



Dave Yost • Auditor of State

**COMMUNITY IMPROVEMENT CORPORATION OF WARREN AND TRUMBULL COUNTY
TRUMBULL COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Community Improvement Corporation of Warren and Trumbull County
Trumbull County
11 Central Square, Suite 1600
Youngstown, OH 44503

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of the Community Improvement Corporation of Warren and Trumbull County, Trumbull County, Ohio (the CIC), as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the CIC'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 Transit Board'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 Transit Board'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 respective financial position of the Community Improvement Corporation of Warren and Trumbull County, Trumbull County, Ohio, as of December 31, 2017 and 2016, and the respective changes in financial position and cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

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 December 17, 2018, on our consideration of the Transit Board'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 Transit Board's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

December 17, 2018

Community Improvement Corporation of Warren and Trumbull County

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

December 31, 2017

The management's discussion and analysis of the Community Improvement Corporation of Warren and Trumbull County (CIC), financial performance provides an overall review of CIC's financial activities as of and for the year ended December 31, 2017. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in financial position. We encourage readers to consider the information presented here in conjunction with basic financial statements taken as a whole.

Overview of Financial Highlight for Community Improvement Corporation of Warren and Trumbull County

- CIC has a net position of \$1,162,005 as of December 31, 2017. This net position results from the difference between total assets of \$1,281,086 and total liabilities of \$119,081 as of December 31, 2017.
- As of December 31, 2017, assets of \$1,281,086 primarily consist of land, building and improvements net of accumulated depreciation \$1,090,397 and investment of \$148,905.
- Liabilities of \$119,081 as of December 31, 2017, consist of trade accounts payable and property tax accruals.

Basic Financial Statements and Presentation

CIC complies with the provision of Governmental Accounting Standards Board ("GASB") Statement No. 34, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus", and Statement No. 38, "Certain Financial Statement Disclosures".

The financial statements presented by CIC are the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position and the Statement of Cash Flows. These statements are presented using the accrual basis of accounting. CIC recognizes revenues when earned and measureable, not when received. Expenses are recognized when they are incurred, not when paid.

The *Statement of Net Position* presents information on all of CIC's assets and liabilities, with the difference between the two reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of CIC is improving or deteriorating. Net position increases when revenues exceed expenses. Increases in assets without a corresponding increases to liabilities results in increased net position, which indicate improved financial position.

The *Statement of Revenues, Expenses and Changes in Net Position* present information showing how CIC's net position changed during the year. This statement summarizes operating revenues and expenses along with non-operating revenues and expenses. In addition, this statement lists royalties received, interest income and the gain or loss in the investment in Warren Commerce Park Realty Co., Ltd.

Community Improvement Corporation of Warren and Trumbull County

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

December 31, 2017

Basic Financial Statements and Presentation (Continued)

The *Statement of Cash Flows* allows financial statement users to assess CIC's adequacy or ability to generate sufficient cash flows to meet its obligations in a timely manner. The statement is classified into two categories; 1) Cash flows from operating activities and 2) Cash flows from investing activities.

Notes to Financial Statements

The Notes to Financial Statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

Financial Analysis of CIC

Table 1 provides a summary of CIC's net position as of December 31, 2017 and 2016:

Table 1

Condensed Summary of Net Position

	<u>2017</u>	<u>2016</u>
<i>Assets:</i>		
Current Assets	\$ 6,976	\$ 45,288
Non-current assets	1,274,110	1,308,898
Total Assets	<u>1,281,086</u>	<u>1,354,186</u>
 <i>Liabilities:</i>		
Current Liabilities	<u>119,081</u>	<u>69,991</u>
 <i>Net Position:</i>		
Net investment in capital assets	1,090,397	1,123,003
Unrestricted net position	71,608	161,192
Total Liabilities and Net Position	<u>\$ 1,281,086</u>	<u>\$ 1,354,186</u>

Community Improvement Corporation of Warren and Trumbull County

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

December 31, 2017

Financial Analysis of CIC (Continued)

Table 2 provides a summary of changes in net position for the years ended December 31, 2017 and 2016:

Table 2

Condensed Summary of Revenues, Expenses and Changes in Net Position

	<u>2017</u>	<u>2016</u>
<i>Revenues (Expenses):</i>		
Revenues	\$ 29,367	\$ 31,387
Expenses	(151,557)	(162,214)
Excess of expenses over revenues	<u>(122,190)</u>	<u>(130,827)</u>
Net position, Beginning of year	1,284,195	1,415,022
Net position, End of year	<u>\$1,162,005</u>	<u>\$ 1,284,195</u>

Financial Operating Activities

The primary purpose of the CIC is to encourage and promote industrial and civic development of the Warren and Trumbull County area.

