,967
Total Net Position	\$2,973,059	\$3,169,017

Canton Community Improvement Corporation
Management's Discussion and Analysis
For the Year Ended December 31, 2012
(Unaudited)

Table 2
Statement of Revenues, Expenses, and Changes in Net Position

	2012	2011 Restated	Increase (Decrease)
<u>Operating Revenues:</u>			
In-kind Contributions	\$0	\$11,794	(\$11,794)
Rental Income	2,799	2,565	234
Grants	78,009	561,574	(483,565)
Other	0	98,721	(98,721)
Total Operating Revenues	80,808	674,654	(593,846)
<u>Operating Expenses:</u>			
Program Services:			
Economic Development Grants	17,840	342,910	(325,070)
Depreciation	58,820	58,820	0
Total Program Services	76,660	401,730	(325,070)
Support Services:			
Administrative Wages and Fees	65,775	69,807	(4,032)
Advertising and Marketing	9,256	0	9,256
Bank Fees	163	0	163
Consulting Expense	9,576	40,175	(30,599)
Legal and Accounting Fees	9,944	9,280	664
Membership and Dues	843	7,275	(6,432)
Miscellaneous	0	41,768	(41,768)
Office Expense	128	297	(169)
Payroll Taxes	5,886	1,996	3,890
Professional Fees	0	26,341	(26,341)
Real Estate Taxes	61,119	0	61,119
Travel/Training	5,586	0	5,586
Worker's Compensation Insurance	133	74	59
Total Support Services	168,409	197,013	(28,604)
Total Operating Expenses	245,069	598,743	(353,674)
Operating Income	(164,261)	75,911	(240,172)
<u>Non-Operating Revenues (Expenses):</u>			
Intergovernmental Revenue	1,003	0	1,003
Loss on Disposal of Capital Assets	(32,700)	0	(32,700)
Total Non-Operating Revenues (Expenses)	(31,697)	0	(31,697)
Income (Loss) Before Contributions	(195,958)	75,911	(271,869)
Capital Contributions	0	2,123,500	(2,123,500)
Change in Net Position	(195,958)	2,199,411	(2,395,369)
Net Position at Beginning of Year	3,169,017	969,606	2,199,411
Net Position at End of Year	\$2,973,059	\$3,169,017	(\$195,958)

Canton Community Improvement Corporation
Management's Discussion and Analysis
For the Year Ended December 31, 2012
(Unaudited)

CAPITAL ASSETS

At the end of 2012, CCIC had \$2,960,085 invested in capital assets, net of depreciation. The following table shows 2012 and 2011 balances:

Table 3
Capital Assets
(Net of Depreciation)

	2012	2011 Restated
Land	\$42,900	\$42,900
Land Held for Future Use	585,761	618,461
Construction in Progress	206,969	155,414
Buildings	2,124,455	2,183,275
Total Capital Assets	\$2,960,085	\$3,000,050

Additional information on CCIC's capital assets can be found in Note 5.

CURRENT FINANCIAL RELATED ACTIVITIES

At December 31, 2012, CCIC had total assets of \$3,039,128 and total net position of \$2,973,059. Management continues to monitor all activity affecting the condition of CCIC.

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 CCIC's financial position. If you have any questions about this report or need additional financial information, contact the Director, 218 Cleveland Ave., 5th Floor, Canton, Ohio 44702.

Canton Community Improvement Corporation
Statement of Net Position
December 31, 2012

Assets

Current:

Cash	\$72,490
Accounts Receivable	1,166
Intergovernmental Receivable	1,003
Restricted:	
Cash	4,230
Total Current Assets	<u>78,889</u>

Noncurrent:

Capital Assets:

Non-Depreciable Capital Assets	835,630
Depreciable Capital Assets, Net	2,124,455
Total Capital Assets	<u>2,960,085</u>

Total Assets 3,038,974

Liabilities

Current Liabilities:

Accounts Payable	263
Intergovernmental Payable	62,575
Accrued Wages and Benefits	3,077
	<u>65,915</u>

Total Liabilities 65,915

Net Position

Net Investment in Capital Assets	2,960,085
Restricted for Economic Development	3,587
Unrestricted (Deficit)	9,387
	<u>9,387</u>

