

**CANTON COMMUNITY IMPROVEMENT  
CORPORATION**

**STARK COUNTY**

**AUDIT REPORT**

*For the year ended December 31, 2007*





Mary Taylor, CPA  
Auditor of State

Board of Directors  
Canton Community Improvement Corporation  
218 Cleveland Avenue SW, 5th Floor  
Canton, Ohio 44702

We have reviewed the *Report of Independent Accountants* of the Canton Community Improvement Corporation, Stark County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2007 through December 31, 2007. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

September 2, 2008

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**CANTON COMMUNITY IMPROVEMENT CORPORATION**  
**AUDIT REPORT**  
For the Year Ended December 31, 2007

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***Charles E. Harris & Associates, Inc.***  
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**REPORT OF INDEPENDENT ACCOUNTANTS**

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

**To the Board of Directors:**

**We have audited the financial statements of the Canton Community Improvement Corporation (CCIC), a component unit of the City of Canton, Stark County, Ohio as of and for the year ended December 31, 2007, as listed in the table of contents. These financial statements are the responsibility of the CCIC's management. Our responsibility is to express an opinion on these financial statements based on our audit.**

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

**In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Canton Community Improvement Corporation, Stark County, Ohio, as of December 31, 2007, and the results of its operations and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.**

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

In accordance with *Government Auditing Standards*, we have also issued a report dated May 30, 2008, on our consideration of the Canton Community Improvement Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was made for the purpose of forming an opinion on the financial statements of the Canton Community Improvement Corporation taken as a whole. The accompanying schedule of federal awards expenditures is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

***Charles E. Harris & Associates, Inc.***  
May 30, 2008

***Canton Community Improvement Corporation***

Management's Discussion and Analysis  
For the Year Ended December 31, 2007  
(Unaudited)

The discussion and analysis for the Canton Community Improvement Corporation's (the CIC) financial performance provides an overall review of the CIC for the year ended December 31, 2007. The intent of this discussion and analysis is to look at the CIC's performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the CIC's financial performance.

**FINANCIAL HIGHLIGHTS**

Key financial highlights for 2007 are as follows:

- In total, net assets increased \$97,913 from 2006.
- Total assets decreased \$154,876 from 2006. This is mainly due to a decrease in cash for operations.
- Total liabilities increased by \$147,211, which represents a 70.64% increase from 2006. This increase was mainly due to the loan payable.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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



***Canton Community Improvement Corporation***

Management's Discussion and Analysis  
For the Year Ended December 31, 2007  
(Unaudited)

**FINANCIAL ANALYSIS**

A comparative analysis of 2007 and 2006 is presented below:

	<u>2007</u>	<u>2006</u>	Increase <u>(Decrease)</u>
Current and other assets	\$ 84,289	\$ 408,405	\$ (324,116)
Capital assets, net	<u>732,381</u>	<u>563,141</u>	<u>169,240</u>
Total assets	<u>816,670</u>	<u>971,546</u>	<u>(154,876)</u>
Current liabilities	<u>355,610</u>	<u>608,399</u>	<u>(252,789)</u>
Total liabilities	<u>355,610</u>	<u>608,399</u>	<u>(252,789)</u>
Net assets			
Invested in capital assets, net of related debt	732,381	563,141	169,240
Unrestricted (deficit)	<u>(271,321)</u>	<u>(199,994)</u>	<u>(71,327)</u>
Total net assets (deficit)	<u>\$ 461,060</u>	<u>\$ 363,147</u>	<u>\$ 97,913</u>

**Canton Community Improvement Corporation**

Management's Discussion and Analysis  
For the Year Ended December 31, 2007  
(Unaudited)

**Changes in Net Assets**

The following table shows the changes in net assets for the fiscal year 2007 and 2006:

