



OHIO AUDITOR OF STATE  
**KEITH FABER**





**ELYRIA COMMUNITY IMPROVEMENT CORPORATION  
LORAIN COUNTY**

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## INDEPENDENT AUDITOR'S REPORT

Elyria Community Improvement Corporation  
Lorain County  
131 Court Street  
Elyria, Ohio 44035

To the Board of Directors:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the Elyria Community Improvement Corporation, Lorain County, Ohio (the Corporation), as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Elyria Community Improvement Corporation, as of June 30, 2020 and 2019, and the changes in its financial position and its cash flows for the years then ended in accordance with the accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

As discussed in Note 7 to the 2019 financial statements, the Corporation restated net position due to a reimbursement received impacting the original amount of a loan previously reported. Also, as discussed in Note 7 to the 2020 financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Corporation. We did not modify our opinion regarding these matters.

**Other Matters**

*Required Supplementary Information*

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated May 16, 2022, on our consideration of the Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control over financial reporting and compliance.



Keith Faber  
Auditor of State  
Columbus, Ohio

May 16, 2022

**ELYRIA COMMUNITY IMPROVEMENT CORPORATION  
LORAIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2020  
(UNAUDITED)**

The management's discussion and analysis for Elyria Community Improvement Corporation's (ECIC) financial performance provides an overall review of ECIC for the fiscal year ended June 30, 2020. The intent of this discussion and analysis is to look at ECIC's performance as a whole; readers should also review the notes to the basic financial statements to enhance their understanding of ECIC's financial performance.

**Financial Highlights**

Key financial highlights for 2020 are as follows:

- Net position increased by \$177,444 for the year.
- Total assets increased by \$177,444 for the year.
- Total liabilities remained at \$192,890 for the year.

**Overview of the Financial Statements**

The basic financial statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position and a Statement of Cash Flows. Since ECIC only uses one fund for its operations, the entity wide and the fund presentation information is the same.

**Financial Analysis**

**Changes in Assets, Liabilities, and Net Position for the years 2020 and 2019 listed below**

- Total Assets 2020 - \$1,329,732
- Total Assets 2019 - \$1,152,288
  
- Total Liabilities 2020 - \$192,890
- Total Liabilities 2019 - \$192,890
  
- Total Net Position 2020 - \$1,136,842
- Total Net Position 2019 - \$959,398

**Summary changes in Revenue, Expenses, and Net Position for the years 2020 and 2019 listed below**

- Total Revenues 2020 - \$208,151
- Total Revenues 2019 - \$691,507
  
- Total Expenses 2020 - \$30,707
- Total Expenses 2019 - \$775,389

**ELYRIA COMMUNITY IMPROVEMENT CORPORATION  
LORAIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2020  
(UNAUDITED)**

- Net Change in Position 2020 – \$177,444
- Net Change in Position 2019 – (\$ 83,882)

Additional information on the ECIC's revenues, expenses, and net position can be found on the enclosed basic financial statements and enclosed notes to the financial statements.

**Summary changes in capital assets for the years 2020 and 2019 are listed below:**

Total capital assets 2020 - \$573,150

Total capital assets 2019 - \$400,920

**Current Financial Related Activities**

The ECIC management continues to monitor all activity affecting the condition of the ECIC. At June 30, 2020 the ECIC had total assets of \$1,329,732 and a total net position of \$1,136,942.

**Request for Information**

This financial report is designed to provide the citizens, taxpayers, and consumers of the City of Elyria with a general overview of ECIC's financial position. If you have any questions about this report or need additional financial information, contact the Mayor, 131 Court St., 3<sup>rd</sup> Floor, Elyria, Ohio 44035.



**ELYRIA COMMUNITY IMPROVEMENT CORPORATION**  
**LORAIN COUNTY**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2020**

	<b>2020</b>
<b><u>Assets</u></b>	
<b>Current assets:</b>	
Cash and Cash equivalents	\$ 122,964
<b>Total current assets</b>	<b>122,964</b>
<b>Non-current assets:</b>	
Capital assets and property held for sale or development	573,150
Loans receivable - Johnny K's	452,871
Loans receivable - Melinda Rogers	180,747
<b>Total Non-current assets:</b>	<b>1,206,768</b>
<b>Total assets</b>	<b>1,329,732</b>
<b><u>Liabilities</u></b>	
<b>Liabilities:</b>	
Due to other governments - City of Elyria	192,890
<b>Total Liabilities:</b>	<b>192,890</b>
Unrestricted	1,136,842
<b>Total net position</b>	<b>\$ 1,136,842</b>

The accompanying notes are an integral part of the basic financial statements.

