



OHIO AUDITOR OF STATE
KEITH FABER



**COMMUNITY IMPROVEMENT CORPORATION OF WARREN AND TRUMBULL COUNTY
TRUMBULL COUNTY
DECEMBER 31, 2019 AND 2018**

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

Community Improvement Corporation of Warren and Trumbull County
Trumbull County
City Centre One, Suite 500
100 East Federal Street
Youngstown, Ohio 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, 2019 and 2018 and 2017, 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 CIC'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 CIC'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, as of December 31, 2019 and 2018 and 2017, and the respective changes in financial position and, where applicable, cash flows for the years then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note J to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the CIC. We did not modify our opinion regarding this matter.

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 January 29, 2021, on our consideration of the CIC'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 CIC's internal control over financial reporting and compliance.



Keith Faber
Auditor of State
Columbus, Ohio

January 29, 2021

Community Improvement Corporation of Warren and Trumbull County

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

December 31, 2019

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, 2019 and 2018. This discussion and analysis are 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 \$366,036 and \$594,998 as of December 31, 2019 and 2018, respectively. This net position results from the difference between total assets of \$368,374 and total liabilities of \$2,338 as of December 31, 2019 and total assets of \$625,725 and total liabilities of \$30,727 as of December 31, 2018.
- As of December 31, 2019, assets of \$368,374 primarily consist of cash and certificate of deposit of \$157,040, land of \$68,344 and investment of \$110,976. As of December 31, 2018, assets of \$625,725 primarily consist of land, building and improvements net of accumulated depreciation \$457,381 and investment of \$110,979.
- Liabilities of \$2,338 and \$30,727 as of December 31, 2019 and 2018, respectively, 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 measurable, 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 increase to liabilities results in increased net position, which indicate improved financial position.

Community Improvement Corporation of Warren and Trumbull County

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

December 31, 2019

Basic Financial Statements and Presentation (Continued)

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.

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 capital and related activities and 3) 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, 2019 and 2018:

Table 1

Condensed Summary of Net Position

	<u>2019</u>	<u>2018</u>
<i>Assets:</i>		
Current Assets	\$ 158,934	\$ 27,245
Non-current assets	209,440	598,480
Total Assets	<u>368,374</u>	<u>625,725</u>
 <i>Liabilities:</i>		
Current Liabilities	<u>2,338</u>	<u>30,727</u>
 <i>Net Position:</i>		
Net investment in capital assets	68,344	457,381
Unrestricted net position	297,692	137,617
Total Liabilities and Net Position	<u>\$ 368,374</u>	<u>\$ 625,725</u>

Community Improvement Corporation of Warren and Trumbull County

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

December 31, 2019

Financial Analysis of CIC (Continued)

Table 2 provides a summary of changes in net position for the years ended December 31, 2019 and 2018:

Table 2

Condensed Summary of Revenues, Expenses and Changes in Net Position

	<u>2019</u>	<u>2018</u>
<i>Revenues (Expenses):</i>		
Revenues	\$ 18,924	\$ 53,810
Expenses	(58,821)	(20,817)
Loss on sale of asset	(189,065)	0
Excess of expenses over revenues	<u>(228,962)</u>	<u>32,993</u>
Net position, Beginning of year	<u>594,998</u>	<u>562,005</u>
Net position, End of year	<u>\$ 366,036</u>	<u>\$ 594,998</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.

On June 28, 2019, the CIC sold the building at 999 Pine Avenue for \$215,000, receiving \$193,722 net of selling expenses and commissions. This resulted in a loss on the sale in the amount of \$189,065, which is included in the statements of revenues, expenses and changes in net position.

Prior to the sale, the CIC leased office space in the building at 999 Pine Avenue in 2019 and 2018 for \$12,192 and \$25,000, respectively.

During 2019 and 2018, the CIC received royalties from a gas well that is on land owned by the organization in the amount of \$1,924 and \$1,879, respectively.

