

# COMMUNITY IMPROVEMENT CORPORATION OF LAKE COUNTY

## FINANCIAL STATEMENTS

**DECEMBER 31, 2005**

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**Auditor of State  
Betty Montgomery**

Board of Trustees  
Community Improvement Corporation of Lake County  
391 West Washington Street  
Painesville, Ohio 44077

We have reviewed the *Independent Auditor's Report* of the Community Improvement Corporation of Lake County, prepared by Heiser & Jesko, Inc., for the audit period January 1, 2005 through December 31, 2005. 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 Community Improvement Corporation of Lake County is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY  
Auditor of State

October 11, 2006

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## INDEPENDENT AUDITOR'S REPORT

BOARD OF DIRECTORS  
COMMUNITY IMPROVEMENT CORPORATION OF LAKE COUNTY  
PAINESVILLE, OHIO

We have audited the accompanying statement of financial position of Community Improvement Corporation of Lake County (an Ohio non-profit corporation) as of December 31, 2005 and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the 2004 financial statements and, in our report dated June 13, 2005, we expressed an unqualified opinion on those financial statements.

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.

In our opinion, the financial statements referred to above present fairly the financial position of Community Improvement Corporation of Lake County as of December 31, 2005 and the changes in its net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 4, 2006 on our consideration of Community Improvement Corporation of Lake County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and 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.

Willoughby, Ohio  
May 4, 2006

*Heiser & Jesko*



**COMMUNITY IMPROVEMENT CORPORATION OF LAKE COUNTY**

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2005  
(WITH COMPARATIVE TOTALS FOR 2004)

	<u>2005</u>	<u>2004</u>
<b>ASSETS</b>		
CURRENT ASSETS		
Cash & Cash Equivalents	\$ 470,962	\$ 502,384
Grants & Contributions Receivable	<u>104,789</u>	<u>77,535</u>
Total Current Assets	<u>575,751</u>	<u>579,919</u>
PROPERTY & EQUIPMENT - AT COST		
Furniture & Fixtures	43,396	43,396
Less: Accumulated Depreciation	<u>43,396</u>	<u>43,396</u>
Total Property & Equipment	<u>-</u>	<u>-</u>
OTHER ASSETS		
Revolving Loan Fund (Note 3):		
Cash	82,723	80,152
Loans Receivable	<u>75,119</u>	<u>20,475</u>
Total Other Assets	<u>157,842</u>	<u>100,627</u>
 TOTAL ASSETS	 <u>\$ 733,593</u>	 <u>\$ 680,546</u>
<b>LIABILITIES AND NET ASSETS</b>		
CURRENT LIABILITIES		
Current portion of note payable (Note 7)	\$ 4,200	\$ 600
Accounts Payable	5,404	-
Accrued Payroll	12,090	8,000
Accrued Expenses	6,259	-
Funds Due Other Agencies	<u>26,257</u>	<u>-</u>
Total Current Liabilities	<u>54,210</u>	<u>8,600</u>
 NOTE PAYABLE - Long-Term (Note 7)	 <u>57,118</u>	 <u>30,733</u>
Total Liabilities	<u>111,328</u>	<u>39,333</u>
NET ASSETS (Notes 1 and 9)		
Unrestricted	441,423	517,586
Temporarily Restricted	<u>180,842</u>	<u>123,627</u>
Total Net Assets	<u>622,265</u>	<u>641,213</u>
 TOTAL LIABILITIES & NET ASSETS	 <u>\$ 733,593</u>	 <u>\$ 680,546</u>

See accompanying notes.