**ELYRIA COMMUNITY IMPROVEMENT CORPORATION**  
**LORAIN COUNTY**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

	<b>2020</b>
<b>Operating Revenues:</b>	
Sale of property	\$ 15,000
<b>Total Operating Revenues</b>	<b>15,000</b>
<b>Operating Expenses:</b>	
Property taxes	23,267
Utilities	4,492
Other	722
Property insurance	2,226
<b>Total Operating Expenses</b>	<b>30,707</b>
<b>Operating Income (Loss)</b>	<b>(15,707)</b>
<b>Non-Operating Revenues (Expenses)</b>	
Interest payments received from Johnny K's	9,401
Interest payments received from Mindy Rogers	4,341
Donations from City of Elyria	5,000
Increase in property value	172,230
Other revenue	2,179
<b>Total Non-Operating Revenues (Expenses)</b>	<b>193,151</b>
<b>Net Change in Position</b>	<b>177,444</b>
<b>Net Position - Beginning of Year</b>	<b>959,398</b>
<b>Net Position - End of Year</b>	<b>\$ 1,136,842</b>

The accompanying notes are an integral part of the basic financial statements.

**ELYRIA COMMUNITY IMPROVEMENT CORPORATION  
LORAIN COUNTY  
STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

	<b>2020</b>
<b>Cash flows from operating activities:</b>	
Cash received from property rental	\$ 15,000
Cash paid for operating expenses	(30,707)
<b>Net cash provided by (used for) operating activities</b>	<b>(15,707)</b>
<b>Cash flows from non-operating activities:</b>	
Cash received from loans	48,817
Cash received from donations	5,000
Cash refunded from insurance payments	453
Cash received from other	1,727
<b>Net cash provided by (used in) non-operating activities:</b>	<b>55,997</b>
<b>Net increase in cash</b>	<b>40,290</b>
Cash at beginning of year	82,674
<b>Cash at end of year</b>	<b>\$ 122,964</b>

**Reconciliation of Net Income to Net Cash Provided By (Used for ) Operating Activities:**

<b>Operating income (loss)</b>	\$ (15,707)
Adjustments to reconcile Operating income (loss) to net cash provided by (used for) operating activities:	
Net adjustments to reconcile Operating Income (loss) to net cash provided by (used for) operating activities:	_____
<b>Net Cash Provided By (Used For) Operating Activities</b>	<b>\$ (15,707)</b>

The accompanying notes are an integral part of the basic financial statements.

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**ELYRIA COMMUNITY IMPROVEMENT CORPORATION  
LORAIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2020**

**Note 1 - Nature of Activities**

Elyria Community Improvement Corporation, Elyria, Ohio (ECIC), was incorporated on August 7, 2014 under the authority of Ohio Rev. Code Chapter 1724. The ECIC is governed by a Board of Directors, who shall be elected or appointed officials of the City of Elyria, including City employees. The ECIC was formed to advance, encourage, and promote the Industrial, economic, commercial, distribution, research, and civic development of The City of Elyria, Ohio and to be at all times operated for charitable, educational or scientific purposes.

**Note 2 – Summary of Significant Accounting Policies**

**A. Basis of Accounting**

The basic financial statements of ECIC have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. ECIC’s significant accounting policies are described below. The ECIC’s financial statements have been prepared using the accrual basis of accounting.

**B. Basis of Presentation**

The ECIC’s basic financial statements consist of a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position, and a Statement of Cash Flows.

**C. Contributions**

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions.

**D. Community Development Loans**

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

**E. Capital Assets and Property Held for Sale or Development**

Capital assets represent land and buildings donated or transferred to ECIC by the City of Elyria and private entities to be used in future economic development projects. The land and buildings have been recorded at their assessed value as of year-end or at cost if purchased. The ECIC’s property consists of the following at June 30, 2020:

Property held for sale or development	<u>\$573,150</u>
Total	<u>\$573,150</u>

**ELYRIA COMMUNITY IMPROVEMENT CORPORATION  
LORAIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2020**

**Note 2 – Summary of Significant Accounting Policies (continued)**

**F. Federal Income Tax**

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

**G. Net Position**

Net position represents the difference between assets and liabilities on the statement of net position. Net position is reported as restricted in the financial statements when there are limitations imposed on its use through external restrictions imposed by creditors, grantors, laws or regulations. There was no restricted net position as of June 30, 2020.

