



Dave Yost • Auditor of State

**COMMUNITY IMPROVEMENT CORPORATION OF TUSCARAWAS COUNTY
TUSCARAWAS COUNTY
OCTOBER 31, 2017 AND 2016**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Community Improvement Corporation of Tuscarawas County
Tuscarawas County
1776 Tech Park Drive NE, Suite 102
New Philadelphia, Ohio 44663

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the Community Improvement Corporation of Tuscarawas County, Tuscarawas County, Ohio (the Organization), (a not-for-profit corporation), which comprise the statement of financial position as of and for the years ended October 31, 2017 and 2016, the related statements of activities and cash flows for the years ended, and the related notes to the financial statements.

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 Organization'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 Organization'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 opinion.

Basis for Qualified Opinion

As discussed in Note F and Note G to the financial statements for 2017 and 2016, respectively, management has not recorded certain intangible capital assets relating to mineral rights owned by the Organization. Accounting principles generally accepted in the United States of America require those intangible capital assets be capitalized, which would increase the assets and net assets of the Organization. We cannot reasonably determine the amounts by which this departure would affect the assets and net assets of the Organization.

Opinion

In our opinion, except for the effects of the matter described in the *Basis for Qualified Opinion* paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the Community Improvement Corporation of Tuscarawas County, Tuscarawas County, Ohio as of October 31, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2018, on our consideration of the Organization'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. While we did not opine on the internal control over financial reporting or on compliance, 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 Organization's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

October 31, 2018

COMMUNITY IMPROVEMENT CORPORATION OF TUSCARAWAS COUNTY
STATEMENTS OF FINANCIAL POSITION
OCTOBER 31, 2017 AND 2016

ASSETS

| | 2017 | 2016 |
|--|-------------------|-------------------|
| CURRENT ASSETS | | |
| Cash and Cash Equivalents | \$ 11,068 | \$ 30,387 |
| Accounts Receivable - TedNet | 2,828 | 1,665 |
| Notes Receivable - Tuscarawas Sci Tech Corp | 0 | 5,645 |
| Total Current Assets | 13,896 | 37,697 |
| PROPERTY AND EQUIPMENT | | |
| Land & Improvements | 507,170 | 507,170 |
| Office Equipment | 41,235 | 41,235 |
| Sign | 1,629 | 1,629 |
| | 550,034 | 550,034 |
| Less - Accumulated Depreciation | 26,761 | 18,182 |
| Total Capital Assets | 523,273 | 531,852 |
| OTHER ASSETS | | |
| Workers' Compensation Deposit | 0 | 1,000 |
| Management Agreement with Tuscarawas Sci Tech Corp | 1 | 1 |
| Total Other Assets | 1 | 1,001 |
| TOTAL ASSETS | \$ 537,170 | \$ 570,550 |

LIABILITIES AND NET ASSETS

| | | |
|---|-------------------|-------------------|
| CURRENT LIABILITIES | | |
| Accounts Payable | \$ 9,724 | \$ 312 |
| Accrued Payroll Taxes | 42 | 2,088 |
| Total Current Liabilities | 9,766 | 2,400 |
| LONG-TERM LIABILITIES | | |
| Notes Payable - Tuscarawas County Commissioners | 125,000 | 125,000 |
| NET ASSETS | | |
| Unrestricted Net Assets | 402,404 | 443,150 |
| TOTAL LIABILITIES AND NET ASSETS | \$ 537,170 | \$ 570,550 |

SEE ACCOMPANYING NOTES

COMMUNITY IMPROVEMENT CORPORATION OF TUSCARAWAS COUNTY
 STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
 TWELVE MONTHS ENDED OCTOBER 31, 2017 AND 2016