## COMMUNITY IMPROVEMENT CORPORATION OF LAKE COUNTY

### STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2005  
(WITH COMPARATIVE TOTALS FOR 2004)

	TEMPORARILY		2005	2004
	RESTRICTED	UNRESTRICTED		
<b>PUBLIC SUPPORT AND REVENUES</b>				
<b>PUBLIC SUPPORT</b>				
SBDC (Net of Pass-Through Grants - Note 8)	\$ -	\$ 114,536	<b>\$ 114,536</b>	\$ 137,403
PTAC (Net of Pass-Through Grants - Note 8)		88,477	<b>88,477</b>	130,073
Lake County Commissioners		88,950	<b>88,950</b>	89,010
Membership		70,300	<b>70,300</b>	79,375
LCSBAC		50,000	<b>50,000</b>	45,000
Donated Services & Rent		41,961	<b>41,961</b>	80,648
Third Frontier (Note 6)		32,608	<b>32,608</b>	11,866
RLF, Microloan & Fees (Note 3)	25,000		<b>25,000</b>	5,503
Port Authority		20,000	<b>20,000</b>	
Other		9,790	<b>9,790</b>	5,263
ITAC (Net of Pass-Through Grants - Note 8)			-	18,950
Team NEO			-	10,500
GSA Referral			-	10,450
	<u>25,000</u>	<u>516,622</u>	<b><u>541,622</u></b>	<u>624,041</u>
<b>NET ASSETS RELEASED FROM RESTRICTION</b>	-	-	-	-
<b>REVENUES</b>				
LCSBAC (SBA) & Enterprise Zone Fees		54,093	<b>54,093</b>	46,730
Other Fees & Income		10,988	<b>10,988</b>	23,994
Interest Income	882	8,728	<b>9,610</b>	6,233
	<u>882</u>	<u>73,809</u>	<b><u>74,691</u></b>	<u>76,957</u>
<b>TOTAL PUBLIC SUPPORT AND REVENUES</b>	<u>25,882</u>	<u>590,431</u>	<b><u>616,313</u></b>	<u>700,998</u>
<b>EXPENSES</b>				
<b>Program:</b>				
SBDC & ITAC		238,864	<b>238,864</b>	271,718
Procurement Program		154,323	<b>154,323</b>	165,967
Enterprise Zone & Other		53,072	<b>53,072</b>	48,039
SBA 504		31,280	<b>31,280</b>	21,241
Revolving Loan Fund		21,981	<b>21,981</b>	14,668
	-	<u>499,520</u>	<b><u>499,520</u></b>	<u>521,633</u>
General & Administrative		135,741	<b>135,741</b>	108,972
<b>TOTAL EXPENSES</b>	-	<u>635,261</u>	<b><u>635,261</u></b>	<u>630,605</u>
<b>CHANGE IN NET ASSETS</b>	25,882	(44,830)	<b>(18,948)</b>	70,393
<b>TRANSFER OF FUNDS</b>	31,333	(31,333)	-	-
<b>NET ASSETS - Beginning</b>	<u>123,627</u>	<u>517,586</u>	<b><u>641,213</u></b>	<u>570,820</u>
<b>NET ASSETS - Ending</b>	<u>\$ 180,842</u>	<u>\$ 441,423</u>	<b><u>\$ 622,265</u></b>	<u>\$ 641,213</u>

See accompanying notes.



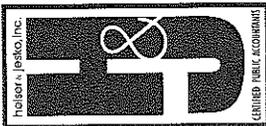
## COMMUNITY IMPROVEMENT CORPORATION OF LAKE COUNTY

### STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2005  
(WITH COMPARATIVE TOTALS FOR 2004)

	<u>2005</u>	<u>2004</u>
CASH FLOW FROM OPERATING ACTIVITIES		
Change in Net Assets	<u>\$(18,948)</u>	<u>\$ 70,393</u>
Adjustments to Reconcile Change in Net Assets to Cash Provided by(Used by) Operating Activities:		
Depreciation	-	5,526
Changes in Assets & Liabilities:		
Decrease (Increase) in Receivables	<u>(24,254)</u>	34,516
Increase in Revolving Loan Fund	<u>(60,215)</u>	(37,661)
Increase (Decrease) in Liabilities	<u>41,410</u>	<u>(19,634)</u>
Total Adjustments	<u>(43,059)</u>	<u>(17,253)</u>
Net Cash Provided by(Used by) Operating Activities	<u>(62,007)</u>	<u>53,140</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from SBA Loan	<u>31,333</u>	31,333
Payments on SBA Loan	<u>(748)</u>	-
Net Cash Provided by Financing Activities	<u>30,585</u>	<u>31,333</u>
NET INCREASE(DECREASE) IN CASH	<u>(31,422)</u>	84,473
CASH AT BEGINNING OF YEAR	<u>502,384</u>	<u>417,911</u>
CASH AT END OF YEAR	<u>\$470,962</u>	<u>\$ 502,384</u>

See accompanying notes.