**H. Estimates**

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

**I. Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the activity of ECIC. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of ECIC.

**J. Cash and Cash Equivalents**

At June 30, 2020, the carrying amount of the ECIC's deposits was \$122,964 and the bank balance was \$124,964. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2020, the entire bank balance of \$124,964 was covered by the Federal Deposit Insurance Corporation. There are no significant statutory restrictions regarding the deposits and investments of funds held, which was covered by federal depository insurance.

**Note 3 - Related Parties**

Three of the five Directors serving the ECIC are elected or appointed officials of the City of Elyria as mandated by the Ohio Revised Code.

**ELYRIA COMMUNITY IMPROVEMENT CORPORATION  
LORAIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2020**

**Note 4 - Functional Classification of Revenues and Expenses**

Revenues by function for the fiscal year ended June 30, 2020 were as follows:

Sale of property	\$ 15,000
Interest payments received from Johnny K's	9,401
Interest payments received from Mindy Rogers	4,341
Donations from City of Elyria	5,000
Increase in property value	172,230
Other revenue	<u>2,179</u>
Total Revenue	<u>\$208,151</u>

Expenses by function for the fiscal year ended June 30, 2020 were as follows:

Property taxes	\$ 23,267
Utilities	4,492
Property insurance	2,226
Bank charges	<u>722</u>
Total Expenses	<u>\$ 30,707</u>

**Note 5 - Receivables**

The ECIC has a promissory note dated April 27, 2018 for a \$500,000 loan to KE Elyria LLC (DBA Johnny K's). The note includes interest at the rate of 2% per annum and the principal and interest on this note is to be paid monthly with maturity date of December 16, 2033. The balance of the receivable at June 30, 2020 was \$452,871.

The details of the \$185,000 loan to Mindy Rogers was for an amortization schedule of 30 years with a paid in full agreement after 15 years. On October 15, 2033 the principal balance of \$109,778 will be forgiven. The balance of the receivable at June 30, 2020 was \$180,747.

**Note 6 - Due to Other Governments**

The ECIC received a loan in the amount of \$350,000 from the City of Elyria which was approved by Elyria City Council by Ordinance 2017-192 on December 4, 2017. The amount due to the City of Elyria on the loan been restated from the original amount of \$350,000 to \$192,890 based on the reimbursement the ECIC received from JobsOhio.

**ELYRIA COMMUNITY IMPROVEMENT CORPORATION  
LORAIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2020**

**Note 7 – COVID-19**

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the Corporation. In addition, the impact on the Corporation's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.



**ELYRIA COMMUNITY IMPROVEMENT CORPORATION  
LORAIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2019  
(UNAUDITED)**

The management's discussion and analysis for Elyria Community Improvement Corporation's (ECIC) financial performance provides an overall review of ECIC for the fiscal year ended June 30, 2019. The intent of this discussion and analysis is to look at ECIC's performance as a whole; readers should also review the notes to the basic financial statements to enhance their understanding of ECIC's financial performance.

**Financial Highlights**

Key financial highlights for 2019 are as follows:

- Net position decreased by \$83,882 for the year.
- Total assets decreased by \$83,882 for the year.
- Total liabilities remained at \$192,890.

**Overview of the Financial Statements**

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

**Financial Analysis**

**Changes in Assets, Liabilities, and Net Position for the year 2019 and 2018 listed below**

- Total Assets 2019 - \$1,152,288
- Total Assets 2018 - \$1,236,170
  
- Total Liabilities 2019 - \$192,890
- Total Liabilities 2018 - \$192,890
  
- Total Net Position 2019 - \$959,398
- Total Net Position 2018 - \$1,043,280

**Summary changes in Revenue, Expenses, and Net Position for the year 2019 and 2018 listed below**

- Total Revenues 2019 - \$691,507
- Total Revenues 2018 - \$845,086
  
- Total Expenses 2019 - \$775,389
- Total Expenses 2018 - \$279,891

**ELYRIA COMMUNITY IMPROVEMENT CORPORATION  
LORAIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2019  
(UNAUDITED)**

- Net Change in Position 2019 – (\$ 83,882)
- Net Change in Position 2018 - \$565,195

Additional information on the ECIC's revenues, expenses, and net position can be found on the enclosed basic financial statements and enclosed notes to the financial statements.