| | 2017 | 2016 |
|-----------------------------------|------------|------------|
| REVENUE | | |
| Grants & Donations | \$ 32,363 | \$ 124,665 |
| TedNet | 4,104 | 16,440 |
| Administrative Services | 5,027 | 9,696 |
| Royalties | 56 | 180 |
| Other Income - Sponsorships | 0 | 2,750 |
| Other Income - Survey | 1,167 | 0 |
| Interest Income | 0 | 422 |
| Total Revenue | 42,717 | 154,153 |
| EXPENSES | | |
| Wages | 35,583 | 77,000 |
| Taxes - Payroll | 2,734 | 6,557 |
| Taxes - Real Estate | 48 | 0 |
| Depreciation | 8,579 | 8,580 |
| Meetings & Seminars | 0 | 215 |
| Technology Park Expense | 11,509 | 21,240 |
| Professional Fees | 8,536 | 8,605 |
| Insurance | 5,417 | 5,417 |
| Insurance - Workers' Compensation | 1,120 | 131 |
| Membership Dues | 390 | 365 |
| Miscellaneous | 645 | 241 |
| Office Supplies & Postage | 1,034 | 730 |
| Telephone | 516 | 1,434 |
| Travel | 0 | 1,296 |
| Advertising & Marketing | 7,352 | 15,247 |
| Total Expenses | 83,463 | 147,058 |
| CHANGE IN NET ASSETS | (40,746) | 7,095 |
| NET ASSETS - BEGINNING OF YEAR | 443,150 | 436,055 |
| NET ASSETS - END OF YEAR | \$ 402,404 | \$ 443,150 |

SEE ACCOMPANYING NOTES

COMMUNITY IMPROVEMENT CORPORATION OF TUSCARAWAS COUNTY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED OCTOBER 31, 2017 AND 2016

| | 2017 | 2016 |
|---|-------------|-----------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in Net Assets | \$ (40,746) | \$ 7,095 |
| Depreciation | 8,579 | 8,580 |
| Net (Increase) Decrease in Accounts and Other Receivables | 4,482 | 8,603 |
| Net Increase (Decrease) in Accrued Expenses | 7,366 | (10,761) |
| Net (Increase) Decrease in Prepaid Insurance | 1,000 | 0 |
| Net Cash Provided by (Used in) Operating Activities | (19,319) | 13,517 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of Assets | 0 | 0 |
| Net Cash Used in Investing Activities | 0 | 0 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Payment of Notes Payable | 0 | 0 |
| Net Cash Used in Financing Activities | 0 | 0 |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | (19,319) | 13,517 |
| CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR | 30,387 | 16,870 |
| CASH AND CASH EQUIVALENTS - END OF YEAR | \$ 11,068 | \$ 30,387 |

SEE ACCOMPANYING NOTES

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COMMUNITY IMPROVEMENT CORPORATION OF TUSCARAWAS COUNTY
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2017 AND 2016

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The Community Improvement Corporation of Tuscarawas County (CIC or The Organization) was formed to advance, encourage and promote the industrial, economic and civic development of Tuscarawas County.

Basis of Accounting

The financial statements of the Organization are prepared using the accrual basis of accounting.

Financial Statement Presentation

The CIC adopted FASB ASC 958-210-45. The CIC is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the CIC is required to present a statement of cash flows. The CIC only had unrestricted net assets at October 31, 2017 and 2016.

Accounts Receivable

The Organization uses the reserve method of accounting for doubtful accounts. The allowance for doubtful accounts is calculated based on prior experience and the age of the account as of the Statement of Financial Position date. The allowance for doubtful accounts was \$0 for the years ended October 31, 2017 and 2016.

Property and Equipment

Property and Equipment are carried at cost. Depreciation is provided over the useful lives of the related assets. Maintenance and repairs are charged to operations when incurred. Renewals and betterments of a nature considered to materially extend the useful lives of the assets capitalized. When assets are retired or otherwise disposed of, the assets and related allowance for depreciation are eliminated from the accounts and any resulting gain or loss is reflected in income. Depreciation for financial reporting purposes is based on the following policies:

| <u>Description</u> | <u>Useful Life</u> | <u>Method</u> |
|-----------------------|--------------------|---------------|
| Land and Improvements | 10-30 years | Straight Line |
| Office Equipment | 3 - 8 years | Straight Line |

Donations

All donations received are considered to be available for unrestricted use unless specifically restricted by donor.