## COMMUNITY IMPROVEMENT CORPORATION OF LAKE COUNTY

### STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2005  
(WITH COMPARATIVE TOTALS FOR 2004)

	SBDC & ITAC	Enterprise		Revolving		Total Programs	General & Administrative	2005 TOTAL	2004 TOTAL
		Procurement Program	Zone & Other	SBA 504	Loan Programs				
Personnel Costs	\$ 139,298	\$ 120,120	\$ 23,436	\$ 7,384	\$ 18,896	\$ 309,134	\$ 40,831	\$ 349,965	\$ 351,147
Contract & Consulting Services	59,453		25,185	21,960	190	106,788	9,069	115,857	59,252
Occupancy	5,883	3,058				8,941	30,757	39,698	80,530
Travel & Conferences	10,125	23,220	511	204		34,060	4,716	38,776	33,374
Professional Fees	4,095					4,095	20,147	24,242	40,211
Computer	6,205	4,159	930		450	11,744	4,490	16,234	11,588
Printing & Copier	4,477	621	982		494	6,574	4,361	10,935	10,536
Office & Miscellaneous	3,731	1,056	465	359	1,354	6,965	5,188	12,153	12,008
Telephone	1,896	1,746	1,457			5,099	1,471	6,570	7,351
Advertising					557	557	5,629	6,186	1,876
Automobile	162		20	14		196	4,868	5,064	6,454
Postage	2,534	162	86	1,359	40	4,181	509	4,690	4,625
Special Events & Other							3,238	3,238	3,645
Dues & Subscriptions	1,005	181				1,186	467	1,653	2,482
Depreciation								-	5,526
	<u>\$ 238,864</u>	<u>\$ 154,323</u>	<u>\$ 53,072</u>	<u>\$ 31,280</u>	<u>\$ 21,981</u>	<u>\$ 499,520</u>	<u>\$ 135,741</u>	<u>\$ 635,261</u>	<u>\$ 630,605</u>

See accompanying notes.



## COMMUNITY IMPROVEMENT CORPORATION OF LAKE COUNTY

### NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2005

#### NOTES:

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### NATURE OF OPERATION AND MISSION STATEMENT

Community Improvement Corporation of Lake County (CIC-LC) was incorporated in 1963 for the purpose of advancing, encouraging and promoting the industrial, economic, commercial and civic development of the County of Lake and the municipal corporations located therein for the industrial, commercial, distribution and research development in such political subdivisions in accordance with Section 1724.03 of the Ohio Revised Code.

CIC-LC's website address is [www.lakecountyohio.org/cic](http://www.lakecountyohio.org/cic).

The Lake County Economic Development Center (LCEDC) was established in 1985 as a committee of CIC-LC to address the economic growth in Lake County and an increased standard of living for its residents. The mission of LCEDC is to continually monitor, analyze and foster the economic development growth of Lake County in partnership with public and private community leaders.

LCEDC's website address is [www.lcedc.org](http://www.lcedc.org).

##### COMPARATIVE STATEMENTS

The financial statements include certain prior-year (2004) comparative total amounts. Such total amounts do not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States. Accordingly, such amounts should be read in conjunction with the Organization's financial statements for the year ended December 31, 2004, from which the comparative total amounts were derived. The auditor's report dated June 13, 2005 expressed an unqualified opinion on those financial statements.

##### BASIS OF ACCOUNTING

The Organization follows standards of accounting and financial reporting prescribed for not-for-profit organizations. It uses the accrual basis of accounting, which recognizes revenues when earned and expenses when incurred.

