

CANTON COMMUNITY IMPROVEMENT
CORPORATION

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2003

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



**Auditor of State
Betty Montgomery**

Board of Directors
Canton Community Improvement Corporation
Canton, Ohio

We have reviewed the Independent Auditor's Report of the Canton Community Improvement Corporation, Stark County, prepared by Brott Mardis & Co., for the audit period January 1, 2003 through December 31, 2003. 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 cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

June 22, 2004

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CANTON COMMUNITY IMPROVEMENT CORPORATION

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2003

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Canton Community Improvement Corporation

We have audited the accompanying statement of financial position of Canton Community Improvement Corporation (the CIC), a component unit of the City of Canton, as of December 31, 2003, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the CIC's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As discussed in Note 1, the financial statements of the CIC 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 CIC. They do not purport to, and do not, present fairly the financial position and results of operations of the City of Canton as of December 31, 2003 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 CIC as of December 31, 2003, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 11, 2004, on our consideration of the CIC'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 considering the results of our audit.

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 required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the Canton Community Improvement Corporation's basic financial statements. 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.

Akron, Ohio
February 11, 2004

Canton Community Improvement Corporation
Management's Discussion and Analysis
For the year ended December 31, 2003

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of Canton Community Improvement Corporation's financial performance provides an overview of the Canton Community Improvement Corporation's financial activities for the year ended December 31, 2003. The intent of this discussion and analysis is to look at the Corporation's financial performance as a whole.

FINANCIAL HIGHLIGHTS

- Total net assets increased \$192,640 or a 58% increase over 2002

USING THIS ANNUAL FINANCIAL REPORT

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

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

REPORTING OF THE CORPORATION AS A WHOLE

Statement of Financial Position and the Statement of Activities

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

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

The Statement of Financial Position and the Statement of Activities are divided into the following categories:

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

THE CORPORATION AS A WHOLE

Recall that the Statement of Financial Position pictures the Corporation as a whole. The following provides a summary of the Corporation's net assets for 2003 compared to 2002.

Net Assets	2003	2002
Assets		
Current and Other Assets	\$ 151,187	\$ 50,954
Capital Assets, Net	<u>405,618</u>	<u>301,063</u>
Total Assets	556,805	352,017
Liabilities		
Current and other liabilities	<u>32,630</u>	<u>20,482</u>
Total Liabilities	32,630	20,482
Net Assets		
Invested in Capital Assets, Net of related debt	405,618	301,063
Unrestricted	<u>118,557</u>	<u>30,472</u>
Total Net Assets	524,175	331,535

Total assets increased by \$204,788 from 2002 to 2003, while the total liabilities increased by \$12,148. The current liabilities increased mainly due to the nonpayment of loans and grants initiated in 2003. Net assets increased \$192,640. For 2003, the Corporation had a good performance year. Operating costs were kept in line with previous years. The following provides a summary of the changes in net assets for the Corporation for 2003 and 2002.

	2003	2002
Operating Revenues:		
Grant funds	\$ 480,099	\$ 584,257
Miscellaneous	1,793	3,844
Non-operating Revenues:		
Gain on sale of real property	59,999	379,209
Total Revenues	<u>541,891</u>	<u>967,310</u>
Operating Expenses	<u>349,251</u>	<u>945,587</u>
Total Expenses	<u>349,251</u>	<u>945,587</u>
Excess Revenue over Expense	\$ 192,640	\$ 21,723

GENERAL FUND BUDGETING HIGHLIGHTS

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

CAPITAL ASSETS

The Corporation bought two pieces of property for approximately \$110,000 in 2003. Land parcels owned by the Corporation are either being leased or are actively for sale. The Corporation would like to see these properties used for industrial, economic, commercial or civic development.

CURRENT FINANCIAL RELATED ACTIVITIES

The Corporation is financially strong. A new administrator was hired in 2003. The Corporation will continue its purpose of promoting industrial, economic, commercial and civic development in the Canton area.

CONTACTING THE CORPORATION'S FINANCIAL MANAGEMENT

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

CANTON COMMUNITY IMPROVEMENT CORPORATION

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2003

ASSETS

CURRENT ASSETS:

Cash	\$ 67,378
Accounts receivable-City of Canton	23,809
Accounts receivable-Other	<u>60,000</u>
Total current assets	151,187

CAPITAL ASSETS:

Land	\$ 176,121
Real estate	274,150
Less accumulated depreciation	<u>44,653</u>
	<u>405,618</u>
Total assets	<u>\$ 556,805</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:

Accounts payable	\$ 28,466
Accrued payroll taxes	<u>4,164</u>
Total current liabilities	32,630

NET ASSETS:

Unrestricted	<u>524,175</u>
Total liabilities and net assets	<u>\$ 556,805</u>

See notes to the financial statements.

CANTON COMMUNITY IMPROVEMENT CORPORATION

STATEMENT OF ACTIVITIES

DECEMBER 31, 2003

SUPPORT AND REVENUE:	
Grant funds	\$ 480,099
Rental income	1,456
Other program revenue	337
Gain on sale of real property	<u>59,999</u>
Total support and revenue	541,891
EXPENSES:	
Program services:	
Economic development grants	120,930
Economic development loans	186,123
Depreciation	5,444
Surveying and other professional fees	<u>2,420</u>
	314,917
Support services:	
Administrative wages and fees	20,861
Payroll taxes	4,008
Workers' compensation insurance	111
Accounting fees	8,422
Bank charges and penalties	437
Miscellaneous	<u>495</u>
	34,334
Total expenses	<u>349,251</u>
CHANGE IN NET ASSETS	192,640
NET ASSETS AT BEGINNING OF YEAR	<u>331,535</u>
NET ASSETS AT END OF YEAR	<u><u>\$ 524,175</u></u>

See notes to the financial statements.

