



Dave Yost • Auditor of State

COMMUNITY IMPROVEMENT CORPORATION OF TUSCARAWAS COUNTY
TUSCARAWAS COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Community Improvement Corporation of Tuscarawas County
Tuscarawas County
1776 Tech Park Dr., 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), as of and for the years ended October 31, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Organization'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 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 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 overall financial statement presentation.

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

Basis for Qualified Opinion

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.

Qualified Opinion

In our opinion, except for 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 and for the years ended October 31, 2013 and 2012, and the changes in financial position and cash flows thereof, for the years then ended in accordance with 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 16, 2014, 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. 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 16, 2014

COMMUNITY IMPROVEMENT CORPORATION OF TUSCARAWAS COUNTY
STATEMENT OF FINANCIAL POSITION
AS OF OCTOBER 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
ASSETS		
Current Assets -		
Cash & Cash Equivalents	\$ 3,168	\$ 114,140
Accounts Receivable - City of Dover	2,750	1,460
Accounts Receivable - Ohio Job Ready Sites	344,322	0
Notes Receivable - Tuscarawas Sci Tech Corp	5,000	2,500
Total Current Assets	<u>355,240</u>	<u>118,100</u>
Other Assets -		
Workers' Compensation Deposit	1,000	1,000
Management Agreement with Tuscarawas Sci Tech Corp	1	0
Total Other Assets	<u>1,001</u>	<u>1,000</u>
Capital Assets -		
Land & Improvements	507,170	507,170
Office Equipment	3,599	3,599
Less - Accumulated Depreciation	(2,757)	(2,594)
Total Capital Assets	<u>508,012</u>	<u>508,175</u>
TOTAL ASSETS	<u>\$ 864,253</u>	<u>\$ 627,275</u>
LIABILITIES		
Current Liabilities -		
Note Payable - First Federal Community Bank	\$ 250,000	\$ -
Note Payable - Tuscarawas County Commissioners	95,582	
Accrued Payroll Taxes	92	87
Total Current Liabilities	<u>345,674</u>	<u>87</u>
Long-Term Liabilities -		
Notes Payable - Tuscarawas County Commissioners	<u>125,000</u>	<u>150,000</u>
TOTAL LIABILITIES	<u>\$ 470,674</u>	<u>\$ 150,087</u>
NET ASSETS		
Unrestricted	<u>\$ 393,579</u>	<u>\$ 477,188</u>
TOTAL NET ASSETS	<u>\$ 393,579</u>	<u>\$ 477,188</u>

The notes to the financial statements are an integral part of these statements.

COMMUNITY IMPROVEMENT CORPORATION OF TUSCARAWAS COUNTY
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED OCTOBER 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
REVENUE		
Grants & Donations	\$ 30,000	\$ 54,350
Grant - Ohio Job Ready Sites		
Tolloty Technology Incubator Project	469,322	0
Oil & Gas - Land Lease	0	99,729
Royalties	546	795
Survey Fees	0	20,000
Interest Earned	<u>56</u>	<u>84</u>
TOTAL REVENUES	<u>499,924</u>	<u>174,958</u>
 EXPENSES		
Wages	77,000	73,500
Taxes - Payroll	6,043	5,796
Taxes - Real Estate	64	64
Depreciation	163	406
Meetings & Seminars	2,326	3,244
Rent	1	1
Technology Park Expense	1,750	9,089
Professional Fees	4,915	17,728
Insurance	3,965	3,965
Insurance - Workers' Compensation	71	391
Membership Dues	543	326
Office Supplies & Postage	1,792	1,853
Telephone	1,277	1,319
Travel	3,141	2,067
Advertising & Marketing	5,704	2,748
Job Ready Sites Expense	4,025	0
Tolloty Technology Incubator Project	469,322	0
Other Expenses	<u>1,431</u>	<u>0</u>
TOTAL EXPENSES	<u>583,533</u>	<u>122,497</u>
 CHANGES IN NET ASSETS	 (83,609)	 52,461
 Net Assets - Beginning of Year	 <u>477,188</u>	 <u>424,727</u>
 NET ASSETS - END OF YEAR	 <u>\$ 393,579</u>	 <u>\$ 477,188</u>

The notes to the financial statements are an integral part of these statements.