The CIC leases the building at 999 Pine Avenue Warren, Ohio for \$1 annually. The CIC is responsible for all expenses related to the maintenance and operation of the building. The CIC subleased office space in the building to a tenant for \$25,000 for 2017. Expenses consisting of property taxes, insurance, utilities and maintenance for the building totaled \$92,276 during 2017.

Effective January 22, 2018, the CIC exercised its option to purchase the building at 999 Pine Avenue for \$1.

During 2017, the CIC received royalties from a gas well that is on land owned by the organization in the amount of \$1,187.

The CIC has a 50% investment in Warren Commerce Park Realty valued at \$148,905 at December 31, 2017.

On March 3, 2016, the CIC loaned \$30,000 to the Tech Belt Energy Innovation Center. Monthly interest payments are being made for the first thirty-six months. Interest income from the loan totaled \$1,500 for 2017.

Community Improvement Corporation of Warren and Trumbull County

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

December 31, 2017

Financial Operating Activities (Continued)

The CIC entered into a management contract with the Youngstown, Warren Regional Chamber of Commerce. Management services for 2017 totaled \$26,075.

Contacting CIC Financial Management

The financial report is designed to provide a general overview of CIC's finances. Questions concerning any other information in this report or to request additional information should be addressed to: Community Improvement Corporation of Warren and Trumbull County, 11 Central Square, Suite 1600, Youngstown, OH 44503.

Community Improvement Corporation of Warren and Trumbull County
STATEMENT OF NET POSITION
December 31, 2017

ASSETS

CURRENT ASSETS

Cash	\$ 3,767
Accounts Receivables	759
Prepaid Expenses	2,450
TOTAL CURRENT ASSETS	6,976

PROPERTY AND EQUIPMENT

Building	1,100,000
Land and railroad track	68,344
Leasehold improvements	15,317
	1,183,661

Less accumulated depreciation	93,264
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NET PROPERTY AND EQUIPMENT	1,090,397
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OTHER ASSETS

Investment - Warren Commerce Park	148,905
Loan to Tech Belt Energy Innovation Center	30,000
Deposits	4,808
TOTAL OTHER ASSETS	183,713

\$ 1,281,086

LIABILITIES AND NET POSITION

Accounts payable	\$ 5,326
Accrued expenses	113,255
Unearned Revenue	500
TOTAL CURRENT LIABILITIES	119,081

NET POSITION

Net investment in capital assets	1,090,397
Unrestricted	71,608
TOTAL NET POSITION	1,162,005
TOTAL LIABILITIES AND NET POSITION	\$ 1,281,086

Community Improvement Corporation of Warren and Trumbull County
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Year ended December 31, 2017

REVENUES

Royalties	\$ 1,187
Interest	8
Interest-TBEIC Loan	1,500
Lease Income	26,200
(Loss) for Warren Commerce Park Realty Co. LTD.	(2,182)
Miscellaneous	2,654

TOTAL SUPPORT AND REVENUE	\$ 29,367
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EXPENSES

Real Estate Taxes	\$ 47,878
Insurance	5,969
YWRC Contract	26,075
Professional Fees	600
Depreciation	32,606
Electric	23,397
Gas	6,684
Water	1,277
Maintenance	6,356
Independent Contractor	490
Miscellaneous	225

TOTAL EXPENSES	\$ 151,557
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CHANGE IN NET POSITION	(122,190)
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NET POSITION AT BEGINNING OF YEAR	1,284,195
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NET POSITION AT END OF YEAR	\$ 1,162,005
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Community Improvement Corporation of Warren and Trumbull County
STATEMENT OF CASH FLOWS
Year ended December 31, 2017

OPERATING ACTIVITIES	
Cash received from customers	\$ 30,044
Cash payments to suppliers of goods or services	(70,084)
NET CASH USED IN OPERATING ACTIVITIES	<u>(40,040)</u>
INVESTING ACTIVITIES	
Loss on investment	2,182
NET CASH USED IN INVESTING ACTIVITIES	<u>2,182</u>
DECREASE IN CASH	(37,858)
CASH AT BEGINNING OF YEAR	41,625
CASH AT END OF YEAR	<u>\$ 3,767</u>
NET CASH USED IN OPERATING ACTIVITIES	
Operating loss	\$ (122,190)
Change in assets and liabilities:	
Depreciation	32,606
Decrease in receivables and prepaid expenses	454
Increase in trade accounts payable and accruals	49,090
NET CHANGE IN ASSETS AND LIABILITIES	<u>82,150</u>
NET CASH USED IN OPERATING ACTIVITIES	<u>\$ (40,040)</u>

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Community Improvement Corporation of Warren and Trumbull County
NOTES TO FINANCIAL STATEMENT
December 31, 2017

NOTE A - NATURE OF BUSINESS

The Community Improvement Corporation of Warren and Trumbull County ("the Corporation") is a nonprofit community improvement organization, formed on February 25, 1964, with the primary purpose of advancing, encouraging and promoting industrial and civic development of the Warren and Trumbull County area.

