

CANTON COMMUNITY IMPROVEMENT CORPORATION

AUDITED FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORTS

December 31, 2001 and 2000





STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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Board of Trustees  
Canton Community Improvement Corporation

We have reviewed the Independent Auditor's Report of the Canton Community Improvement Corporation, Stark County, prepared by Smith, Barta & Company for the audit period January 1, 2001 through December 31, 2001. 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, appearing to read "Jim Petro".

JIM PETRO  
Auditor of State

July 22, 2002

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# Smith, Barta & Company

Certified Public Accountants

## INDEPENDENT AUDITOR'S REPORT

Board of Trustees  
Canton Community Improvement Corporation  
Canton, Ohio

We have audited the accompanying statements of financial position of Canton Community Improvement Corporation (a non-profit corporation) as of December 31, 2001 and 2000, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Corporation'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 statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Canton Community Improvement Corporation as of December 31, 2001 and 2000, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated May 15, 2002, on our consideration of Canton Community Improvement Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. 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 performed for the purpose of forming an opinion on the basic financial statements of the Canton Community Improvement Corporation taken as a whole. The accompanying schedule of expenditures of federal awards 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.

*Smith, Barta & Company*

Certified Public Accountants

May 15, 2002

Canton, Ohio

CANTON COMMUNITY IMPROVEMENT CORPORATION

STATEMENTS OF FINANCIAL POSITION

December 31, 2001 and 2000

ASSETS

	<u>2001</u>	<u>2000</u>
<u>CURRENT ASSETS</u>		
Cash	\$ 168,648	\$ 22,071
Grant receivable-City of Canton	11,491	-
Accounts receivable-other	77,292	-
Deposit	10	10
TOTAL CURRENT ASSETS	<u>257,441</u>	<u>22,081</u>
<u>DONATED REAL PROPERTY</u>		
Held for future use	142,471	322,771
Utilized, net of depreciation - NOTE C	162,907	167,223
	<u>305,378</u>	<u>489,994</u>
	<u>\$ 562,819</u>	<u>\$ 512,075</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES</u>		
Accounts payable-loans and grants to recipients	\$ 94,520	\$ 6,432
Accounts payable-City of Canton	87,896	6,960
Accrued payroll taxes	591	319
Accrued expenses	-	3,404
Grant revenue received in advance	70,000	-
TOTAL CURRENT LIABILITIES	<u>253,007</u>	<u>17,115</u>
<u>COMMITMENTS AND CONTINGENT LIABILITIES - NOTE F</u>	-	-
<u>NET ASSETS - Unrestricted</u>	<u>309,812</u>	<u>494,960</u>
	<u>\$ 562,819</u>	<u>\$ 512,075</u>

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

CANTON COMMUNITY IMPROVEMENT CORPORATION

STATEMENTS OF ACTIVITIES

Years ended December 31, 2001 and 2000

	TOTAL	
	2001	2000
<u>SUPPORT AND REVENUE</u>		
Grant funds	\$ 560,036	\$ 379,832
Donated real property	-	-
Rental income	2,753	1,966
Interest earned	263	131
Other program revenue	3,784	-
Gain on sale of real property	351,009	2,800
	<hr/>	<hr/>
TOTAL SUPPORT AND REVENUE	917,845	384,729
 <u>EXPENSES</u>		
Program services:		
Economic development grants	97,100	267,227
Economic development loans	373,400	20,000
Façade grants	82,011	-
Program income returned to grantor	499,507	6,097
Depreciation	4,316	4,316
Surveying and other professional fees	2,663	14,432
Miscellaneous	-	1,103
Real estate taxes	-	19,184
	<hr/>	<hr/>
TOTAL PROGRAM SERVICES	1,058,997	332,359
Support Services:		
Administrative wages and fees	36,403	44,135
Payroll taxes	3,285	3,648
Workers' compensation insurance	55	90
Accounting fees	3,645	2,900
Bank charges and penalties	608	7
	<hr/>	<hr/>
TOTAL SUPPORT SERVICES	43,996	50,780
	<hr/>	<hr/>
TOTAL EXPENSES	1,102,993	383,139
	<hr/>	<hr/>
INCREASE (DECREASE) IN NET ASSETS	(185,148)	1,590
NET ASSETS AT BEGINNING OF YEAR	494,960	493,370
	<hr/>	<hr/>
NET ASSETS AT END OF YEAR	\$ 309,812	\$ 494,960
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The accompanying notes are an integral part of these financial statements.