COMMUNITY IMPROVEMENT CORPORATION OF TUSCARAWAS COUNTY
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2017 AND 2016

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts and disclosures. Accordingly, the actual results could differ from those estimates.

Cash Equivalents

For the purposes of the Statements of Cash Flows, the Organization considers all highly liquid debt instruments purchased with a maturity date of three months or less to be cash equivalents. Fair values approximate carrying amounts.

Advertising Costs

The Organization expenses the production costs of advertising the first time the advertising takes place.

Date of Management's Review

Management has evaluated subsequent events through October 31, 2018, the date on which the financial statements were available to be issued.

NOTE B: INCOME TAXES

The CIC is a nonprofit organization as described in Section 501 (c) (6) of the Internal Revenue Code and is exempt from federal and state income taxes. Therefore, no provision has been made for Federal or Ohio income taxes in the accompanying financial statements.

The Internal Revenue Service has not examined the CIC for open years under the Statute of Limitations.

NOTE C: RENTAL AGREEMENTS

The Organization leases office space, secretarial services and equipment from the Tuscarawas County University Branch District, dba Kent State University at Tuscarawas. For 2017, the Tuscarawas County University Branch District provided free rent to the Organization.

NOTE D: NOTE RECEIVABLE – TUSCARAWAS SCI TECH CORP

The Organization loaned Tuscarawas Sci Tech Corp \$6,460. The loan was to be repaid on December 31, 2014 along with interest compounded at 3.25%. At October 31, 2017 and 2016, the balance outstanding is \$0 and 5,645, including interest.

COMMUNITY IMPROVEMENT CORPORATION OF TUSCARAWAS COUNTY
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2017 AND 2016

NOTE E: LAND HELD FOR RESALE

The Organization owns the land known as the Tuscarawas Regional Technology Park. Approximately 170 acres of land is available for sale as of October 31, 2017. Infrastructure improvements have been made to the unimproved land. The City of New Philadelphia maintains the streets and water lines. All proceeds from the sales of the parcels go to the Organization. Land held for resale is included on the Statement of Financial Position as Land and Improvements.

NOTE F: MINERAL RIGHTS

The Organization owns mineral rights for six real estate parcels in Tuscarawas County, Ohio. The Organization owns the land for three of the six parcels. The leadership of the Organization believes due to market conditions the mineral rights have no value. Assigning value would be entirely arbitrary and, if presented in the financial statements, be misleading to the reader of the statements. As a result the Organization feels that assigning no value to these mineral rights does not materially misstate the financial statements.

NOTE G: NOTE PAYABLE – TUSCARAWAS COUNTY COMMISSIONERS

During May 2010, the Organization obtained a \$75,000 loan from the Tuscarawas County Commissioners. The interest rate is 0%. The note originally was to mature on November 18, 2011; however, it was renewed until November 18, 2012. On November 18, 2012, the Organization paid \$25,000 on the principal. The remaining \$50,000 was renewed until November 18, 2013. On November 18, 2013 the \$50,000 was renewed until November 18, 2016.

On February 4, 2011, the Organization obtained a \$75,000 loan from the Tuscarawas County Commissioners. The interest rate is 0%. The note matured on February 4, 2014. On February 4, 2014, the \$75,000 loan was renewed until February 4, 2017.

The Organization entered into a consolidated loan for \$125,000 with the Tuscarawas County Commissioners dated February 4, 2017, which replaces both the \$50,000 loan and the \$75,000 loan. The interest rate will be 0%. The new loan will mature on February 4, 2020.

NOTE H: CONCENTRATION OF CREDIT RISK AND OFF BALANCE SHEET RISK

The Organization maintains its programs within Tuscarawas County, Ohio geographical area. The performance of their operational activities are dependent on the performance of participating companies. The results of these companies and the operations of the Organization's projects are dependent on the economic conditions of the local trade area.

Financial instruments that potentially subject the Organization to concentration of credit risk consist principally of temporary cash investments. The Organization places its temporary cash investments with local financial institutions. The account at the institutions is insured by the Federal Deposit Insurance Corporation (FDIC). During the years of October 31, 2017 and 2016, the Organization did not have any uninsured bank balances.