The management, control and direction of the affairs, property, and interests of the Corporation shall be vested in the Board of Directors. The Board of Directors shall be comprised of fifteen members, eight members from the public sector (the "Public Directors") and seven members from the private sector (the "Private Directors"). The Public Directors shall be permanent members of the Board. The eight Public Directors shall consist of: three County Commissioners, Mayor of the City of Warren, Director of Public Safety & Service City of the City of Warren, Director of Community Development of the City of Warren, representative of economic development appointed from Northeast Ohio Development and Finance Authority or its successor, and representative of economic development appointed from Eastgate Regional Council of Government. The seven Private Directors appointed by the Board of Directors shall be persons who live in or represent a local business in the county or have a vested interest in the economic development of the City of Warren and/or the County of Trumbull.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

CIC follows the accrual basis of accounting, whereby revenues and expenses are recognized in the period earned or incurred. The measurement focus is on determination of net position, change in net position and cash flows. All transactions are accounted for in a single enterprise fund.

Pursuant to GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* CIC follows GASB guidance as applicable to enterprise funds.

CIC complies with the provision of GASB statement No. 34, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments."

CIC will continue applying all applicable pronouncements issued by the GASB.

Cash and Cash Equivalents

For the purposes of the Statement of Cash Flow, cash and cash equivalents consist of temporary bank deposits and money market instruments with a maturity of three months or less as of the purchase date.

Accounts Receivable and Accrued Receivables

The Corporation grants credit in the ordinary course of business. The Corporation performs ongoing credit evaluations and requires no collateral.

The Corporation provides for uncollectible trade accounts receivable by the allowance method. Uncollectible accounts are charged to the allowance in the year that they are determined to be uncollectible. Recoveries are credited to the allowance. The allowance for doubtful accounts is determined based on management's estimate of uncollectible accounts whereby management considers the Corporation's historical credit losses and existing economic conditions. At December 31, 2017, management believes all accounts are collectible.

Community Improvement Corporation of Warren and Trumbull County
NOTES TO FINANCIAL STATEMENT
December 31, 2017

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

The Corporation capitalizes property and equipment over \$1,000. Lesser amounts are expensed. Purchased property and equipment are capitalized at cost. Donations of property and equipment are recorded as contributions at their acquisition value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Property and equipment are depreciated over their useful lives using primarily the straight-line method.

Accrued Liabilities

The CIC has recognized certain expenses due, but unpaid as of December 31, 2017. These expenses are reported as accrued liabilities in the accompanying financial statements.

Equity Investments

The Corporation has a 50% investment in Warren Commerce Park Realty. The equity method of accounting is used and the investment is valued at \$148,905 as of December 31, 2017. A loss of \$2,182 was recorded at December 31, 2017.

Net Position

Net Position – Net position, or equity, represents the difference between assets and liabilities. Net position is usually displayed in three components as follows:

Net Investment in Capital Assets – this consists of capital assets, net of accumulated depreciation, less the outstanding balances of any bonds, notes, or other borrowings that are attributed to the acquisition, construction, or improvements of those assets.

Restricted – This consists of net position that is legally restricted by outside parties or by law through constitutional provision or enabling legislation. When both restricted and unrestricted resources are available for use, generally it is the CIC policy to use restricted resources first, then unrestricted resources when they are needed.

Unrestricted – This consists of net position that do not meet the definition of “restricted” or “net investment in capital assets”.

Income Taxes

The Corporation is a not-for profit corporation as described in Section 501(c) (4) of the Internal Revenue Code and is exempt from federal income taxes pursuant to Section 501(a) of the Internal Revenue Code.

Use of Estimates

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

Community Improvement Corporation of Warren and Trumbull County
NOTES TO FINANCIAL STATEMENT
 December 31, 2017

NOTE C – CAPITAL ASSETS

Building

The Corporation leased a building under a capital lease agreement expiring on December 31, 2017. The building is valued at the estimated fair market value at the inception of the lease and is depreciated over its estimated useful life of 39 years using the straight-line method. Leasehold improvements are depreciated over the estimated useful life of 5 years using the straight-line method.

Land and Railroad Tracks

The Corporation owns land and railroad tracks in Warren Ohio. Royalties from a gas well on the property are recorded when received and are included in revenues.