CANTON COMMUNITY IMPROVEMENT CORPORATION

STATEMENTS OF CASH FLOWS

Years ended December 31, 2001 and 2000

	<u>2001</u>	<u>2000</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Increase (decrease) in net assets	\$ (185,148)	\$ 1,590
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	4,316	4,316
Gain on sale of real property	(351,009)	(2,800)
(Increase) decrease in grant receivable and other receivables	(88,783)	2,333
Increase in accounts payable and other liabilities	<u>235,892</u>	<u>7,653</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(384,732)	13,092
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Decrease in donated real property	38,600	-
Proceeds from sale of real property	<u>492,709</u>	<u>4,000</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>531,309</u>	<u>4,000</u>
NET INCREASE IN CASH	146,577	17,092
CASH AT BEGINNING OF YEAR	<u>22,071</u>	<u>4,979</u>
CASH AT END OF YEAR	<u>\$ 168,648</u>	<u>\$ 22,071</u>

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

CANTON COMMUNITY IMPROVEMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2001 and 2000

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF ACTIVITIES

Canton Community Improvement Corporation (the Corporation) 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 Corporation has been designated as the City of Canton's agent for industrial, commercial, distribution and research development. The majority of the Corporation's activities involve providing loan funds and grants for eligible economic development projects.

REVENUE RECOGNITION

Substantially all of the Corporation's revenue is derived from grants from the City of Canton. The grant revenue provides economic development loans, grants, façade improvements and other economic development activities eligible under the U.S. Department of Housing and Urban Development's Community Development Block Grant (Entitlement Grant) Program, and for administrative expenses of the Corporation. Grant revenue is recognized to the extent that expenses eligible for reimbursement under the grant agreement have been incurred during the period.

USE OF ESTIMATES

The preparation of financial statements in conformity with 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

DONATED FACILITIES AND SERVICES

The City of Canton provides the Corporation with office space and various office services without charge. The value of these donated facilities is not recognized in the accompanying financial statements because no objective basis is available to measure the value of the donated facilities.

The value of legal, clerical and other services provided by City of Canton employees to the Corporation is not recognized in the accompanying financial statements, because the Corporation does not exercise control over the employment and duties of these individuals in a way comparable to the control it would exercise over employees with similar responsibilities.

DONATED REAL PROPERTY

REAL PROPERTY HELD FOR FUTURE USE

Real property held for future use represents land and buildings donated to the Corporation by the City of Canton to be used in future economic development projects. The land and buildings have been recorded at their fair value as of the date of the contribution.

UTILIZED REAL PROPERTY

Real property donated by the City of Canton currently being utilized for an economic development project is stated at its 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.

INCOME TAXES

The Corporation qualifies under Section 501(c)(3) of the Internal Revenue Code as an organization exempt from Federal income taxes.

CANTON COMMUNITY IMPROVEMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2001 and 2000

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

CONCENTRATIONS OF CREDIT RISK

The Corporation maintains cash balances in excess of \$100,000 in a certain bank, which is insured by the Federal Deposit Insurance Corporation up to \$100,000. At December 31, 2001 the Corporation's uninsured cash balances totaled \$68,648.

NOTE B - PROGRAM INCOME

Under the terms of the agreement between the Corporation and the City of Canton, all income generated from the use of Community Development Block Grant funds is considered program income and must be returned to the City of Canton.

NOTE C - DONATED REAL PROPERTY

A summary of property being utilized at December 31, is as follows:

	<u>2001</u>	<u>2000</u>
Land and building	\$ 182,000	\$ 182,000
Land and land improvements	12,650	12,650
Scale housing	<u>3,150</u>	<u>3,150</u>
	197,800	197,800
Less accumulated depreciation	<u>34,893</u>	<u>30,577</u>
	<u>\$ 162,907</u>	<u>\$ 167,223</u>

NOTE D - ECONOMIC DEVELOPMENT LOANS

As the City of Canton's agent for industrial, commercial, distribution and research development, the Corporation disburses loan funds to recipients for economic development projects approved by the Board of Trustees. Although the Corporation disburses the loan funds, the City of Canton collects the loans. Loan collections are retained by the City of Canton.

CANTON COMMUNITY IMPROVEMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2001 and 2000

NOTE E - FUNDING AGREEMENTS

The Corporation receives substantially all of its funding from the City of Canton. A significant reduction in the level of funding provided by the City would have a significant effect on the Corporation's activities.

NOTE F - COMMITMENTS AND CONTINGENT LIABILITIES

LOANS AND GRANTS

As of December 31, 2001, there were ten grants and loans amounting to \$423,380, approved by the Board of Trustees and not yet disbursed.

As of December 31, 2000, there were two grants amounting to \$62,000, approved by the Board of Trustees and not yet disbursed.

Borrowers must meet certain criteria, specified in the loan agreements, before the remaining amounts will be disbursed.