The CIC has a 50% investment in Warren Commerce Park Realty valued at \$110,976 at December 31, 2019 and \$110,979 at December 31, 2018.

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 forty-eight months. Interest income from the loan totaled \$1,375 for 2019 and \$1,500 for 2018.

Community Improvement Corporation of Warren and Trumbull County

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

December 31, 2019

Financial Operating Activities (Continued)

The loss on the sale of the building at 999 Pine Avenue in the amount of \$189,065 is included in non-operating activity for 2019.

At the inception of the original lease, the building at 999 Pine Avenue was valued at \$1.1 million by an independent third-party. Based on economic factors, the building was revalued at \$500,000 during 2018.

The CIC entered into a management contract with the Youngstown, Warren Regional Chamber of Commerce. Management services for 2019 totaled \$18,100 and \$19,800 for 2018.

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, 100 East Federal Street, Youngstown, OH 44503.

Community Improvement Corporation of Warren and Trumbull County
STATEMENTS OF NET POSITION
December 31, 2019 and 2018

<u>ASSETS</u>	<u>2019</u>	<u>2018</u>
CURRENT ASSETS		
Cash	\$ 7,040	\$ 23,346
Certificate of Deposit	150,000	0
Accounts Receivables	472	789
Prepaid Expenses	1,422	3,110
TOTAL CURRENT ASSETS	158,934	27,245
PROPERTY AND EQUIPMENT		
Building	0	500,000
Land and railroad track	68,344	68,344
Leasehold improvements	0	15,317
	68,344	583,661
Less accumulated depreciation	0	126,280
NET PROPERTY AND EQUIPMENT	68,344	457,381
OTHER ASSETS		
Investment - Warren Commerce Park	110,976	110,979
Loan to Tech Belt Energy Innovation Center	30,000	30,000
Deposits	120	120
TOTAL OTHER ASSETS	141,096	141,099
	\$ 368,374	\$ 625,725
<u>LIABILITIES AND NET POSITION</u>		
Accounts payable	\$ 1,838	\$ 3,231
Accrued expenses	0	26,996
Unearned Revenue	500	500
TOTAL CURRENT LIABILITIES	2,338	30,727
NET POSITION		
Net investment in capital assets	68,344	457,381
Unrestricted	297,692	137,617
TOTAL NET POSITION	366,036	594,998
TOTAL LIABILITIES AND NET POSITION	\$ 368,374	\$ 625,725

See accompanying notes to the financial statements

Community Improvement Corporation of Warren and Trumbull County
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Years ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
REVENUES		
Royalties	\$ 1,924	\$ 1,879
Interest-TBEIC Loan	1,375	1,500
Lease Income	12,192	25,000
Gain (loss) for Warren Commerce Park Realty Co. LTD.	(3)	74
Miscellaneous	3,436	25,357
TOTAL SUPPORT AND REVENUE	\$ 18,924	\$ 53,810
EXPENSES		
Real Estate Taxes	\$ 8,447	\$ (83,297)
Insurance	3,227	5,532
YWRC Contract	18,100	19,800
Professional Fees	882	8,354
Depreciation	6,250	33,016
Electric	11,720	22,602
Gas	5,592	5,238
Water	981	1,040
Maintenance	647	2,692
Independent Contractor	175	2,007
Miscellaneous	2,800	3,833
TOTAL EXPENSES	\$ 58,821	\$ 20,817
CHANGE IN NET POSITION	(39,897)	32,993
NON-OPERATING ACTIVITY		
Loss on sale of asset	189,065	0
CHANGE IN NET POSITION AFTER NON-OPERATIONS	(228,962)	32,993
NET POSITION AT BEGINNING OF YEAR	594,998	562,005
NET POSITION AT END OF YEAR	<u>\$ 366,036</u>	<u>\$ 594,998</u>