**Summary changes in capital assets for the years 2019 and 2018 are listed below:**

Total capital assets 2019 - \$400,920

Total capital assets 2018 - \$395,320

**Current Financial Related Activities**

The ECIC management continues to monitor all activity affecting the condition of the ECIC. At June 30, 2019 the ECIC had total assets of \$1,152,288 and a total net position of \$959,398.

**Request for Information**

This financial report is designed to provide the citizens, taxpayers, and consumers of the City of Elyria with a general overview of ECIC's financial position. If you have any questions about this report or need additional financial information, contact the Mayor, 131 Court St., 3<sup>rd</sup> Floor, Elyria, Ohio 44035.

**ELYRIA COMMUNITY IMPROVEMENT CORPORATION**  
**LORAIN COUNTY**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2019**

	<b>2019</b>
<b><u>Assets</u></b>	
<b>Current assets:</b>	
Cash and Cash equivalents	\$ 82,674
<b>Total current assets</b>	<b>82,674</b>
<b>Non-current assets:</b>	
Capital assets and property held for sale or development	400,920
Loans receivable - Johnny K's	484,447
Loans receivable - Melinda Rogers	184,247
<b>Total Non-current assets:</b>	<b>1,069,614</b>
<b>Total assets</b>	<b>1,152,288</b>
<b><u>Liabilities</u></b>	
<b>Liabilities:</b>	
Due to other governments - City of Elyria	192,890
<b>Total Liabilities:</b>	<b>192,890</b>
Unrestricted	959,398
<b>Total net position</b>	<b>\$ 959,398</b>

The accompanying notes are an integral part of the basic financial statements.

**ELYRIA COMMUNITY IMPROVEMENT CORPORATION**  
**LORAIN COUNTY**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	<b>2019</b>
<b>Operating Revenues:</b>	
Sale of property	\$ 175,000
<b>Total Operating Revenues</b>	<b>175,000</b>
<b>Operating Expenses:</b>	
Repair and maintenance	2,000
Advertising	2,000
Professional services	7,160
Property taxes	13,614
Site remediation	734,196
Utilities	4,988
Property insurance	2,853
<b>Total Operating Expenses</b>	<b>766,811</b>
<b>Operating Income (Loss)</b>	<b>(591,811)</b>
<b>Non-Operating Revenues (Expenses)</b>	
Interest payments received from Johnny K's	10,291
Interest payments received from Mindy Rogers	616
Donations from City of Elyria	500,000
Increase in property value	5,600
Bank charges	(1,676)
Loss on sale of General Industries property	(4,077)
Loan payments made to Mindy Rogers	(2,825)
<b>Total Non-Operating Revenues (Expenses)</b>	<b>507,929</b>
<b>Net Change in Position</b>	<b>(83,882)</b>
<b>Net Position - Beginning of Year - Restated</b>	<b>1,043,280</b>
<b>Net Position - End of Year</b>	<b>\$ 959,398</b>

The accompanying notes are an integral part of the basic financial statements.

**ELYRIA COMMUNITY IMPROVEMENT CORPORATION**  
**LORAIN COUNTY**  
**STATEMENT OF CASH FLOWS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	<b>2019</b>
<b>Cash flows from operating activities:</b>	
Cash received from sale of property	\$ 175,000
Cash paid for operating expenses	<u>(766,811)</u>
<b>Net cash provided by (used for) operating activities</b>	<b><u>(591,811)</u></b>
 <b>Cash flows from non-operating activities:</b>	
Cash received General Industries property	45,924
Cash received from loans	322,866
Cash received from donations	203,909
Cash received from grant proceeds	192,889
Cash paid for bank fees	(1,676)
Cash received from other	438
Cash paid for loans	<u>(187,825)</u>
<b>Net cash provided by (used in) non-operating activities:</b>	<b><u>576,525</u></b>
 <b>Net (decrease) in cash</b>	<b><u>(15,286)</u></b>
Cash at beginning of year	<u>97,960</u>
<b>Cash at end of year</b>	<b><u><u>\$ 82,674</u></u></b>

**Reconciliation of Net Income to Net Cash Provided By (Used for ) Operating Activities:**

<b>Operating income (loss)</b>	\$ (591,811)
Adjustments to reconcile Operating income (loss) to net cash provided by (used for) operating activities:	
Increase in Due to other governments - Lorain County	<u>                    </u>
Net adjustments to reconcile Operating Income (loss) to net cash provided by (used for) operating activities:	
 <b>Net Cash Provided By (Used For) Operating Activities</b>	<b><u><u>\$ (591,811)</u></u></b>

The accompanying notes are an integral part of the basic financial statements.