Capital asset activity for the year ended December 31, 2017, was as follows:

	Balance at 12/31/2016	Additions	Reductions	Balance at 12/31/2017
Government Activities				
Building	\$ 1,100,000	\$ 0	\$ 0	\$ 1,100,000
Land and Railroad track	68,344	0	0	68,344
Leasehold improvements	15,317	0	0	15,317
Totals	<u>1,183,661</u>	<u>0</u>	<u>0</u>	<u>1,183,661</u>
Less Accumulated Depreciation:				
Building	56,412	28,206	0	84,618
Leasehold improvements	4,246	4,400	0	8,646
Total Depreciation	<u>60,658</u>	<u>32,606</u>	<u>0</u>	<u>93,264</u>
Government Activities				
Capital Assets, Net	<u>\$ 1,123,003</u>	<u>\$ (32,606)</u>	<u>\$ 0</u>	<u>\$ 1,090,397</u>

NOTE D – OTHER ASSETS

Loans – Tech Belt Energy Innovation Center

The Corporation loaned the Tech Belt Energy Innovation Center (TBEIC) \$30,000 on March 3, 2016. The loan is amortized over eighty-four months. Commencing March 3, 2016 and continuing for thirty six months, TBEIC will pay interest (until March 2, 2019). Commencing March 3, 2019 and continuing until March 2, 2023, TBEIC shall pay forty-eight monthly installments of \$690.88. On or before March 2, 2023, TBEIC will pay a balloon payment representing the balance of the remaining principal and interest. The Raymond John Wean Foundation is the guarantor of the loan.

Investment – Warren Commerce Park

The Corporation has a 50% investment in Warren Commerce Park Realty valued at \$148,905 at December 31, 2017.

Community Improvement Corporation of Warren and Trumbull County
NOTES TO FINANCIAL STATEMENT
December 31, 2017

NOTE D – OTHER ASSETS (continued)

Deposits

Deposits in the amount of \$4,808 included in Other Assets on the Statement of Net Position consist of utility deposits.

The deposit of CIC monies are governed by the provision of the Ohio Revised Code. In accordance with these statutes, only banks located in Ohio and domestic building and loan associations are eligible to hold public deposits. The statutes also permit CIC to invest on certificates of deposit, savings accounts, money market accounts, the State Treasurer's investment pool ("STAR Ohio") and obligation of the United States government and certain agencies thereof. CIC may also enter into repurchase agreements with eligible depository or any eligible security dealer who is a member of the National Association of Securities Dealers for a period not exceeding 30 days.

Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. The securities must be obligations of or guaranteed by the United States and mature or be redeemable within five years of the date of the related repurchase agreement. The market value of the securities subject to a repurchase agreement must exceed the value of the principal by two percent and be marked to market daily. State law does not require that security for public deposits and investments be maintained in the CIC's name.

At December 31, 2017, the recorded amount and bank balance of CIC deposits was \$3,767 and was not exposed to custodial credit risk.

Custodial credit risk is the risk that, in the event of bank failure, the CIC deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the names of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the CIC.

NOTE E – LEASES

Capital Lease

The Corporation leased a building under a lease agreement expiring on December 31, 2017. Annual rent expense on the building is \$1. The Corporation is responsible for paying all real estate taxes and utilities during the term of the lease. At the end of the lease, the Corporation has the option to purchase the building for \$1.

Sublease

The Corporation subleases office space to a tenant under an operating lease that expired December 31, 2017. Rent for the term of the lease is \$75,000. A payment of \$50,000 was due upon the signing of the lease and was paid in the first quarter of 2016. The remaining \$25,000 was paid in January 2017.

Community Improvement Corporation of Warren and Trumbull County
NOTES TO FINANCIAL STATEMENT
December 31, 2017

NOTE F – ACCRUED EXPENSES

The Tech Belt Energy Innovation Center (TBEIC) applied for a property tax exemption with the State of Ohio on January 1, 2015 for the 999 Pine Ave. building. As of December 31, 2017, the accrued property taxes were \$108,934.

NOTE G – RELATED PARTIES

The Corporation conducted transactions with organizations that have trustees who are also trustees of the Corporation including the leasing of the building.

The Corporation paid business advisory fees to the Youngstown/Warren Regional Chamber of \$26,075 in 2017.

NOTE H – SUBSEQUENT EVENTS

Management evaluated all activity of the Corporation and concluded that no subsequent events have occurred that would require recognition or disclosure in the financial statements or notes, except as described below.

On January 22, 2018, the Corporation exercised its option to purchase the building referred to in NOTE E located at 999 Pine Avenue, Warren, Ohio for \$1.