See accompanying notes to the financial statements

Community Improvement Corporation of Warren and Trumbull County
STATEMENTS OF CASH FLOWS
Years ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
OPERATING ACTIVITIES		
Cash received from customers	\$ 19,244	\$ 91,706
Cash payments to suppliers of goods or services	(84,775)	(77,553)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>(65,531)</u>	<u>14,153</u>
CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from sale of building	193,722	0
NET CASH PROVIDED BY IN FINANCING ACTIVITIES	<u>193,722</u>	<u>0</u>
INVESTING ACTIVITIES		
Loss on investment	5,503	5,426
Purchase of certificate of deposit	(150,000)	0
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>(144,497)</u>	<u>5,426</u>
INCREASE (DECREASE) IN CASH	(16,306)	19,579
CASH AT BEGINNING OF YEAR	23,346	3,767
CASH AT END OF YEAR	<u>\$ 7,040</u>	<u>\$ 23,346</u>
NET CASH USED IN OPERATING ACTIVITIES		
Operating income (loss)	\$ (39,897)	\$ 32,993
Change in assets and liabilities:		
Depreciation	6,250	33,016
Decrease in receivables, prepaid expenses and deposits	2,005	3,998
(Increase) decrease in investment	(5,500)	32,500
Decrease in trade accounts payable and accrued expenses	(28,389)	(88,354)
NET CHANGE IN ASSETS AND LIABILITIES	<u>(25,634)</u>	<u>(18,840)</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>\$ (65,531)</u>	<u>\$ 14,153</u>

See accompanying notes to the financial statements

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NOTES TO FINANCIAL STATEMENT

December 31, 2019 and 2018

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, 2019, management believes all accounts are collectible.

NOTES TO FINANCIAL STATEMENT

December 31, 2019 and 2018

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, 2019 and 2018. These expenses are reported as accounts payable and 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 \$110,976 and \$110,979 at December 31, 2019 and 2018, respectively. A loss of \$3 and a gain of \$74 was recorded at December 31, 2019 and 2018, respectively.

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, 2019 and 2018

NOTE C – CAPITAL ASSETS

Building

The Corporation sold the building at 999 Pine Avenue on June 28, 2019 for \$215,000, receiving \$193,722 net of expenses and commissions. A loss on the sale of \$189,065 is included in the statements of revenues, expenses and changes in net position. Prior to the sale, the building was depreciated over its estimated useful life of 39 years using the straight-line method. Leasehold improvements were 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, 2019, was as follows:

	Balance at 12/31/2018	Additions	Reductions	Balance at 12/31/2019
Business Activities				
Building	\$ 500,000	\$ 0	\$ (500,000)	0
Land and Railroad track	68,344	0	0	68,344
Leasehold improvements	15,317	0	(15,317)	0
Totals	<u>583,661</u>	<u>0</u>	<u>(515,317)</u>	<u>68,344</u>
Less Accumulated Depreciation:				
Building	113,234	5,438	(118,672)	0
Leasehold improvements	13,046	812	(13,858)	0
Total Depreciation	<u>126,280</u>	<u>6,250</u>	<u>(132,530)</u>	<u>0</u>
Business Activities				
Capital Assets, Net	<u>\$ 457,381</u>	<u>\$ (6,250)</u>	<u>\$ (382,787)</u>	<u>\$ 68,344</u>

Capital asset activity for the year ended December 31, 2018, was as follows:

	Balance at 12/31/2017	Additions	Reductions	Balance at 12/31/2018
Business Activities				
Building	\$ 1,100,000	\$ 0	\$ (600,000)	\$ 500,000
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>(600,000)</u>	<u>583,661</u>
Less Accumulated Depreciation:				
Building	84,618	28,616	0	113,234
Leasehold improvements	8,646	4,400	0	13,046
Total Depreciation	<u>93,264</u>	<u>33,016</u>	<u>0</u>	<u>126,280</u>
Business Activities				
Capital Assets, Net	<u>\$ 1,090,397</u>	<u>\$ (33,016)</u>	<u>\$ (600,000)</u>	<u>\$ 457,381</u>

NOTES TO FINANCIAL STATEMENT

December 31, 2019 and 2018

NOTE D – CERTIFICATE OF DEPOSIT

The Corporation purchased a six-month certificate of deposit with a bank for \$150,000, with an original maturity date of May 20, 2020. The certificate pays interest at a rate of 1.60% compounded quarterly.