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**ELYRIA COMMUNITY IMPROVEMENT CORPORATION  
LORAIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019**

**Note 1 - Nature of Activities**

The Elyria Community Improvement Corporation, Elyria, Ohio (ECIC), was incorporated on August 7, 2014 under the authority of Ohio Rev. Code Chapter 1724. The ECIC is governed by a Board of Directors, who shall be elected or appointed officials of the City of Elyria, including City employees. The ECIC was formed to advance, encourage, and promote the Industrial, economic, commercial, distribution, research, and civic development of The City of Elyria, Ohio and to be at all times operated for charitable, educational or scientific purposes.

**Note 2 – Summary of Significant Accounting Policies**

**A. Basis of Accounting**

The basic financial statements of ECIC have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. ECIC’s significant accounting policies are described below. The ECIC’s financial statements have been prepared using the accrual basis of accounting.

**B. Basis of Presentation**

The ECIC’s basic financial statements consist of a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position, and a Statement of Cash Flows.

**C. Contributions**

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions.

**D. Community Development Loans**

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

**E. Capital Assets and Property Held for Sale or Development**

Capital assets represent land and buildings donated or transferred to ECIC by the City of Elyria and private entities to be used in future economic development projects. The land and buildings have been recorded at their assessed value as of year-end or at cost if purchased. The ECIC’s property consists of the following at June 30, 2019:

Property held for sale or development	<u>\$400,920</u>
Total	<u>\$400,920</u>

**ELYRIA COMMUNITY IMPROVEMENT CORPORATION  
LORAIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019**

**Note 2 – Summary of Significant Accounting Policies (continued)**

**F. Federal Income Tax**

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

**G. Net Position**

Net position represents the difference between assets and liabilities on the statement of net position. Net position is reported as restricted in the financial statements when there are limitations imposed on its use through external restrictions imposed by creditors, grantors, laws or regulations. There was no restricted net position as of June 30, 2019.

**H. Estimates**

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

**I. Operating Revenues and Expenses**

Operating Revenues are those revenues that are generated directly from the activity of ECIC. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of ECIC.

**J. Cash and Cash Equivalents**

At June 30, 2019, the carrying amount of the ECIC's deposits was \$82,674 and the bank balance was \$84,674. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2019, the entire bank balance of \$84,674 was covered by the Federal Deposit Insurance Corporation. There are no significant statutory restrictions regarding the deposits and investments of funds held by the not-for-profit corporation, which was covered by federal depository insurance.



**ELYRIA COMMUNITY IMPROVEMENT CORPORATION  
LORAIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019**

**Note 3 - Related Parties**

Three of the five Directors serving the ECIC are elected or appointed officials of the City of Elyria as mandated by the Ohio Revised Code.

**Note 4 - Functional Classification of Revenues and Expenses**

Revenues by function for the fiscal year ended June 30, 2019 were as follows:

Sale of property	\$175,000
Interest payments received from Johnny K's	10,291
Interest payments received from Mindy Rogers	616
Donations from City of Elyria	500,000
Increase in Property Value	<u>5,600</u>
Total Revenue	<u>\$ 691,507</u>

Expenses by function for the fiscal year ended June 30, 2019 were as follows:

Repair and maintenance	\$ 2,000
Advertising	2,000
Professional services	7,160
Property taxes	13,614
Site remediation	734,196
Utilities	4,988
Property insurance	2,853
Bank charges	1,676
Loss on sale of General Industries property	4,077
Loan payments made to Mindy Rogers	<u>2,825</u>
Total Expenses	<u>\$ 775,389</u>

**Note 5 - Receivables**

The ECIC has a promissory note dated April 27, 2018 for a \$500,000 loan to KE Elyria LLC (DBA Johnny K's). The note includes interest at the rate of 2% per annum and the principal and interest on this note is to be paid monthly with maturity date of December 16, 2033. The balance of the receivable at June 30, 2019 was \$484,447.

The details of the \$185,000 loan to Mindy Rogers was for an amortization schedule of 30 years with a paid in full agreement after 15 years. On October 15, 2033 the principal balance of \$109,778 will be forgiven. The balance of the receivable at June 30, 2019 was \$184,247.