On January 1, 2018, the Corporation entered into a one-year lease, including two additional one-year options with a tenant for office space in the 999 Pine Avenue building under an operating lease expiring December 31, 2018. Rent for the term of the lease is \$25,000.

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Community Improvement Corporation of Warren and Trumbull County

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

December 31, 2016

The management's discussion and analysis of the Community Improvement Corporation of Warren and Trumbull County (CIC), financial performance provides an overall review of CIC's financial activities as of and for the year ended December 31, 2016. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in financial position. We encourage readers to consider the information presented here in conjunction with basic financial statements taken as a whole.

Overview of Financial Highlight for Community Improvement Corporation of Warren and Trumbull County

- CIC has a net position of \$1,284,195 as of December 31, 2016. This net position results from the difference between total assets of \$1,354,186 and total liabilities of \$69,991 as of December 31, 2016.
- As of December 31, 2016, assets of \$1,354,186 primarily consist of land, building and improvements net of accumulated depreciation of \$1,123,003 and investment of \$151,087.
- Liabilities of \$69,991 as of December 31, 2016, consist of trade accounts payable and property tax accruals.

Basic Financial Statements and Presentation

CIC complies with the provision of Governmental Accounting Standards Board ("GASB") Statement No. 34, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus", and Statement No. 38, "Certain Financial Statement Disclosures".

The financial statements presented by CIC are the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position and the Statement of Cash Flows. These statements are presented using the accrual basis of accounting. CIC recognizes revenues when earned and measureable, not when received. Expenses are recognized when they are incurred, not when paid.

The *Statement of Net Position* presents information on all of CIC's assets and liabilities, with the difference between the two reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of CIC is improving or deteriorating. Net position increases when revenues exceed expenses. Increases in assets without a corresponding increases to liabilities results in increased net position, which indicate improved financial position.

The *Statement of Revenues, Expenses and Changes in Net Position* present information showing how CIC's net position changed during the year. This statement summarizes operating revenues and expenses along with non-operating revenues and expenses. In addition, this statement lists royalties received, interest income and the gain or loss in the investment in Warren Commerce Park Realty Co., Ltd.

Community Improvement Corporation of Warren and Trumbull County

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

December 31, 2016

Basic Financial Statements and Presentation (Continued)

The *Statement of Cash Flows* allows financial statement users to assess CIC's adequacy or ability to generate sufficient cash flows to meet its obligations in a timely manner. The statement is classified into three categories: 1) Cash flows from operating activities, 2) Cash flows from investing activities and 3) Cash flows from investment in capital assets.

Notes to Financial Statements

The Notes to Financial Statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

Financial Analysis of CIC

Table 1 provides a summary of CIC's net position as of December 31, 2016 and 2015:

Table 1

Condensed Summary of Net Position

	<u>2016</u>	<u>2015</u>
<i>Assets:</i>		
Current Assets	\$ 45,288	\$ 188,143
Non-current assets	1,308,898	1,305,331
Total Assets	<u>1,354,186</u>	<u>1,493,474</u>
 <i>Liabilities:</i>		
Current Liabilities	<u>69,991</u>	<u>78,452</u>
 <i>Net Position:</i>		
Net investment in capital assets	1,123,003	1,148,846
Unrestricted	161,192	266,176
Total Liabilities and Net Position	<u>\$ 1,354,186</u>	<u>\$ 1,493,474</u>

Community Improvement Corporation of Warren and Trumbull County

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

December 31, 2016

Financial Analysis of CIC (Continued)

Table 2 provides a summary of changes in net position for the years ended December 31, 2016 and 2015:

Table 2

Condensed Summary of Revenues, Expenses and Changes in Net Position

	<u>2016</u>	<u>2015</u>
<i>Revenues (Expenses):</i>		
Revenues	\$ 31,387	\$ 1,184,297
Expenses	<u>(162,214)</u>	<u>(119,405)</u>
Excess of expenses over revenues	<u>(130,827)</u>	<u>1,064,892</u>
Net position, Beginning of year	<u>1,415,022</u>	<u>350,130</u>
Net position, End of year	<u><u>\$1,284,195</u></u>	<u><u>\$ 1,415,022</u></u>

Financial Operating Activities

The primary purpose of the CIC is to encourage and promote industrial and civic development of the Warren and Trumbull County area.

The CIC leases the building at 999 Pine Avenue Warren, Ohio for \$1 annually. The CIC is responsible for all expenses related to the maintenance and operation of the building. The CIC subleased office space in the building to a tenant for \$25,000 for 2016. Expenses consisting of property taxes, insurance, utilities and maintenance for the building totaled \$80,061 during 2016.

During 2016, the CIC received royalties from a gas well that is on land owned by the organization in the amount of \$1,019.