COMMUNITY IMPROVEMENT CORPORATION OF TUSCARAWAS COUNTY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED OCTOBER 31, 2013 and 2012

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes In Net Assets (Decrease) -	\$ (83,609)	\$ 52,461
Adjustments to reconcile changes in net assets to net cash Provided By (Used For) operating activities -		
Depreciation	163	406
(Increase) Decrease in operating assets:		
Accounts Receivable - City of Dover	(1,290)	1,870
Accounts Receivable - Ohio Job Ready Sites	(344,322)	
Notes Receivable - Tuscarawas Sci Tech Corp	(2,500)	(2,500)
Management Agreement with Tuscarawas Sci Tech	(1)	
(Decrease) Increase in operating liabilities:		
Accrued Expenses	5	(198)
Net Cash Provided By (Used For) Operating Activities	(431,554)	52,039
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from Notes Payable -		
First Federal Community Bank	250,000	0
Tuscarawas County Commissioners (Net)	70,582	0
Net Cash From Financing Activities	320,582	0
Net Increase (Decrease) in Cash	(110,972)	52,039
Cash & Cash Equivalents at Beginning of Year	114,140	62,101
CASH & CASH EQUIVALENTS AT END OF YEAR	\$ 3,168	\$ 114,140

The notes to the financial statements are an integral part of these statements.

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COMMUNITY IMPROVEMENT CORPORATION OF TUSCARAWAS COUNTY
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEARS ENDED OCTOBER 31, 2013 AND 2012

Note 1 - Summary of Significant Accounting Policies

Description of Significant Accounting Policies -

The Community Improvement Corporation of Tuscarawas County (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 Organization previously adopted Statement of Financial Accounting Standards (SFAS) No. 117 "Financial Statements of Not-for Profit Organizations." Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities accounting to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. In addition, the Organization is required to present a statement of cash flows. The Organization only had unrestricted net assets at October 31, 2013 and 2012.

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, 2013 and 2012.

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 are 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:

DESCRIPTION	USEFUL LIVES	METHOD
Land & Improvements	10-30 Years	Straight Line
Office Equipment	5 Years	Straight Line

Donations -

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

Tax Status -

As a non-profit Organization under Section 501 (c)(6) of the Internal Revenue Code, the Organization is exempt from Federal and Ohio income taxes. Therefore, no provision has been made for Federal or Ohio income taxes in the accompanying financial statements.

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.

Use of Estimates -

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

Advertising Costs -

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

COMMUNITY IMPROVEMENT CORPORATION OF TUSCARAWAS COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED OCTOBER 31, 2013 AND 2012
(Continued)

Note 2 - Compensated Absences

Employees of the Organization are entitled to paid vacation and paid sick days, depending on 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 3 - 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.

Note 4 - Note Receivable - Tuscarawas Sci Tech Corp

The Organization loaned Tuscarawas Sci Tech Corp \$5,000. The loan is to be repaid on December 31, 2013 along with interest computed at 3.25%.

Note 5 - Land Held for Resale

The Organization owns the land known as the Tuscarawas Regional Technology Park. Approximately 170 acres of land was available for sale as of October 31, 2013. 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 6 - Note Payable - First Federal Community Bank

On March 15, 2013, the Organization entered into a loan agreement with First Federal Community Bank to provide a line of credit for \$250,000. The interest rate is 4%. The loan proceeds are being used to advance funds for construction expenditures at the Tolloty Technology Center. The advances are then reimbursed dollar for dollar from the Ohio Job Ready Sites grant with those proceeds being immediately paid on the amount owed to First Federal Community Bank. As of October 31, 2013, the Organization had borrowed \$250,000 on the line of credit. The \$250,000 was subsequently paid to First Federal Community Bank in December 2013.

Note 7 - Notes 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 loan 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 notes matures on February 4, 2014. On February 4, 2014, the \$75,000 loan was renewed until February 4, 2017.

On May 21, 2012, the Organization entered into a revolving line of credit agreement with the Tuscarawas County Commissioners to provide a line of credit of \$250,000. The interest rate is 5%. The loan proceeds are being used to advance funds for construction expenditures at the Tolloty Technology Center. The advances are then reimbursed dollar for dollar from the Ohio Job Ready Sites grant with those proceeds being immediately paid on the amount owed on the line of credit to the Tuscarawas County Commissioners. As of October 31, 2013, the Organization had borrowed \$95,582 on the line of credit. The \$95,582 was subsequently paid to the Tuscarawas County Commissioners in December 2013.