The ECIC received a donation in the amount of \$500,000 from the City of Elyria, which was approved by Ordinance 2018-171 as a guarantee that the ECIC can meet its obligations to the Elyria Public Library. The \$203,909 and \$296,091 donation in 2019 is a part of that agreement.

**ELYRIA COMMUNITY IMPROVEMENT CORPORATION  
LORAIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019**

**Note 6 - Due to Other Governments**

The ECIC received a loan in the amount of \$350,000 from the City of Elyria which was approved by Elyria City Council by Ordinance 2017-192 on December 4, 2017. The amount due to the City of Elyria on the loan has been restated from the original amount of \$350,000 to \$192,890 based on the reimbursement the ECIC received from JobsOhio.

**NOTE 7 – Prior Period Adjustment**

For fiscal year 2018, the Corporation restated net position due to a reimbursement received impacting the original amount of a loan previously reported. See Note 6.

The restatement had the following effect on net position as previously reported, as follows:

Net position June 30, 2018:	\$ 886,170
Adjustments:	
Reimbursement	<u>157,110</u>
Restated net position June 30, 2018:	<u>\$1,043,280</u>

# OHIO AUDITOR OF STATE KEITH FABER



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

Elyria Community Improvement Corporation  
Lorain County  
131 Court Street  
Elyria, Ohio 44035

To the Board of Directors:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Elyria Community Improvement Corporation, Lorain County, Ohio, (the Corporation) as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements and have issued our report thereon dated May 16, 2022, wherein we noted the Corporation restated net position at June 30, 2018. We also noted the financial impact of Covid-19 and the continuing emergency measures may impact subsequent periods of the Corporation.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the Corporation's internal control over financial reporting (internal control) as a basis for designing audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Corporation's internal control. Accordingly, we have not opined on it.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2020-001 to be a material weakness.

**Compliance and Other Matters**

As part of reasonably assuring whether the Corporation's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the financial statements. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

**Corporation's Response to Findings**

The Corporation's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not subject the Corporation's response to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**Purpose of this Report**

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



Keith Faber  
Auditor of State  
Columbus, Ohio

May 16, 2022

ELYRIA COMMUNITY IMPROVEMENT CORPORATION  
LORAIN COUNTY

SCHEDULE OF FINDINGS  
JUNE 30, 2020 AND 2019

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

FINDING NUMBER 2020-001

**Material Weakness – Financial Reporting**

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16. Governmental Accounting Standards Board (GASB) Cod. 1100 paragraph .101 states a governmental accounting system must make it possible both: (a) to present fairly and with full disclosure the funds and activities of the governmental unit in conformity with generally accepted accounting principles, and (b) to determine and demonstrate compliance with finance-related legal and contractual provisions.

Due to inadequate internal controls over the financial reporting, multiple errors were identified within the financial statements. The following material errors, in aggregate, were identified and adjusted to the financial statements, and where applicable accounting records, by management.

For the fiscal year ended June 30, 2019 financial statements:

- Total Liabilities were overstated \$453,201;
- Net Position (ending) was understated \$479,404;
- Net Non-Operating Expenses/Revenues were overstated \$80,512 and;
- Net Position (beginning) was understated \$550,000.

Additionally, immaterial errors in 2020 ranging from \$722 to \$13,273 and immaterial errors in 2019 ranging from \$2,000 to \$55,840 were noted and were also adjusted to the financial statements, and where applicable accounting records, by management.

The failure to accurately implement and monitor controls over financial reporting can decrease the reliability of financial data.

Management should review the financial statements to help ensure they are supported by sufficient documentation, reconciled to the trial balances, free of obvious errors and omissions, and consistent with their financial expectations. These procedures should help avoid financial statement errors and ensure more accurate financial reporting.

**Official's Response:** Management will review the financial statements to help ensure they are supported by sufficient documentation, reconciled to the trial balances, free of obvious errors and omissions, and consistent with the Elyria Community Improvement Corporation financial expectations. These procedures will help avoid financial statement errors and ensure more accurate financial reporting.

# OHIO AUDITOR OF STATE KEITH FABER



**ELYRIA COMMUNITY IMPROVEMENT CORPORATION**

**LORAIN COUNTY**

**AUDITOR OF STATE OF OHIO CERTIFICATION**

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



**Certified for Release 6/7/2022**

88 East Broad Street, Columbus, Ohio 43215  
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This report is a matter of public record and is available online at  
[www.ohioauditor.gov](http://www.ohioauditor.gov)