Total Net Position \$2,973,059

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

Canton Community Improvement Corporation
Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended December 31, 2012

Operating Revenues:

Rental Income	\$2,799
Grants	78,009

<i>Total Operating Revenues</i>	<u>80,808</u>
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Operating Expenses:

Program Services:

Economic Development Grants	17,840
Depreciation	58,820
Total Program Services	<u>76,660</u>

Support Services:

Administrative Wages and Fees	65,775
Advertising and Marketing	9,256
Bank Fees	163
Consulting Fees	9,576
Legal and Accounting Fees	9,944
Membership and Dues	843
Office Expense	128
Payroll Taxes	5,886
Property Taxes	61,119
Travel/Training	5,586
Worker's Compensation Insurance	133
Total Support Services	<u>168,409</u>

<i>Total Operating Expenses</i>	<u>245,069</u>
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<i>Operating (Loss)</i>	<u>(164,261)</u>
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Non-Operating Revenue (Expenses):

Intergovernmental Revenue	1,003
Loss on Disposal of Capital Assets	(32,700)

<i>Net Non-Operating Revenues (Expenses)</i>	<u>(31,697)</u>
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<i>Net (Loss)</i>	(195,958)
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<i>Net Position at Beginning of Year, Restated see (Note 3B)</i>	<u>3,169,017</u>
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<i>Net Position at End of Year</i>	<u><u>\$2,973,059</u></u>
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The accompanying notes are an integral part of these financial statements.

Canton Community Improvement Corporation
Statement of Cash Flows
For the Year Ended December 31, 2012

Cash Flows from Operating Activities	
Cash Received from Grants	\$475,669
Cash Received from Customers	1,866
Cash Payments to Employees	(65,380)
Cash Payments for Goods and Services	<u>(283,880)</u>
<i>Net Cash Provided By Operating Activities</i>	<u>128,275</u>
Cash Flows from Capital and Related Financing Activities	
Acquisition of Capital Assets	<u>(51,555)</u>
<i>Net Increase in Cash</i>	76,720
<i>Cash Beginning of Year</i>	<u>0</u>
<i>Cash End of Year</i>	<u><u>\$76,720</u></u>
Reconciliation of Operating Income to Net Cash Provided By Operating Activities	
Operating (Loss)	(\$164,261)
Adjustments:	
Depreciation	58,820
Increase in Assets:	
Accounts Receivable	369,467
Intergovernmental Receivable	27,260
Increase (Decrease) in Liabilities:	
Accounts Payable	(224,764)
Accrued Wages	(822)
Intergovernmental Payable	<u>62,575</u>
<i>Net Cash Provided by Operating Activities</i>	<u><u>\$128,275</u></u>

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

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CANTON COMMUNITY IMPROVEMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 1 – NATURE OF ACTIVITIES

Canton Community Improvement Corporation (CCIC), 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. CCIC has been designated as the City of Canton's agent for industrial and commercial distributions and research development. As agent, CCIC disburses loan and grant funds to recipients for economic development projects approved by the Board of Directors. Because CCIC is only acting as an agent, the City of Canton retains the loans and collects payments on the loans. CCIC uses one fund to account for its activities, an enterprise fund, which is used to account for operations that are financed and operated in a manner similar to private enterprises. The intent is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

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. CCIC is a legally separate entity and is reported by the City as a discretely presented component unit in its basic financial statements. CCIC does not include any other units in its presentation.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of accounting

The financial statements of CCIC are prepared using the accrual basis of accounting. In the financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the accrual basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. CCIC does not apply FASB statements issued after November 30, 1989, to its enterprise fund.

B. Restricted Cash

CCIC received a grant award for economic development. Terms of the grant require specific uses of the funds.

CANTON COMMUNITY IMPROVEMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

C. Community development loans

CCIC issues loans to various businesses for the purpose of assisting the establishment of a new business enterprise in the City of Canton and/or continuing or expanding existing business activity.

D. Capital assets

Capital assets represent land and buildings donated or transferred to CCIC 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.

E. Grant revenue

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

F. Federal income tax

CCIC is exempt from federal income tax under Section 501 (c) (3) of the Internal Revenue Code.