##### BASIS OF PRESENTATION

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements for Not-for-Profit Organizations*. Under those provisions, net assets and revenues, gains, and losses are classified based on the absence of existence and nature of donor-imposed restrictions as follows:



## COMMUNITY IMPROVEMENT CORPORATION OF LAKE COUNTY

### NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2005

#### NOTES (CONTINUED):

- **Unrestricted Net Assets** – Net assets that are not subject to donor-imposed stipulations.
- **Temporarily Restricted Net Assets** – Net assets subject to donor-imposed stipulations that can be fulfilled by actions of the Organization pursuant to those stipulations or that expire by the passage of time.
- **Permanently Restricted Net Assets** – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of such assets would permit the Organization to use all or part of the income earned on the asset.

There are no permanently restricted funds at December 31, 2005.

#### CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of amounts on deposit with commercial banks and interest bearing and non-interest bearing accounts, all available with 90 days following demand.

#### CONCENTRATIONS OF CREDIT RISK

Financial instruments, which potentially subject CIC-LC to concentrations of credit risk, consist primarily of periodic temporary investments of excess cash. The Organization places its temporary excess cash in high quality financial institutions. Portions of these instruments are in excess of the Federal Deposit Insurance Corporation (FDIC) limit. At December 31, 2005, the Organization had approximately \$68,000 in total deposits at three banks in excess of the FDIC limit. The Organization has not experienced any losses on such accounts and believes it is not exposed to any significant credit risk on cash and short-term investments.

#### LOANS RECEIVABLE

Loans receivable are stated at the amount management expects to collect from balances outstanding at year-end. Based on management's assessment of the credit history with clients having outstanding balances and current relationships with them, it has concluded that realization losses on balances outstanding at year-end will be immaterial.

#### PROPERTY & EQUIPMENT

Maintenance and repairs are charged to operations and expenditures for renewals and improvements and the fair value of donated fixed assets are capitalized. Provision for depreciation of assets is recorded by a charge against operations at rates which amortize the cost of such assets over their lives computed on the straight line method. The depreciable lives of assets generally are 10 years except for computers which are 5 years.



## COMMUNITY IMPROVEMENT CORPORATION OF LAKE COUNTY

### NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2005

#### NOTES (CONTINUED):

The cost of assets retired or otherwise disposed of and the related accumulated depreciation have been eliminated from the accounts and any resulting gain or loss charged to revenue.

#### DEPRECIATION

CIC-LC depreciates its Property and Equipment over the estimated useful lives of the assets based upon the straight-line method.

Depreciation expense for each of the years ended December 31, 2005 and 2004 was \$-0- and \$5,526, respectively.

#### MAJOR FUNDING

Major funding is as disclosed in the Statement of Activities (Page 3).

#### CONTRIBUTIONS

All contributions are considered unrestricted unless specifically restricted by the donor.

#### CONTRIBUTED SERVICES

SFAS 116 states that for donated services to be recognized in the financial statements, the services must either (a) create or enhance non-financial asset or (b) be specialized skills, provided by entities or persons possessing those skills, that would be purchased if not donated.

#### COMPENSATED ABSENCES

Employees of CIC-LC are entitled to paid vacations, sick days and personal days off depending on job classification, length of service and other factors. CIC-LC's policy is to recognize the costs of compensated absences when actually paid to employees. The effect of this method instead of accruing these costs is minimal in 2005 and 2004.

#### ADVERTISING COSTS

Advertising costs are expended when incurred. Advertising expense for the years ended December 31, 2005 and 2004 amounted to \$6,186 and \$1,876, respectively.

#### INCOME TAX STATUS

CIC-LC is incorporated as a not-for-profit organization under Chapters 1702 and 1724 of the Ohio Revised Code, is exempt from federal income taxes under Internal Revenue Code Section 501(c)(4), and is not considered a private foundation under Section 509(a)(2).



## COMMUNITY IMPROVEMENT CORPORATION OF LAKE COUNTY

### NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2005

NOTES (CONTINUED):

#### FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

#### USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States 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.