CANTON COMMUNITY IMPROVEMENT CORPORATION

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2003

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	\$ 192,640
Adjustments to reconcile changes in net assets to net cash provided by operating activities:	
Depreciation	5,445
Gain on disposal of fixed assets	(59,999)
(Increase) decrease in current assets:	
Accounts receivable	(72,161)
Deposits	10
Increase (decrease) in current liabilities:	
Accounts payable	11,171
Accrued payroll taxes	977
	<hr/>
Net cash provided by operating activities	78,083

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchase of capital assets	(110,001)
Proceeds from sale of capital assets	60,000
	<hr/>
Net cash used in investing activities	(50,001)

NET INCREASE IN CASH	28,082
CASH, BEGINNING OF YEAR	39,296
	<hr/>
CASH, END OF YEAR	\$ 67,378
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See notes to the financial statements.

CANTON COMMUNITY IMPROVEMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2003

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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, 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 a 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.

Basis of Accounting – the financial statements of the CIC are prepared using the accrual basis of accounting.

Capital Assets – Capital assets represent land and buildings donated to the CIC by the City of Canton to be used in future economic development projects as well as land currently being utilized for an economic development project. The land and buildings have been recorded at their fair value as of the date of the contribution. 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. Depreciation is computed using the straight-line method over the estimated useful life of the asset.

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

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES(Continued)

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

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

B. CAPITAL ASSETS

A summary of changes in capital assets follows:

	<u>Balance</u> <u>1/1/2003</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>12/31/2003</u>
Land	\$ 13,850	19,801	1	\$ 33,650
Land held for future use	142,471	-	-	142,471
Buildings	180,800	90,200	-	271,000
Scale housing	3,150	-	-	3,150
	<u>\$ 340,271</u>	<u>\$ 110,001</u>	<u>\$ 1</u>	<u>\$ 450,271</u>

A summary of changes in accumulated depreciation follows:

	<u>Balance</u> <u>1/1/2003</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>12/31/2003</u>
Buildings	\$ 36,656	\$ 5,202	\$ -	\$ 41,858
Scale housing	2,552	243	-	2,795
	<u>\$ 39,208</u>	<u>\$ 5,445</u>	<u>\$ -</u>	<u>\$ 44,653</u>

C. COMMITMENTS

The Board of Directors of the CIC has approved various loans and grants that the CIC has yet to disburse. The borrowers must meet certain criteria documented in the loan agreements before they can receive these funds. The CIC was committed to fourteen loans and grants totaling \$607,741 at December 31, 2003.

D. CONCENTRATIONS

The CIC received 88% of revenue from the U.S. Department of Housing and Urban Development passed through from the City of Canton. A significant reduction in the level of these revenues, if this were to occur, would have a material effect on the CIC's programs and activities.

E. LEASES

The CIC leases scale housing to a company for \$208 per month. The lease is on a month-to-month basis. The rental income for the year ended December 31, 2003 was \$1,456.

F. DONATED FACILITIES AND SERVICES

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

SUPPLEMENTAL DATA

CANTON COMMUNITY IMPROVEMENT CORPORATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED DECEMBER 31, 2003

<u>FEDERAL GRANTOR/PASS-THROUGH ENTITY/PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>FEDERAL EXPENDITURES</u>
U.S. Department of Housing and Urban Development Pass-through from City of Canton Community Development Block Grant	14.218	\$ <u>476,821</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS		\$ <u><u>476,821</u></u>

Note A. Basis of Presentation

The above schedule of expenditures of federal awards includes the federal grant activity of the Organization and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Directors
Canton Community Improvement Corporation

We have audited the financial statements of Canton Community Improvement Corporation (the CIC), a component unit of the City of Canton, as of and for the year ended December 31, 2003, and have issued our report thereon dated February 11, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the CIC's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the CIC in a separate letter dated February 11, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the CIC's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being

audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of the CIC in a separate letter dated February 11, 2004.

This report is intended solely for the information and use of the Board of Directors, management, and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

Akron, Ohio
February 11, 2004

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

Board of Directors
Canton Community Improvement Corporation

Compliance

We have audited the compliance of Canton Community Improvement Corporation (the CIC), a component unit of the City of Canton, 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, 2003. The CIC's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contract, and grants applicable to each of its major federal programs is the responsibility of the CIC's management. Our responsibility is to express an opinion on the CIC'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 CIC's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the CIC's compliance with those requirements.

In our opinion, the CIC 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, 2003.

Internal Control Over Compliance

The management of the CIC is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the CIC's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Board of Directors, management, and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

Akron, Ohio
February 11, 2004

CANTON COMMUNITY IMPROVEMENT CORPORATION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED DECEMBER 31, 2003

SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of the CIC.
2. No reportable conditions were disclosed during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of the CIC were disclosed during the audit.
4. No reportable conditions were disclosed during the audit of the major federal award programs.
5. The auditor's report on compliance for the major federal award programs for the CIC expresses an unqualified opinion on all major federal programs.
6. No audit findings relative to the major federal award programs for the CIC are reported in this Schedule.
7. The program tested as the major program was the U.S. Department of Housing and Urban Development Community Development Block Grant – CFDA # 14.218.
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. The CIC was not determined to be a low-risk auditee.

FINDINGS - FINANCIAL STATEMENT AUDIT

None

FINDINGS AND QUESTIONED COSTS - FEDERAL AWARDS

None



**Auditor of State
Betty Montgomery**

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CANTON COMMUNITY IMPROVEMENT CORPORATION

STARK COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JULY 6, 2004**