COMMUNITY IMPROVEMENT CORPORATION OF TUSCARAWAS COUNTY
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2017 AND 2016

NOTE I: SUBSEQUENT EVENTS

On January 16, 2018, the Organization entered into a purchase agreement to sell 7.023 acres in the Tuscarawas County Regional Technology Park to Gemini Realty Holdings LLC for a purchase price of \$175,575.

COMMUNITY IMPROVEMENT CORPORATION OF TUSCARAWAS COUNTY
STATEMENTS OF FINANCIAL POSITION
OCTOBER 31, 2016 AND 2015

ASSETS

| | 2016 | 2015 |
|--|-------------------|-------------------|
| CURRENT ASSETS | | |
| Cash and Cash Equivalents | \$ 30,387 | \$ 16,870 |
| Accounts Receivable - TedNet | 1,665 | 9,040 |
| Accounts Receivable - Marketing | 0 | 1,650 |
| Notes Receivable - Tuscarawas Sci Tech Corp | 5,645 | 5,223 |
| Total Current Assets | 37,697 | 32,783 |
| PROPERTY AND EQUIPMENT | | |
| Land & Improvements | 507,170 | 507,170 |
| Office Equipment | 41,235 | 41,235 |
| Sign | 1,629 | 1,629 |
| | 550,034 | 550,034 |
| Less - Accumulated Depreciation | 18,182 | 9,602 |
| Total Capital Assets | 531,852 | 540,432 |
| OTHER ASSETS | | |
| Workers' Compensation Deposit | 1,000 | 1,000 |
| Management Agreement with Tuscarawas Sci Tech Corp | 1 | 1 |
| Total Other Assets | 1,001 | 1,001 |
| TOTAL ASSETS | \$ 570,550 | \$ 574,216 |

LIABILITIES AND NET ASSETS

| | | |
|---|-------------------|-------------------|
| CURRENT LIABILITIES | | |
| Accounts Payable | \$ 312 | \$ 10,500 |
| Deferred Revenue - Sponsorships | 0 | 1,650 |
| Accrued Payroll Taxes | 2,088 | 1,011 |
| Total Current Liabilities | 2,400 | 13,161 |
| LONG-TERM LIABILITIES | | |
| Notes Payable - Tuscarawas County Commissioners | 125,000 | 125,000 |
| NET ASSETS | | |
| Unrestricted Net Assets | 443,150 | 436,055 |
| TOTAL LIABILITIES AND NET ASSETS | \$ 570,550 | \$ 574,216 |

SEE ACCOMPANYING NOTES

COMMUNITY IMPROVEMENT CORPORATION OF TUSCARAWAS COUNTY
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
TWELVE MONTHS ENDED OCTOBER 31, 2016 AND 2015

| | 2016 | 2015 |
|---------------------------------------|------------|------------|
| REVENUE | | |
| Grants & Donations | \$ 124,665 | \$ 139,150 |
| Grant - Ohio Job Ready Sites | | |
| Tolloty Technology Incubator Project | 0 | 455,980 |
| TedNet | 16,440 | 16,320 |
| Administrative Services | 9,696 | 0 |
| Royalties | 180 | 201 |
| Other Income - Sponsorships | 2,750 | 3,850 |
| Interest Income | 422 | 223 |
| Total Revenue | 154,153 | 615,724 |
| EXPENSES | | |
| Wages | 77,000 | 77,000 |
| Taxes - Payroll | 6,557 | 6,099 |
| Taxes - Real Estate | 0 | 43 |
| Depreciation | 8,580 | 8,191 |
| Meetings & Seminars | 215 | 444 |
| Technology Park Expense | 21,240 | 34,890 |
| Professional Fees | 8,605 | 8,692 |
| Insurance | 5,417 | 5,417 |
| Insurance - Workers' Compensation | 131 | 320 |
| Interest | 0 | 724 |
| Membership Dues | 365 | 404 |
| Miscellaneous | 241 | 251 |
| Office Supplies & Postage | 730 | 1,739 |
| Telephone | 1,434 | 1,429 |
| Travel | 1,296 | 1,542 |
| Advertising & Marketing | 15,247 | 25,712 |
| Tolloty Technology Incubator Project | 0 | 422,319 |
| Total Expenses | 147,058 | 595,216 |
| CHANGE IN NET ASSETS | 7,095 | 20,508 |
| NET ASSETS - BEGINNING OF YEAR | 436,055 | 415,547 |
| NET ASSETS - END OF YEAR | \$ 443,150 | \$ 436,055 |