	<u>2007</u>	<u>2006</u>	Increase (Decrease)
<u>Support and revenues:</u>			
In-kind contributions	\$ 9,424	\$ -	\$ 9,424
Rental income	13,740	24,590	(10,850)
Grants	744,573	2,187,367	(1,442,794)
Other	<u>21,781</u>	<u>3,513</u>	<u>18,268</u>
Total support and revenues	<u>789,518</u>	<u>2,215,470</u>	<u>(1,425,952)</u>
<u>Expenses:</u>			
Program services:			
Economic development grants	687,504	1,476,731	(789,227)
Depreciation	<u>8,710</u>	<u>8,710</u>	<u>-</u>
Total program services	<u>696,214</u>	<u>1,485,441</u>	<u>(789,227)</u>
Support services:			
Administrative wages and fees	52,686	17,669	35,017
Payroll taxes	19,514	7,287	12,227
Worker's Compensation insurance	235	231	4
Legal and accounting fees	3,571	13,636	(10,065)
Miscellaneous	<u>19,868</u>	<u>25,667</u>	<u>(5,799)</u>
Total support services	<u>95,874</u>	<u>64,490</u>	<u>31,384</u>
Total expenses	<u>792,088</u>	<u>1,549,931</u>	<u>(757,843)</u>
Operating income (expense)	(2,570)	665,539	(668,109)
<u>Non-operating revenues:</u>			
Sale of capital assets	113,123	-	113,123
<u>Non-operating expenses:</u>			
Interest and fiscal charges	<u>(12,640)</u>	<u>-</u>	<u>(12,640)</u>
Total non-operating revenues (expenses):	<u>100,483</u>	<u>-</u>	<u>100,483</u>
Change in net assets	97,913	665,539	(567,626)
Net assets at beginning of year, restated	<u>363,147</u>	<u>(302,392)</u>	<u>665,539</u>
Net assets at end of year	<u>\$ 461,060</u>	<u>\$ 363,147</u>	<u>\$ 97,913</u>

**Canton Community Improvement Corporation**  
Management's Discussion and Analysis  
For the Year Ended December 31, 2007  
(Unaudited)

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of 2007, the CIC had \$732,381 invested in capital assets. The following table shows 2007 and 2006 balances:

	Capital Assets, at Year End (Net of Depreciation)	
	<u>2007</u>	<u>2006</u>
Land	\$ 21,000	\$ 21,000
Land held for future use	530,761	306,371
Buildings	<u>180,620</u>	<u>235,770</u>
Total capital assets	<u>\$ 732,381</u>	<u>\$ 563,141</u>

Additional information on the CIC's capital assets can be found in Note 3.

**Debt**

Currently, the CIC has one outstanding loan principal payment of \$200,000.

**CURRENT FINANCIAL ISSUES AND CONCERNS**

At December 31, 2007, the CIC had total assets of \$816,670 and total net assets of \$461,060 which resulted from an increase in net assets of \$97,913. Management continues to monitor all activity affecting the condition of the CIC.

**REQUEST FOR INFORMATION**

This financial report is designed to provide the citizens, taxpayers, and consumers of the City of Canton with a general overview of the CIC's financial position. . If you have any questions about this report or need additional financial information, contact Joanne Paulino, Deputy Director, 218 Cleveland Ave., 5th Floor, Canton, Ohio 44702, 330-489-3344 or email to [joanne\\_paulino@cantonohio.gov](mailto:joanne_paulino@cantonohio.gov).

***Canton Community Improvement Corporation***

Statement of Financial Position

December 31, 2007

Assets

Current assets:	
Cash and cash equivalents	\$ 77,125
Receivables:	
Accounts	<u>7,164</u>
Total current assets	<u>84,289</u>
Capital assets:	
Land	21,000
Real estate	802,261
Less: accumulated depreciation	<u>(90,880)</u>
Total capital assets	<u>732,381</u>
Total assets	<u>\$ 816,670</u>

Liabilities

Current liabilities:	
Accounts payable	\$ 1,296
Loan payable	200,000
Accrued wages and payroll taxes	2,930
Undistributed monies	<u>151,384</u>
Total liabilities	<u>355,610</u>

Net assets

Net assets:	
Invested in capital assets	732,381
Unrestricted	<u>(271,321)</u>
Total net assets	<u>\$ 461,060</u>

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

***Canton Community Improvement Corporation***

Statement of Activities and Changes in Net Assets

Year ended December 31, 2007

Support and revenues:

In-kind contributions	\$ 9,424
Rental income	13,740
Grants	744,573
Other	21,781
Total support and revenues	<u>789,518</u>