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OTHER REPORTS AND SCHEDULES

CANTON COMMUNITY IMPROVEMENT CORPORATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended December 31, 2001

<u>PROGRAM TITLE</u>	<u>CFDA #</u>	<u>EXPENDITURES</u>
MAJOR PROGRAMS:		
<u>Department of Housing and Urban Development</u>		
Pass-through City of Canton		
Community Development Block Grant	14.218	\$ 560,036
TOTAL MAJOR PROGRAMS		560,036
TOTAL ALL FEDERAL PROGRAMS		\$ 560,036

See Independent Auditor's Report

CANTON COMMUNITY IMPROVEMENT CORPORATION

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended December 31, 2001

NOTE 1 - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Canton Community Improvement Corporation and is presented on the accrual basis of accounting.

# Smith, Barta & Company

Certified Public Accountants

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 Trustees  
Canton Community Improvement Corporation  
Canton, Ohio

We have audited the financial statements of Canton Community Improvement Corporation for the year ended December 31, 2001 and have issued our report thereon dated May 15, 2002. 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.

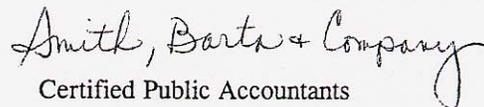
#### Compliance

As part of obtaining reasonable assurance about whether Canton Community Improvement Corporation's financial statements are free of material misstatement, we performed tests on 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 instances on noncompliance that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item number 1. We also noted certain immaterial instances of noncompliance, which we have reported to management of Canton Community Improvement Corporation in a separate letter, dated May 15, 2002.

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Canton Community Improvement Corporation'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 statements 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. However, we noted other matters involving the internal control over financial reporting, which we have reported to management of Canton Community Improvement Corporation in a separate letter dated May 15, 2002.

This report is intended solely for the information and use of the board of trustees, 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.

  
Certified Public Accountants

May 15, 2002

Canton, Ohio

# Smith, Barta & Company

## Certified Public Accountants

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

Board of Trustees  
Canton Community Improvement Corporation  
Canton, Ohio

### Compliance

We have audited the compliance of Canton Community Improvement Corporation 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, 2001. Canton Community Improvement Corporation major federal programs are identified in the Schedule of Expenditures of Federal Awards. Compliance with the laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Canton Community Improvement Corporation management. Our responsibility is to express an opinion on Canton Community Improvement Corporation 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 Canton Community Improvement Corporation'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 Canton Community Improvement Corporation's compliance with those requirements.

In our opinion, Canton Community Improvement Corporation 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, 2001. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item number 1.

### Internal Control Over Compliance

The management of Canton Community Improvement Corporation 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 Canton Community Improvement Corporation'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 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 trustees, 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.

*Smith, Barta & Company*  
Certified Public Accountants

May 15, 2002

CANTON COMMUNITY IMPROVEMENT CORPORATION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended December 31, 2001

SECTION I - SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified  Yes  No

Reportable condition(s) identified that are not considered to be weaknesses?  Yes  None reported

Noncompliance material to financial statements noted?  Yes  No

FEDERAL AWARDS

Internal control over major programs:

Material weakness(es) identified?  Yes  No

Reportable condition(s) identified that are not considered to be weaknesses?  Yes  None reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?  Yes  No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.218	Community Development Block Grant

Dollar threshold used to distinguish between type A and type B programs \$300,000

Auditee qualified as low-risk auditee?  Yes  No

SECTION II - FINANCIAL STATEMENT FINDINGS

See item number 1 under Section III

CANTON COMMUNITY IMPROVEMENT CORPORATION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended December 31, 2001

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Department of Housing and Urban Development

1. CDBG – CFDA #14.218

Year ended December 31, 2001

Statement of Condition: Cash management – Entity did not minimize the time between the transfer of Federal funds (December 31, 2001) and the pay out of funds for program purposes. This created cash balances in excess of immediate needs of \$95,000 at December 31, 2001.

Criteria: Subrecipients must follow procedures to minimize the time lapse between transfers of federal funds and their disbursements for program purposes.

Effect of Condition: The CCIC was compensated for grants and loan expenditures long before disbursing it for eligible activities.

Cause: Procedures are in place for requesting grant money from the City of Canton as close as is administratively possible to the actual cash outlays, but apparently were not followed at this time.

Recommendation: CCIC must follow the procedures which are in place to request grant money only when actual cash outlays are expected. Monitoring of cash management activities more closely by management would also be helpful.

Response: We concur with the auditor's recommendations. Procedures will be reviewed and followed to prevent a recurrence of this situation.





STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

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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  
AUGUST 13, 2002**