The CIC has a 50% investment in Warren Commerce Park Realty valued at \$151,087 at December 31, 2016.

On March 3, 2016, the CIC loaned \$30,000 to the Tech Belt Energy Innovation Center. Monthly interest payments are being made for the first thirty-six months. Interest income from the loan totaled \$1,125 for 2016.

Community Improvement Corporation of Warren and Trumbull County

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

December 31, 2016

Financial Operating Activities (Continued)

The CIC entered into a management contract with the Youngstown, Warren Regional Chamber of Commerce. Management services for 2016 totaled \$46,750.

Contacting CIC Financial Management

The financial report is designed to provide a general overview of CIC's finances. Questions concerning any other information in this report or to request additional information should be addressed to: Community Improvement Corporation of Warren and Trumbull County, 11 Central Square, Suite 1600, Youngstown, OH 44503.

Community Improvement Corporation of Warren and Trumbull County
STATEMENT OF NET POSITION
December 31, 2016

ASSETS

CURRENT ASSETS

Cash	\$ 41,625
Accounts Receivables	1,436
Prepaid Expenses	2,227
TOTAL CURRENT ASSETS	45,288

PROPERTY AND EQUIPMENT

Building	1,100,000
Land and railroad track	68,344
Leasehold improvements	15,317
	<u>1,183,661</u>

Less accumulated depreciation	60,658
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NET PROPERTY AND EQUIPMENT	1,123,003
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OTHER ASSETS

Investment - Warren Commerce Park	151,087
Loan to Tech Belt Energy Innovation Center	30,000
Deposits	4,808
TOTAL OTHER ASSETS	185,895

TOTAL ASSETS	\$ 1,354,186
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LIABILITIES AND NET POSITION

Accounts payable	\$ 2,064
Accrued expenses	67,427
Unearned Revenue	500
TOTAL CURRENT LIABILITIES	69,991

NET POSITION

Net investment in capital assets	1,123,003
Unrestricted	161,192

TOTAL NET POSITION	1,284,195
TOTAL LIABILITIES AND NET POSITION	\$ 1,354,186

Community Improvement Corporation of Warren and Trumbull County
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Year ended December 31, 2016

REVENUES

Royalties	\$ 1,019
Interest	100
Interest-TBEIC Loan	1,125
Lease Income	26,200
(Loss) for Warren Commerce Park Realty Co. LTD.	(590)
Miscellaneous	3,533

TOTAL SUPPORT AND REVENUE	\$ 31,387
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EXPENSES

Real Estate Taxes	\$ 44,653
Insurance	5,643
YWRC Contract	46,750
Professional Fees	3,154
Depreciation	32,249
Electric	14,500
Gas	5,694
Water	1,510
Maintenance	6,411
Independent Contractor	943
Miscellaneous	707

TOTAL EXPENSES	\$ 162,214
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CHANGE IN NET POSITION	(130,827)
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NET POSITION AT BEGINNING OF YEAR	1,415,022
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NET POSITION AT END OF YEAR	\$ 1,284,195
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Community Improvement Corporation of Warren and Trumbull County
STATEMENT OF CASH FLOWS
Year ended December 31, 2016

OPERATING ACTIVITIES		
Cash received from customers		\$ 55,968
Cash payments to suppliers of goods or services		(114,961)
Loan to tech Belt Energy Innovation Center		(30,000)
	NET CASH USED IN OPERATING ACTIVITIES	<u>(88,993)</u>
INVESTING ACTIVITIES		
Loss on investment		590
	NET CASH USED IN INVESTING ACTIVITIES	<u>590</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of property and equipment		(6,405)
	NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(6,405)</u>
DECREASE IN CASH		(94,808)
CASH AT BEGINNING OF YEAR		136,433
CASH AT END OF YEAR		<u>\$ 41,625</u>
NET CASH USED IN OPERATING ACTIVITIES		
Operating loss		\$ (130,827)
Change in assets and liabilities:		
Depreciation		32,249
Decrease in receivables and prepaid expenses		23,047
Increase in note receivable		(30,000)
Increase in trade accounts payable and accruals		16,538
	NET CHANGE IN ASSETS AND LIABILITIES	<u>41,834</u>
	NET CASH USED IN OPERATING ACTIVITIES	<u>\$ (88,993)</u>

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Community Improvement Corporation of Warren and Trumbull County
NOTES TO FINANCIAL STATEMENT
December 31, 2016

NOTE A - NATURE OF BUSINESS

The Community Improvement Corporation of Warren and Trumbull County ("the Corporation") is a nonprofit community improvement organization, formed on February 25, 1964, with the primary purpose of advancing, encouraging and promoting industrial and civic development of the Warren and Trumbull County area.