Expenses:

Program services:

Economic development grants	687,504
Depreciation	8,710
Total program services	<u>696,214</u>

Support services:

Administrative wages and fees	52,686
Payroll taxes	19,514
Worker's Compensation insurance	235
Legal and accounting fees	3,571
Miscellaneous	19,868
Total support services	<u>95,874</u>
Total expenses	<u>792,088</u>

Operating income (expense) (2,570)

Other revenue (expense)

Non-operating revenues:

Sale of capital assets 113,123

Non-operating expenses:

Interest and fiscal charges (12,640)

Total non-operating revenues (expenses): 100,483

Change in net assets 97,913

Net assets at beginning of year, restated 363,147

Net assets at end of year \$ 461,060

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

***Canton Community Improvement Corporation***

Statement of Cash Flows

Year ended December 31, 2007

Cash flows from operating activities:

Cash received from grants	\$ 755,171
Cash received from customers	35,521
Cash paid for goods and services	(765,381)
Cash paid to employees	<u>(61,362)</u>
Net cash provided by (used for) operating activities	<u>(36,051)</u>

Cash flows from capital and related financing activities:

Sale of capital assets	205,963
Acquisition of capital assets	(270,790)
Principal payment on loan	(200,000)
Interest	<u>(12,640)</u>
Net cash provided by (used for) investing activities	<u>(277,467)</u>

Net increase (decrease) in cash (313,518)

Cash and cash equivalents at beginning of year 390,643

Cash and cash equivalents at end of year \$ 77,125

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

Net operating income (loss) \$ (2,570)

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

Depreciation	8,710
(Increase) decrease in assets:	
Accounts receivable	10,598
Increase (decrease) in liabilities:	
Accounts payable	(54,438)
Accrued wages and payroll taxes	<u>1,649</u>
Total adjustments	<u>(33,481)</u>

Non cash operating activities:

In-kind contributions	9,424
In-kind expenses	<u>(9,424)</u>
Total non cash operating activities	<u>-</u>

Net cash provided by (used for) operating activities \$ (36,051)

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

## ***Canton Community Improvement Corporation***

Notes to the Basic Financial Statements

For the Year Ended December 31, 2007

### Note 1 - Summary of significant accounting policies

#### A. Description of the entity

Canton Community Improvement Corporation (the CIC), a component unit of the City of Canton, is a non-profit corporation organized under Chapter 1724 of the Ohio Revised Code for the purpose of promoting industrial, economic, commercial and civic development. The CIC has been designated as the City of Canton's agent for industrial and commercial distributions and research development. As agent, the CIC disburses loan and grant funds to recipients for economic development projects approved by the Board of Directors. Because the CIC is only acting as agent, the City of Canton retains the loans and collects payments on the loans. The CIC 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, where the intent is those 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. The CIC is legally separate entity and is reported by the City as a discretely presented component unit in its basic financial statements. The CIC does not include any other units in its presentation.

#### B. Basis of accounting

The financial statements of the CIC 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. The CIC does not apply FASB statements issued after November 30, 1989, to its enterprise funds.

#### C. Community development loans

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

***Canton Community Improvement Corporation***

Notes to the Basic Financial Statements

For the Year Ended December 31, 2007

D. Capital assets

Capital assets represent land and building donated or transferred to the CIC by the City of Canton to be used in future economic development projects as well as land currently being utilized for an economic development project. The land and buildings have been recorded at their fair value as of the date of the contribution, or at cost if purchased. Capital assets also include buildings being utilized for an economic development project. These buildings are stated at their fair value as of the date of the contribution, or at cost if purchased. Depreciation is computed using the straight-line method over the estimated useful life of the asset.

E. 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.

F. Federal income tax

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

G. In-kind Contributions

The City of Canton paid the salaries and related fringe benefits of the CIC at no cost to CIC. The estimated fair value of in-kind contribution is reported as revenue and expense in the period in which the services are used. CIC 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.