SEE ACCOMPANYING NOTES

COMMUNITY IMPROVEMENT CORPORATION OF TUSCARAWAS COUNTY
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED OCTOBER 31, 2016 AND 2015

| | 2016 | 2015 |
|---|-----------|-----------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in Net Assets | \$ 7,095 | \$ 20,508 |
| Depreciation | 8,580 | 8,191 |
| Net (Increase) Decrease in Accounts and Other Receivables | 8,603 | (7,465) |
| Net Increase (Decrease) in Accrued Expenses | (10,761) | 12,141 |
| Net Cash Provided by Operating Activities | 13,517 | 33,375 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of Assets | 0 | (1,270) |
| Net Cash Used in Investing Activities | 0 | (1,270) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Payment of Notes Payable | 0 | (39,965) |
| Net Cash Used in Financing Activities | 0 | (39,965) |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 13,517 | (7,860) |
| CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR | 16,870 | 24,730 |
| CASH AND CASH EQUIVALENTS - END OF YEAR | \$ 30,387 | \$ 16,870 |

SEE ACCOMPANYING NOTES

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COMMUNITY IMPROVEMENT CORPORATION OF TUSCARAWAS COUNTY
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2016 AND 2015

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The Community Improvement Corporation of Tuscarawas County (CIC or The Organization) was formed to advance, encourage and promote the industrial, economic and civic development of Tuscarawas County.

Basis of Accounting

The financial statements of the Organization are prepared using the accrual basis of accounting.

Financial Statement Presentation

The CIC adopted FASB ASC 958-210-45. The CIC is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the CIC is required to present a statement of cash flows. The CIC only had unrestricted net assets at October 31, 2016 and 2015.

Accounts Receivable

The Organization uses the reserve method of accounting for doubtful accounts. The allowance for doubtful accounts is calculated based on prior experience and the age of the account as of the Statement of Financial Position date. The allowance for doubtful accounts was \$0 for the years ended October 31, 2016 and 2015.

Property and Equipment

Property and Equipment are carried at cost. Depreciation is provided over the useful lives of the related assets. Maintenance and repairs are charged to operations when incurred. Renewals and betterments of a nature considered to materially extend the useful lives of the assets capitalized. When assets are retired or otherwise disposed of, the assets and related allowance for depreciation are eliminated from the accounts and any resulting gain or loss is reflected in income. Depreciation for financial reporting purposes is based on the following policies:

| <u>Description</u> | <u>Useful Life</u> | <u>Method</u> |
|-----------------------|--------------------|---------------|
| Land and Improvements | 10-30 years | Straight Line |
| Office Equipment | 3 - 8 years | Straight Line |

Donations

All donations received are considered to be available for unrestricted use unless specifically restricted by donor.

COMMUNITY IMPROVEMENT CORPORATION OF TUSCARAWAS COUNTY
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2016 AND 2015

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts and disclosures. Accordingly, the actual results could differ from those estimates.

Cash Equivalents

For the purposes of the Statements of Cash Flows, the Organization considers all highly liquid debt instruments purchased with a maturity date of three months or less to be cash equivalents. Fair values approximate carrying amounts.

Advertising Costs

The Organization expenses the production costs of advertising the first time the advertising takes place.

Date of Management's Review

Management has evaluated subsequent events through October 31, 2018, the date on which the financial statements were available to be issued.

NOTE B: INCOME TAXES

The CIC is a nonprofit organization as described in Section 501 (c) (6) of the Internal Revenue Code and is exempt from federal and state income taxes. Therefore, no provision has been made for Federal or Ohio income taxes in the accompanying financial statements.