The management, control and direction of the affairs, property, and interests of the Corporation shall be vested in the Board of Directors. The Board of Directors shall be comprised of fifteen members, eight members from the public sector (the "Public Directors") and seven members from the private sector (the "Private Directors"). The Public Directors shall be permanent members of the Board. The eight Public Directors shall consist of: three County Commissioners, Mayor of the City of Warren, Director of Public Safety & Service City of the City of Warren, Director of Community Development of the City of Warren, representative of economic development appointed from Northeast Ohio Development and Finance Authority or its successor, and representative of economic development appointed from Eastgate Regional Council of Government. The seven Private Directors appointed by the Board of Directors shall be persons who live in or represent a local business in the county or have a vested interest in the economic development of the City of Warren and/or the County of Trumbull.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

CIC follows the accrual basis of accounting, whereby revenues and expenses are recognized in the period earned or incurred. The measurement focus is on determination of net position, change in net position and cash flows. All transactions are accounted for in a single enterprise fund.

Pursuant to GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* CIC follows GASB guidance as applicable to enterprise funds.

CIC complies with the provision of GASB statement No. 34, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments."

CIC will continue applying all applicable pronouncements issued by the GASB.

Cash and Cash Equivalents

For the purposes of the Statement of Cash Flow, cash and cash equivalents consist of temporary bank deposits and money market instruments with a maturity of three months or less as of the purchase date.

Accounts Receivable and Accrued Receivables

The Corporation grants credit in the ordinary course of business. The Corporation performs ongoing credit evaluations and requires no collateral.

The Corporation provides for uncollectible trade accounts receivable by the allowance method. Uncollectible accounts are charged to the allowance in the year that they are determined to be uncollectible. Recoveries are credited to the allowance. The allowance for doubtful accounts is determined based on management's estimate of uncollectible accounts whereby management considers the Corporation's historical credit losses and existing economic conditions. At December 31, 2016, management believes all accounts are collectible.

Community Improvement Corporation of Warren and Trumbull County
NOTES TO FINANCIAL STATEMENT
December 31, 2016

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and Equipment

The Corporation capitalizes property and equipment over \$1,000. Lesser amounts are expensed. Purchased property and equipment are capitalized at cost. Donations of property and equipment are recorded as contributions at their acquisition value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Property and equipment are depreciated over their useful lives using primarily the straight-line method.

Accrued Liabilities

The CIC has recognized certain expenses due, but unpaid as of December 31, 2016. These expenses are reported as accrued liabilities in the accompanying financial statements.

Equity Investments

The Corporation has a 50% investment in Warren Commerce Park Realty. The equity method of accounting is used and the investment is valued at \$151,087 as of December 31, 2016. A loss of \$590 was recorded at December 31, 2016.

Net Position

Net Position – Net position, or equity, represents the difference between assets and liabilities. Net position is usually displayed in three components as follows:

Net Investment in Capital Assets – this consists of capital assets, net of accumulated depreciation, less the outstanding balances of any bonds, notes, or other borrowings that are attributed to the acquisition, construction, or improvements of those assets.

Restricted – This consists of net position that is legally restricted by outside parties or by law through constitutional provision or enabling legislation. When both restricted and unrestricted resources are available for use, generally it is the CIC policy to use restricted resources first, then unrestricted resources when they are needed.

Unrestricted – This consists of net position that do not meet the definition of “restricted” or “net investment in capital assets”.

Income Taxes

The Corporation is a not-for profit corporation as described in Section 501(c) (4) of the Internal Revenue Code and is exempt from federal income taxes pursuant to Section 501(a) of the Internal Revenue Code.

Use of Estimates

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

Community Improvement Corporation of Warren and Trumbull County
NOTES TO FINANCIAL STATEMENT
December 31, 2016

NOTE C – CAPITAL ASSETS

Building

The Corporation leased a building under a capital lease agreement expiring on December 31, 2017. The building is valued at the estimated fair market value at the inception of the lease and is depreciated over its estimated useful life of 39 years using the straight-line method. Leasehold improvements are depreciated over the useful life of 5 years using the straight-line method.

Land and Railroad Tracks

The Corporation owns land and railroad tracks in Warren Ohio. Royalties from a gas well on the property are recorded when received and are included in revenues.