H. 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.



***Canton Community Improvement Corporation***

Notes to the Basic Financial Statements

For the Year Ended December 31, 2007

Note 2 - Community development loans

The CIC has awarded sixty-seven loans totaling \$2,029,047, of this total \$1,415,027 were provided by Community Development Block Grant (CDBG) funds. 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, averaging \$5,000 per job. Fifty-one percent or more of the new employees must be in the low to moderate income category. In the event that the business awarded the loan maintains all of the terms and conditions of the agreement the CIC shall forgive and cancel the unpaid balance for the specified time stated in the agreement. These loans are not recorded in the financial statements due to the history of forgiveness of the loans.

Note 3 - Capital assets

Capital asset activity for the year ended December 31, 2007 is as follows:

	Balance <u>1/1/07</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>12/31/07</u>
Capital assets not being depreciated:				
Land	\$ 21,000	\$ -	\$ -	\$ 21,000
Land held for future use	<u>306,371</u>	<u>270,790</u>	<u>(46,400)</u>	<u>530,761</u>
Total capital assets not being depreciated	327,371	270,790	(46,400)	551,761
Capital assets being depreciated:				
Buildings	<u>348,900</u>	<u>-</u>	<u>(77,400)</u>	<u>271,500</u>
Total capital assets being depreciated	348,900	-	(77,400)	271,500
Less accumulated depreciation				
Building	<u>(113,130)</u>	<u>(8,710)</u>	<u>30,960</u>	<u>(90,880)</u>
Total accumulated depreciation	(113,130)	(8,710)	30,960	(90,880)
Total capital assets being depreciated, net	<u>235,770</u>	<u>(8,710)</u>	<u>(46,440)</u>	<u>180,620</u>
Total capital asset, net	<u>\$ 563,141</u>	<u>\$ 262,080</u>	<u>\$ (92,840)</u>	<u>\$ 732,381</u>

Note 4 - Commitments

The Board of Directors of the CIC has approved various loans and grants that the CIC yet to disburse totaling \$301,856. The borrowers must meet certain criteria documented in the loan agreements before they can receive these funds as stated earlier.

***Canton Community Improvement Corporation***

Notes to the Basic Financial Statements

For the Year Ended December 31, 2007

Note 5 - Concentrations

The CIC received 94% of their revenue from the U.S. Department of Housing and Urban Development which passed through from the City of Canton.

Note 6 – Cash and Investments

Custodial credit risk for deposits is the risk that in the event of bank failure, the CIC will not be able to recover deposits or collateral securities that are in the possession of an outside party. The CIC maintains its cash in a bank. This balance is insured by the Federal Deposit Insurance Corporation for up to \$100,000. At times throughout the year, the balance in this account may exceed federally insured limits. The CIC has not experienced any losses in this account, and management of the CIC believes it is not exposed to any significant credit risk on its cash. The CIC's cash balance at December 31, 2007 was \$77,125.

The CIC has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the CIC or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The CIC has no investment policy beyond the requirements of Ohio law.

At December 31, 2007, the CIC had no investments.

Note 7 - In-kind contributions, 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. In addition, wages in the amount of \$9,424 were received from the City of Canton.

Note 8 - Operating lease

The CIC leases property to a local Canton business. The lease is for a three year term ending July 30, 2008, with the option to be renewed by the lessee in two year increments. Future minimum rental payments to be received over the next year are \$1,320.

***Canton Community Improvement Corporation***

Notes to the Basic Financial Statements

For the Year Ended December 31, 2007

Note 9 - Restatement of net assets

An error was found in prior reports which required a restatement of net assets. The CIC has a loan payable to Groffre Investments that was not recorded in prior years.

The restatement of net assets is presented below:

Net assets at 12/31/2006	\$ 763,147
Loans payable	<u>(400,000)</u>
Net assets at 1/1/2007	<u>\$ 363,147</u>

Note 10 - Loan payable

On December 19, 2003 CIC entered into an agreement with Downtown Ford, the Canton City School Board of Education and Groffre Investments for the purpose of constructing a facility to which the Canton City Schools can transfer and conduct its bus transportation operations. The CIC has agreed to partial funding of the bus transportation facility. The loan was in the principal amount of \$1,000,000 at a rate of 3.16 percent and was secured by a mortgage. As of December 2007, the CIC had one outstanding principal payment of \$200,000.