G. In-kind Contributions

City of Canton employees perform services for CCIC. This portion of salaries and related fringe benefits for these services are paid by the City of Canton. The estimated fair value of in-kind contribution is reported as a revenue and an expense in the period in which the services are used. CCIC also benefited from the contribution of Board of Directors' time to attend board meetings. The estimated fair value of these members' contribution is not reflected in these statements since it is not susceptible to objective valuation. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. CCIC had no in-kind contributions in 2012.

H. Advertising

Advertising costs are charged to an expense as incurred.

CANTON COMMUNITY IMPROVEMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

I. Net Position

Net position represents the difference between assets and liabilities on the statement of net position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any debt used to build or acquire the capital assets. Net position is reported as restricted in the combined financial statements when there are limitations imposed on its use through external restrictions imposed by creditors, grantors, laws or regulations. There was \$3,587 in restricted for economic development as of December 31, 2012.

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.

K. Subsequent Events

The CCIC has evaluated subsequent events through the date of the “Independent Auditors Report,” the date on which the financial statements were available to be issued. There were no events requiring disclosure.

NOTE 3 – ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2012, CCIC has implemented GASB Statement No. 63, “Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.”

GASB Statement No. 63 establishes standards for reporting deferred outflows of resources, deferred inflows of resources, and net position. The implementation of GASB 63 had no material effect on the financial statements of CCIC.

CANTON COMMUNITY IMPROVEMENT CORPORATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2012

B. Restatement of Net Position

The inclusion of capital assets that were contributed in 2011 had the following effect on net position as it was previously reported:

Net Position at	
December 31, 2011	\$1,097,562
Contributed Capital Assets, Net	<u>2,071,455</u>
Restated Net Position	
at December 31, 2011	<u><u>\$3,169,017</u></u>

NOTE 4 – CASH

At December 31, 2012, the bank balance was \$76,721. The entire bank balance was covered by Federal Depository Insurance. CCIC has not experienced any losses on this account and management of CCIC believes it is not exposed to any significant credit risk on its cash.

At December 31, 2012 CCIC had no investments.

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2012 is as follows:

	Balance 1/1/2012	Restatement	Restated Balance 1/1/2012	Additions	Deletions	Balance 12/31/2012
Capital Assets not Being Depreciated:						
Land	\$1,200	\$41,700	\$42,900	\$0	\$0	\$42,900
Land Held for Future Use	618,461	0	618,461	0	(32,700)	\$585,761
Construction in Progress	<u>155,414</u>	<u>0</u>	<u>155,414</u>	<u>51,555</u>	<u>0</u>	<u>\$206,969</u>
Total Capital Assets not Being Depreciated	775,075	41,700	816,775	51,555	(32,700)	835,630
Capital Assets Being Depreciated:						
Buildings	<u>271,500</u>	<u>2,081,800</u>	<u>2,353,300</u>	<u>0</u>	<u>0</u>	<u>2,353,300</u>
Less Accumulated Depreciation						
Building	<u>(117,980)</u>	<u>(52,045)</u>	<u>(170,025)</u>	<u>(58,820)</u>	<u>0</u>	<u>(228,845)</u>
Total Capital Assets Being Depreciated, Net	<u>153,520</u>	<u>2,029,755</u>	<u>2,183,275</u>	<u>(58,820)</u>	<u>0</u>	<u>2,124,455</u>
Total Capital Assets, Net	<u><u>\$928,595</u></u>	<u><u>\$2,071,455</u></u>	<u><u>\$3,000,050</u></u>	<u><u>(\$7,265)</u></u>	<u><u>(\$32,700)</u></u>	<u><u>\$2,960,085</u></u>

CANTON COMMUNITY IMPROVEMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 6 – COMMUNITY DEVELOPMENT LOANS

CCIC awards loans through the Community Development Block Grant program provided by the City of Canton. If the business has been awarded a Performance Loan (Deferred Loan) and has maintained all of the terms and conditions of the agreement, CCIC shall forgive and cancel the unpaid balance for the specified time stated in the agreement. For all loan types, the borrowers must meet certain criteria documented in the loan agreements for receiving these funds. Jobs must be created as a result of the loan. Fifty-one percent or more of the new employees must be in the low to moderate income category. The City of Canton retains the loans and is responsible for the collection of these loans and are therefore not recorded in the financial statements of CCIC.