A number of volunteers have donated significant amounts of their time assisting CIC-LC with program, management and internal functions and various committee assignments. These donated services have not been recognized in the accompanying statement of changes in net assets because the criteria for recognition of such volunteer efforts under SFAS 116 have not been satisfied.

#### RELATED PARTIES

Members of the Board include officers of lending institutions who may be a party to the loan agreement with an applicant. CIC-LC's policy is for those applicable board members to abstain from voting on approval of these applicants.

## 2. **DESCRIPTION OF PROGRAM AND SUPPORTING SERVICES**

The following program and supporting services are included in the accompanying financial statements:

#### PROGRAM

- **Small Business Development Center (SBDC)** - SBDC provides a wide range of free management counseling to existing and start-up small businesses in Lake County.
- **International Trade Assistance Center (ITAC)** - provides counseling and support to companies wishing to begin exporting. The Center also supports regional trade missions, conducts training seminars, provides internet research and acts as a clearinghouse for its clients connecting them with all of the export support providers in this region.



## COMMUNITY IMPROVEMENT CORPORATION OF LAKE COUNTY

### NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2005

#### NOTES (CONTINUED):

- **Procurement Technical Assistance Center (PTAC)** - This program offers a wide range of services designed to assist business and industry involved in the federal market arena, or those intending to enter. Through several specially designed programs, a general knowledge of how-to-sell to government agencies is provided. The services also include assistance with local government bids and state bids (Ohio and others).
- **Enterprise Zone** - The Enterprise Zone serves as an additional economic development tool for communities in Lake County attempting to retain and expand their economic base. The Center assists communities in remaining competitive by offering tax incentives for growth and development of new or existing businesses.
- **SBA 504** - The loan program provides low fixed rate loans, minimal down payment, and long-term incentives for small businesses investing in fixed assets.
- **Revolving Loan Fund** - See Note 3.
- **Workforce Development Initiative** - A Development Initiative has been established to address the local business community's concerns regarding the availability of skilled labor. Its mission is to raise the appropriate technical skills, employability skills, and educational level of the entry-level technical workforce in Lake County.
- **Site Selection and Industrial Development Revenue Bonds** - This program works in cooperation with the local commercial real estate brokers and property owners to keep an updated inventory of available property. The municipalities are providing local tax information and area promotional features for businesses that wish to relocate in the area. The Industrial Development Revenue Bond function provides assistance to businesses to obtain financing through the industrial development revenue bonds.

#### GENERAL AND ADMINISTRATIVE

Includes the functions necessary to maintain an equitable employment program; ensure an adequate working environment; provide coordination and articulation of the Organization's program strategy through the Office of the President; secure proper administrative function of the Board of Directors; maintain competent legal services for the program administration of the Organization; and manage the financial and budgetary responsibilities of the Organization.



## COMMUNITY IMPROVEMENT CORPORATION OF LAKE COUNTY

### NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2005

NOTES (CONTINUED):

#### 3. REVOLVING LOAN FUND

The Organization received \$57,978 (2005) and \$36,333 (2004) in public and private funds for its Revolving Loan Fund (RLF) program. Loans of up to \$20,000 are disbursed to credit-worthy businesses on varying terms, with interest approximating the prime rate. Loans outstanding at December 31 were \$75,119 (2005) and \$20,475 (2004).

#### 4. RECLASSIFICATION OF EXPENSES

Certain expense items of the prior year have been reclassified to conform with the December 31, 2005 financial statement presentation.

#### 5. OPERATING LEASE COMMITMENTS

In the last quarter of 1998, CIC-LC moved its operations to Lake Erie College (Painesville, Ohio). In lieu of rent for 5 years, CIC-LC agreed to renovate its space for a cost of approximately \$156,000. The costs of the renovations were credited by Lake Erie College against rent due each month in the annual amount of \$33,968. Prepaid rent became fully expired during 2003.

The lease was verbally renewed as contributed rent on a month-to-month basis beginning October 1, 2003 and ending on September 30, 2005.

CIC-LC entered into a three-year lease with Lake Erie College, commencing on October 1, 2005, for its offices in Painesville, Ohio for \$2,755 per month. Total rent expense for the year ended December 31, 2005 was \$33,968, including donated rent of \$25,476.