COMMUNITY IMPROVEMENT CORPORATION OF TUSCARAWAS COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED OCTOBER 31, 2013 AND 2012
(Continued)

Note 8 - Ohio Job Ready Site Grant

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

The Organization 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 Project. The Organization committed \$1,894,500 of the \$2,291,112 Ohio Jobs Ready Site grant to the construction of the Tolloty Technology Incubator's total development cost of \$5,399,500. The construction project began in April 2013 and was approximately 50% complete at the end of the Organization's fiscal year on October 31, 2013.

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 when the project is completed and the Organization will manage the day to day operations of the facility under a contract with the Tuscarawas County University Branch District.

The remaining Ohio Job Ready Site Grant funds of \$396,612 will be used to develop the remainder of the Organization's Job Ready Sites area within the Tuscarawas Regional Technology Park which is adjacent to the Tolloty Technology Incubator.

Note 9 - 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 concentrations 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). The carrying amount of the Organization's deposits was \$3,168 and \$114,140 at October 31, 2013 and 2012, respectively. The Organization's bank balances were \$350,557 and \$121,246 at October 31, 2013 and 2012, respectively. \$251,306 of the October 31, 2013 bank balance was covered by FDIC. The entire bank balance at October 31, 2012 was covered by FDIC.

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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

Community Improvement Corporation of Tuscarawas County
Tuscarawas County
1776 Tech Park Dr., 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, (the Organization), as of and for the years ended October 31, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Organization's basic financial statements and have issued our report thereon dated October 16, 2014, wherein we noted the Organization did not report the value of intangible capital assets relating to mineral rights held 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying Schedule of Findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

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 a 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. We consider Findings 2013-001 and 2013-002 described in the accompanying Schedule of Findings to be material weaknesses.

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*.

Entity's Response to Findings

The Organization's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. We did not audit the Organization's responses and, accordingly, we express no opinion on them

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 communication is not suitable for any other purpose.



Dave Yost
Auditor of State

Columbus, Ohio

October 16, 2014

**COMMUNITY IMPROVEMENT CORPORATION OF TUSCARAWAS COUNTY
TUSCARAWAS COUNTY**

**SCHEDULE OF FINDINGS
OCTOBER 31, 2013 AND 2012**

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

Finding Number 2013-001

Mineral Rights Valuation – Material Weakness

The Organization owned the mineral rights to six parcels in Tuscarawas 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. 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 Organizations 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: The CIC has consulted with its legal counsel on the placement of a value on the mineral rights of the CIC's leased mineral rights property. Legal counsel advised that their office did not have sufficient background in mineral rights valuation to place a value on the CIC's leased mineral rights, and advised further to seek the advice of oil and gas drilling and leasing companies on this matter. Two local oil and gas leasing companies have advised that valuation of lease interests is very difficult, and subjective considering the numerous variables. These professionals also advised the qualified appraisers of oil and gas leasehold interests 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 CIC's current leases are for five years, with only three years remaining, with no drilling activity anywhere near these leasehold interests, and the lease holding company, Sierra Buckeye, now giving notification to Tuscarawas County property owners that they are withdrawing from these leases. In light of the extraordinary expense to hire a qualified appraiser, when CIC budgets are challenged, the CIC feels that a minimal to no value consideration should be placed on these leases.

Finding Number 2013-002

Financial Reporting – Material Weakness

As a result of audit procedures performed, Grants and Contributions revenue received for the construction of the Tolloty Technology Incubator and related expenses were understated on the Statement of Activities by \$469,322. Sound financial reporting is the responsibility of the Organization and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

COMMUNITY IMPROVEMENT CORPORATION OF TUSCARAWAS COUNTY
TUSCARAWAS COUNTY

SCHEDULE OF FINDINGS
OCTOBER 31, 2013 AND 2012
(Continued)

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

Finding Number 2013-002 (continued)

Financial Reporting – Material Weakness (Continued)

To help ensure the financial statements and notes to the financial statements are complete and accurate, the Organization should adopt policies and procedures, including a final review of the statements and notes by the Treasurer and Director, to identify and correct errors and omissions.

The financial statements have been adjusted accordingly.

Official's Response: Adjustments will be incorporated into the income statement for the year ending October 31, 2013.



Dave Yost • Auditor of State

COMMUNITY IMPROVEMENT CORPORATION OF TUSCARAWAS COUNTY

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 6, 2014**