Capital asset activity for the year ended December 31, 2016, was as follows:

	Balance at 12/31/2015	Additions	Reductions	Balance at 12/31/2016
Government Activities				
Building	\$ 1,100,000	\$ 0	\$ 0	\$ 1,100,000
Land and Railroad track	68,344	0	0	68,344
Leasehold improvements	8,912	6,405	0	15,317
Totals	<u>1,177,256</u>	<u>6,405</u>	<u>0</u>	<u>1,183,661</u>
Less Accumulated Depreciation:				
Building	28,206	28,206	0	56,412
Leasehold improvements	203	4,043	0	4,246
Total Depreciation	<u>28,409</u>	<u>32,249</u>	<u>0</u>	<u>60,658</u>
Government Activities				
Capital Assets, Net	<u>\$ 1,148,847</u>	<u>\$ (25,844)</u>	<u>\$ 0</u>	<u>\$ 1,123,003</u>

NOTE D – OTHER ASSETS

Loans – Tech Belt Energy Innovation Center

The Corporation loaned the Tech Belt Energy Innovation Center (TBEIC) \$30,000 on March 3, 2016. The loan is amortized over eighty-four months. Commencing March 3, 2016 and continuing for thirty six months, TBEIC will pay interest (until March 2, 2019). Commencing March 3, 2019 and continuing until March 2, 2023, TBEIC shall pay forty-eight monthly installments of \$690.88. On or before March 2, 2023, TBEIC will pay a balloon payment representing the balance of the remaining principal and interest. The Raymond John Wean Foundation is the guarantor of the loan.

Investment – Warren Commerce Park

The Corporation has a 50% investment in Warren Commerce Park Realty valued at \$151,087 at December 31, 2016.

Community Improvement Corporation of Warren and Trumbull County
NOTES TO FINANCIAL STATEMENT
December 31, 2016

NOTE D – OTHER ASSETS (continued)

Deposits

Deposits in the amount of \$4,808 included in Other Assets on the Statement of Net Position consist utility deposits.

The deposit of CIC monies are governed by the provision of the Ohio Revised Code. In accordance with these statutes, only banks located in Ohio and domestic building and loan associations are eligible to hold public deposits. The statutes also permit CIC to invest on certificates of deposit, savings accounts, money market accounts, the State Treasurer's investment pool ("STAR Ohio") and obligation of the United States government and certain agencies thereof. CIC may also enter into repurchase agreements with eligible depository or any eligible security dealer who is a member of the National Association of Securities Dealers for a period not exceeding 30 days.

Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. The securities must be obligations of or guaranteed by the United States and mature or be redeemable within five years of the date of the related repurchase agreement. The market value of the securities subject to a repurchase agreement must exceed the value of the principal by two percent and be marked to market daily. State law does not require that security for public deposits and investments be maintained in the CIC's name.

At December 31, 2016, the recorded amount and bank balance of CIC deposits was \$41,625 and was not exposed to custodial credit risk.

Custodial credit risk is the risk that, in the event of bank failure, the CIC deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the names of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the CIC.

NOTE E – LEASES

Capital Lease

The Corporation leases a building under a lease agreement expiring on December 31, 2017. Annual rent expense on the building is \$1. The Corporation is responsible for paying all real estate taxes and utilities during the term of the lease. At the end of the lease, the Corporation has the option to the purchase the building for \$1.

Sublease

The Corporation subleases office space to a tenant under an operating lease that expires December 31, 2017. Rent for the term of the lease is \$75,000. A payment of \$50,000 was due upon the signing of the lease and was paid in the first quarter of 2016. The remaining \$25,000 will be paid in January 2017.

Community Improvement Corporation of Warren and Trumbull County
NOTES TO FINANCIAL STATEMENT
December 31, 2016

NOTE F – RELATED PARTIES

The Corporation conducted transactions with organizations that have trustees who are also trustees of the Corporation including the leasing of the building.

The Corporation paid business advisory fees to the Youngstown/Warren Regional Chamber of \$46,750 in 2016.

NOTE G – SUBSEQUENT EVENTS

Management evaluated all activity of the Corporation and concluded that no subsequent events have occurred that would require recognition or disclosure in the financial statements or notes.

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Dave Yost • Auditor of State

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

Community Improvement Corporation of Warren and Trumbull County
Trumbull County
11 Central Square, Suite 1600
Youngstown, OH 44503

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 Community Improvement Corporation of Warren and Trumbull County, Trumbull County, Ohio (the CIC), as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the CIC's basic financial statements and have issued our report thereon dated December 17, 2018.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the CIC's internal control over financial reporting (internal control) to determine the 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. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

As part of reasonably assuring whether the CIC'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 determination of financial statement amounts. 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*.

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.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looped "D" and "Y".

Dave Yost
Auditor of State
Columbus, Ohio

December 17, 2018



Dave Yost • Auditor of State

**COMMUNITY IMPROVEMENT CORPORATION OF WARREN AND TRUMBULL COUNTY
TRUMBULL 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
JANUARY 10, 2019**