NOTE 7 – COMMITMENTS

The Board of Directors of CCIC has approved various loans and grants that CCIC has yet to disburse totaling \$1,101,217. The borrowers must meet certain criteria documented in the loan agreements before they can receive these funds as stated earlier.

NOTE 8 – IN-KIND CONTRIBUTIONS, DONATED FACILITIES AND SERVICES

The City of Canton provides CCIC 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. No in-kind wages were received from the City of Canton in 2012.

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Canton Community Improvement Corporation
Stark County
218 Cleveland Avenue S.W.
Canton, Ohio 44702

To the Board of Directors:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' Government Auditing Standards, the financial statements of the Canton Community Improvement Corporation, Stark County, (CCIC) a component unit of the City of Canton, Ohio, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise CCIC's basic financial statements and have issued our report thereon dated May 16, 2013.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered CCIC's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of CCIC's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings, we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A material weakness is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of CCIC's financial statements. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2012-02 described in the accompanying schedule of findings to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether CCIC's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards*, which is described in the accompanying schedule of findings as item 2012-01.

Entity's Response to Findings

The CCIC's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the CCIC's responses and, accordingly, we express no opinion on them.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of CCIC's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering CCIC's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Varney, Fink & Associates

Varney, Fink & Associates, Inc.
Certified Public Accountants

May 16, 2013

CANTON COMMUNITY IMPROVEMENT CORPORATION
STARK COUNTY
SCHEDULE OF AUDIT FINDINGS
YEAR ENDING DECEMBER 31, 2012

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

Finding 2012-01

Noncompliance

Expense Allocation

The sub recipient agreement between the City of Canton and the Canton Community Improvement Corporation requires that the sub recipient shall maintain all records required by the Federal regulations specified in 24 CFR 570.506 that are pertinent to the activities to be funded under the Agreement. Such records shall include but not be limited to:

- a. Records providing a full description of each activity undertaken;
- b. Records demonstrating each activity undertaken meets one of the National Objects of the CDBG program;
- c. Records required to determine the eligibility of activities.

The CCIC employees and consultants did not document the time spent on CDBG activities to support the allocation of payroll and consultant fees to the CDGB program. The CCIC allocated the Director's entire payroll through her retirement in July, the new employee's pay from March 1, 2012 through June 30, 2012 and independent contractor payments of \$19,404.18 to the CDGB program. Total payroll and related benefits charged to the program totaled \$45,821.60. Proper documentation needs to be submitted with the time sheet to properly allocate the administrative costs to the grant funds.

Official's Response:

All CDBG funding to the Canton Community Improvement Corporation (CCIC) has been discontinued until policies and procedures are in place to ensure that all federal requirements will be met for the expenditure of federal funds. The policies and procedures will require that records provide a full description of each activity, demonstrate that all activities meet a National Objective, and specify the eligibility of each activity by citation.

CANTON COMMUNITY IMPROVEMENT CORPORATION
STARK COUNTY
SCHEDULE OF AUDIT FINDINGS
YEAR ENDING DECEMBER 31, 2012

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

Finding 2012-02

Material Weakness

Financial Reporting

Sound financial reporting is the responsibility of management and the Board of Directors and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

Failure to correctly record activity may not only impact the users' understanding of the financial operations, it may also inhibit the Board of Director's ability to make sound financial decisions, and result in material misstatements of the financial statements.

Management restated net position for contributed capital assets of \$2,071,455 that were not properly recorded in 2011.

We recommend that appropriate measures are taken to ensure that all activity is recorded on the books of the Canton Community Improvement Corporation.

Official's Response:

The Canton Community Improvement Corporation (CCIC) has instituted policies and procedures to assure all properties are recorded to reflect value, date of acquisition, cost of acquisition and expense associated with ownership. The Board of Directors has approved requirements whereby any transaction involving CCIC property sales, purchase or donation is voted upon at a meeting of the CCIC Board of Directors at which a quorum exists prior to finalizing the transaction. Minutes of CCIC Board of Directors meetings will reflect discussions and motions for CCIC to sell property, accept donations of properties, or purchase property.

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Dave Yost • 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
FEBRUARY 20, 2014**