The Internal Revenue Service has not examined the CIC for open years under the Statute of Limitations.

NOTE C: COMPENSATED ABSENCES

Employees of the Organization are entitled to paid vacation and paid sick days, depending of job classification, length of service and other factors. It is impractical to estimate the amount of compensation for future absences, and accordingly, no liability has been recorded in the accompanying financial statements. The Organization's policy is to recognize the cost of compensated absences when actually paid to employees. Management estimates that this method does not materially impact the financial statements.

NOTE D: RENTAL AGREEMENTS

The Organization leases office space, secretarial services and equipment from the Tuscarawas County University Branch District, dba Kent State University at Tuscarawas. The rent is \$1 per year.

COMMUNITY IMPROVEMENT CORPORATION OF TUSCARAWAS COUNTY
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2016 AND 2015

NOTE E: NOTE RECEIVABLE – TUSCARAWAS SCI TECH CORP

The Organization loaned Tuscarawas Sci Tech Corp \$6,460. The loan was to be repaid on December 31, 2014 along with interest compounded at 3.25%. At October 31, 2016 and 2015, the balance outstanding is \$5,645 and 5,223, including interest.

NOTE F: LAND HELD FOR RESALE

The Organization owns the land known as the Tuscarawas Regional Technology Park. Approximately 170 acres of land is available for sale as of October 31, 2016. Infrastructure improvements have been made to the unimproved land. The City of New Philadelphia maintains the streets and water lines. All proceeds from the sales of the parcels go to the Organization. Land held for resale is included on the Statement of Financial Position as Land and Improvements.

NOTE G: MINERAL RIGHTS

The Organization owns mineral rights for six real estate parcels in Tuscarawas County, Ohio. The Organization owns the land for three of the six parcels. The leadership of the Organization believes due to market conditions the mineral rights have no value. Assigning value would be entirely arbitrary and, if presented in the financial statements, be misleading to the reader of the statements. As a result the Organization feels that assigning no value to these mineral rights does not materially misstate the financial statements.

NOTE H: NOTE PAYABLE – TUSCARAWAS COUNTY COMMISSIONERS

During May 2010, the Organization obtained a \$75,000 loan from the Tuscarawas County Commissioners. The interest rate is 0%. The note originally was to mature on November 18, 2011; however, it was renewed until November 18, 2012. On November 18, 2012, the Organization paid \$25,000 on the principal. The remaining \$50,000 was renewed until November 18, 2013. On November 18, 2013 the \$50,000 was renewed until November 18, 2016.

On February 4, 2011, the Organization obtained a \$75,000 loan from the Tuscarawas County Commissioners. The interest rate is 0%. The note matured on February 4, 2014. On February 4, 2014, the \$75,000 loan was renewed until February 4, 2017.

The Organization intends to enter into a consolidated loan for \$125,000 with the Tuscarawas County Commissioners dated February 4, 2017, which replaces both the \$50,000 loan and the \$75,000 loan. The interest rate will be 0%. The new loan will mature on February 4, 2020.

COMMUNITY IMPROVEMENT CORPORATION OF TUSCARAWAS COUNTY
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2016 AND 2015

NOTE I: OHIO JOB READY SITE GRANT

The CIC received \$2,291,112 from the Ohio Job Ready Sites Grant program.

The CIC partnered with the Tuscarawas County University Branch District, dba Kent State University at Tuscarawas and Kent State University on the construction of the Tolloty Technology Incubator. The CIC committed all of the grant funds to the development of the Incubator, with a total cost of approximately \$5,600,000. The construction project began in April 2013, with Kent State University at Tuscarawas taking possession of the building in May 2014. The United States Economic Development Administration (EDA) and Ohio Job Ready Sites (JRS) grants were closed-out on this project in the summer of 2015.

The agreement with the Tuscarawas County University Branch District provides that the Tolloty Technology Incubator will be owned by the Tuscarawas County University Branch District, dba Kent State University at Tuscarawas and the CIC will manage the day to day operations of the facility under a contract with the Tuscarawas County University Branch District.