Minimum annual payments under this lease for the next three years are as follows:

2006	\$33,064
2007	\$33,064
2008	\$24,798

All other lease commitments are for automobiles and office equipment and are not significant to these financial statements.

#### 6. THIRD FRONTIER PROGRAM

CIC-LC is the recipient of a "purchase of services" cost-reimbursement contract from the Ohio Department of Job and Family Services (ODJFS), under the Ohio Third Frontier Program. Funds are available for reimbursing area businesses for up to \$3,000 per eligible intern.



## COMMUNITY IMPROVEMENT CORPORATION OF LAKE COUNTY

### NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2005

#### NOTES (CONTINUED):

##### Grant details:

	<u>2005</u>	<u>2004</u>
Maximum Grant	<b>\$33,000</b>	\$51,000
Number of Interns	<b>10</b>	17
Administrative Fee	<b>\$3,000</b>	\$2,550

Through December 31, 2005, approximately \$6,000 is recorded as reimbursable from Ohio Department of Jobs and Family Services (ODJFS).

The contract was renewed through June 30, 2007.

#### 7. NOTE PAYABLE - SBA

The Organization obtained a note payable with the SBA as part of its microloan program. The proceeds, of which one-third of a total of \$94,000 was advanced in 2005 (one third was also advanced in 2004), will be used to provide financial assistance to eligible low-income individuals, minority entrepreneurs and other small businesses.

The advances on the note accrue interest at 1.75% for the first year and will be retained or increased two (2) additional percentage points in the second year based on the average size of microloans issued by CIC-LC.

Principal payments for the 2005 and 2004 advances begin November 1, 2006 and 2005, respectively, and will be amortized with the first year's accrued interest over a nine (9) year period.

Maturities of long-term debt are as follows:

2006	\$ 4,200
2007	6,700
2008	6,800
2009	6,900
2010	7,000
2011 & Thereafter	<u>29,718</u>
	<b><u>\$ 61,318</u></b>



**COMMUNITY IMPROVEMENT CORPORATION OF LAKE COUNTY**

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2005

NOTES (CONTINUED):

**8. PASS-THROUGH GRANTS ARE AS FOLLOWS:**

Grants received and subsequently passed through to subcontractors are as follows:

	<u>2005</u>	<u>2004</u>
SBDC	\$ -	\$ 25,107
PTAC	<b>93,850</b>	39,363
ITAC	-	-

**9. TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets at December 31, 2005 and 2004 are comprised of the following:

	<u>2005</u>	<u>2004</u>
Revolving Loan Fund	<b>\$157,842</b>	\$100,627
Team NEO	<b>23,000</b>	23,000
	<b><u>\$180,842</u></b>	<u>\$123,627</u>

**10. RETIREMENT PLAN**

CIC-LC has a Simple IRA covering employees over age 21 with one year of service. Annual contributions are limited to matching employee contributions of up to 3% of the employee's salary. Pension expense under this plan amounted to \$7,871 (2005) and \$7,740 (2004).



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

BOARD OF DIRECTORS  
COMMUNITY IMPROVEMENT CORPORATION  
OF LAKE COUNTY

We have audited the financial statements of Community Improvement Corporation of Lake County as of and for the year ended December 31, 2005, and have issued our report thereon dated May 4, 2006. 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 Control Over Financial Reporting

In planning and performing our audit, we considered Community Improvement Corporation of Lake County'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 that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud 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.

Compliance

As part of obtaining reasonable assurance about whether Community Improvement Corporation of Lake County'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*.

This report is intended for the information of the Board of Directors, management, and the State of Ohio, and is not intended to be and should not be used by anyone other than these specified parties.

Willoughby, Ohio  
May 4, 2006

*Heiser & Jesko*



**Auditor of State  
Betty Montgomery**

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**COMMUNITY IMPROVEMENT CORPORATION OF LAKE COUNTY**

**LAKE 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  
OCTOBER 19, 2006**