**CANTON COMMUNITY IMPROVEMENT CORPORATION**

Schedule of Federal Awards Expenditures

For the Year Ended December 31, 2007

<u>Federal Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Receipts Recognized</u>	<u>Program Expenditures</u>
<i><u>U.S. Department of Housing and Urban Development</u></i>			
Pass-through from City of Canton Community Development Block Grant	14.218	\$ 755,171	\$ 739,030
Total U.S. Department of Housing and Urban Development		<u>755,171</u>	<u>739,030</u>
Total Federal Expenditures		<u>\$ 755,171</u>	<u>\$ 739,030</u>

See accompanying Notes to the Schedule of Federal Awards Expenditures

**CANTON COMMUNITY IMPROVEMENT CORPORATION**  
**Notes to the Schedule of Federal Awards Expenditures**  
**For the Year Ended December 31, 2007**

1. **General**

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

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

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

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

To the Board of Directors:

We have audited the financial statements of the Canton Community Improvement Corporation (CCIC), Stark County, Ohio (CCIC) as of and for the year ended December 31, 2007, and have issued our report thereon dated May 30, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Controls Over Financial Reporting**

In planning and performing our audit, we considered the CCIC's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the CCIC's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the CCIC's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the CCIC's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis such that there is more than a remote likelihood that a misstatement of the CCIC's financial statements that is more than inconsequential will not be prevented or detected by the CCIC's internal control. We consider the deficiency described in the accompanying Schedule of Findings, item 2007-CCIC-01 to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the CCIC's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, we believe the significant deficiency described above to be a material weakness.

#### **Compliance and Other Matters**

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

The CCIC's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the CCIC's response and, accordingly, we express no opinion on it.

We noted certain matters that we have reported to management of the CCIC in a separate letter dated May 30, 2008.

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

***Charles E. Harris & Associates, Inc.***  
May 30, 2008

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

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

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

To the Board of Directors:

**Compliance**

We have audited the compliance of the Canton Community Improvement Corporation (CCIC), Stark County, Ohio with the types of compliance requirements described in *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended December 31, 2007. CCIC's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the CCIC's management. Our responsibility is to express an opinion on the CCIC's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the CCIC's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the CCIC's compliance with those requirements.

In our opinion, CCIC complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2007.

**Internal Control Over Compliance**

The management of the CCIC is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the CCIC's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of the CCIC's internal control over compliance.



**A control deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the CCIC's ability to administer a federal program such that there is more than a remote likelihood that the CCIC's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement.**

**A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the CCIC's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.**

**Our consideration of the internal control over compliance was for limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.**

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

***Charles E. Harris & Associates, Inc.***  
**May 30, 2008**

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

**CANTON COMMUNITY IMPROVEMENT CORPORATION  
STARK COUNTY  
DECEMBER 31, 2007**

**1. SUMMARY OF AUDITOR'S RESULTS**

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

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

**CANTON COMMUNITY IMPROVEMENT CORPORATION**  
**STARK COUNTY**  
**DECEMBER 31, 2007**

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

**FINDING NUMBER 2007-CCIC-01 MATERIAL WEAKNESS**

During our testing of debt/loans payable, we noted an unrecorded loan from Groffre Investments that was in existence in prior years, but not recorded in the financial statements. This caused an overstatement of net assets for the year ending December 31, 2006 of \$400,000. This amount was adjusted in the financial statements.

We recommend the CCIC coordinate its effort to ensure that all loan payables are researched and accounted for. Management should obtain or prepare and amortization schedule of all loans and payment schedules for cash flow and net worth purposes.

Management indicated that they will implement procedures to track loans more effectively in the future.

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None.

**CANTON COMMUNITY IMPROVEMENT COORPORATION  
STARK COUNTY  
For the Year Ending December 31, 2007**

**STATUS OF PRIOR AUDIT'S CITATIONS AND RECOMMENDATIONS**

The prior audit report, as of December 31, 2006, reported no material citations or recommendations.



**Mary Taylor, CPA**  
Auditor of State

**CANTON COMMUNITY IMPROVEMENT CORPORATION**  
**STARK COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED**  
**SEPTEMBER 16, 2008**