NOTE J: CONCENTRATION OF CREDIT RISK AND OFF BALANCE SHEET RISK

The Organization maintains its programs within Tuscarawas County, Ohio geographical area. The performance of their operational activities are dependent on the performance of participating companies. The results of these companies and the operations of the Organization's projects are dependent on the economic conditions of the local trade area.

Financial instruments that potentially subject the Organization to concentration of credit risk consist principally of temporary cash investments. The Organization places its temporary cash investments with local financial institutions. The account at the institutions is insured by the Federal Deposit Insurance Corporation (FDIC). During the years of October 31, 2016 and 2015, the Organization did not have any uninsured bank balances.



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 Tuscarawas County
Tuscarawas County
1776 Tech Park Drive NE, Suite 102
New Philadelphia, Ohio 44663

To the Board of Trustees:

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 Tuscarawas County, Tuscarawas County, Ohio (the Organization), as of and for the years ended October 31, 2017 and 2016, and the related notes to the financial statements, and have issued our report thereon dated October 31, 2018, wherein we noted the Organization has not recorded certain intangible capital assets relating to mineral rights owned by the Organization.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Organization'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 Organization'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 2017-001 to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the Organization'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*.

Organization's Response to Findings

The Organization's response to the Finding identified in our audit is described in the accompanying Schedule of Findings. We did not subject the Organization'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 Organization's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

October 31, 2018

**CIC OF TUSCARAWAS COUNTY
TUSCARAWAS COUNTY**

**SCHEDULE OF FINDINGS
OCTOBER 31, 2017 and 2016**

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

FINDING NUMBER 2017-001

Material Weakness

The Community Improvement Corporation of Tuscarawas County (the Organization) owned the mineral rights to six parcels in Tuscarawas County (County). The Organization owned the land to three parcels and did not own the land for the remaining three parcels. For the three parcels where the Organization owns the mineral rights and not the land, the Organization was required to report the value of the mineral rights as an intangible asset on the financial statements. However, the Organization elected to omit a value for the mineral rights. As a result, the financial statements may be materially misstated. The opinion on the financial statements has been qualified for this reason. For the remaining three parcels that the Organization owned and for which it maintained the mineral rights, no additional valuation was required due to the Organization's ownership of the land.

The Organization should hire a specialist to determine what value, if any, the mineral rights have for the three parcels to which the Organization maintains only mineral rights. The Organization should maintain that documentation and report the value of the mineral rights as an intangible asset on their financial statements. This will help ensure the financial statements are presented fairly.

Official's Response: In the past the CIC has sought the opinion of local oil and gas leasing companies and they have advised that valuation of lease interests is very difficult, and subjective considering the numerous variables. These professionals also advised the appraisers of oil and gas leases are sparse and very expensive.

In the view of local oil and gas lease companies and the CIC Board, any valuation of substantial value is purely speculative, given the tenuous nature of royalty projections from Utica leases in Tuscarawas County. The leadership of the organization believes due to market conditions the mineral rights have no value. Assigning value would be entirely arbitrary and, if presented in the financial statements, be misleading. This could cause a financial statement user to make a decision based on information (i.e. future income) that has no chance of coming to fruition. Further, leadership is concerned that the cost-benefit of hiring a professional to provide a proper determination of fair market value does not make it good stewards of the limited funds the CIC has.

COMMUNITY IMPROVEMENT CORP OF TUSC COUNTY

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS OCTOBER 31, 2017 AND 2016

| Finding Number | Finding Summary | Status Additional Information |
|-----------------------|--|--|
| 2015-001 | Mineral rights were omitted from reporting on the financial statements, understanding intangible assets. | Not Corrected: See comments / response made in the schedule of findings. |
| 2015-002 | Misstatements were noted in the reporting of certain liability, revenue and expenses. | Fully Corrected. |



Dave Yost • Auditor of State

COMMUNITY IMPROVEMENT CORPORATION OF TUSCARAWAS

TUSCARAWAS 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
NOVEMBER 15, 2018**