NOTE E – 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 forty-eight months, TBEIC will pay interest (until March 2, 2020). Commencing March 3, 2020 and continuing until March 2, 2024, TBEIC shall pay forty-eight monthly installments of \$690.88. On or before March 2, 2024, 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 formed a joint venture, Warren Commerce Park Realty with Valley Economic Development Partners, formerly known as Mahoning Valley Economic Development Corporation effective May 27, 1997, with each holding fifty percent of the units in the partnership. The partnership was formed to acquire land and develop commercial buildings for sale or lease to third parties in the Warren Commerce Park. The partnership currently holds no land or buildings for sale or lease. The investment is valued at \$110,976 and \$110,979 as of December 31, 2019 and 2018, respectively. A loss of \$3 and a gain of \$74 was recorded at December 31, 2019 and 2018, respectively.

Deposits

Deposits in the amount of \$120 at December 31, 2019 and 2018, respectively, are 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, 2019, the recorded amount and bank balance of CIC deposits was \$7,040 and was not exposed to custodial credit risk.

NOTES TO FINANCIAL STATEMENT

December 31, 2019 and 2018

NOTE E – OTHER ASSETS(Continued)

Deposits(Continued)

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 F – LEASES

Lease

Prior to the sale of the building, the Corporation leased office space to a tenant under a one-year operating lease. Rent for the term of the lease was \$25,000. Rental income under the lease was \$12,192 for 2019 and \$25,000 for 2018.

NOTE G – ACCRUED EXPENSES

The building at 999 Pine Avenue was sold on June 28, 2019. All outstanding property tax liabilities were satisfied at the closing of the sale.

The building at 999 Pine Avenue was revalued during 2018, retroactive to January 1, 2015. As a result, property taxes previously expensed and accrued for were reduced and the amount of property taxes paid in 2016 was refunded to the Corporation and is included in miscellaneous income in the statements of revenues, expenses and changes in net position in the amount of \$21,150. As of December 31, 2018, accrued property taxes were \$26,996.

NOTE H – RELATED PARTIES

The Corporation conducted transactions with organizations that have trustees who are also trustees of the Corporation including the loan to the tech Belt Energy Innovation Center.

The Corporation paid business advisory fees to the Youngstown/Warren Regional Chamber of \$18,100 and \$19,800 in 2019 and 2018, respectively.

NOTES TO FINANCIAL STATEMENT

December 31, 2019 and 2018

NOTE I – 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.

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures may impact subsequent periods of the Corporation. The impact on the Community Improvement Corporation of Warren and Trumbull County's future operating costs and revenues cannot be estimated.

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Community Improvement Corporation of Warren and Trumbull County

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

December 31, 2018

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, 2018 and 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 \$594,998 and \$1,162,005 as of December 31, 2018 and 2017, respectively. This net position results from the difference between total assets of \$625,725 and total liabilities of \$30,727 as of December 31, 2018 and total assets of \$1,281,086 and total liabilities of \$119,081 as of December 31, 2017.
- As of December 31, 2018 assets of \$625,725 primarily consist of land, building and improvements net of accumulated depreciation \$457,381 and investment of \$110,979. 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 \$30,727 and \$119,081 as of December 31, 2018 and 2017, respectively, 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 measurable, 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.

Community Improvement Corporation of Warren and Trumbull County

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

December 31, 2018

Basic Financial Statements and Presentation (Continued)

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.

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, 2018 and 2017:

Table 1

Condensed Summary of Net Position

	<u>2018</u>	<u>2017</u>
<i>Assets:</i>		
Current Assets	\$ 27,245	\$ 6,976
Non-current assets	598,480	1,274,110
Total Assets	<u>625,725</u>	<u>1,281,086</u>
<i>Liabilities:</i>		
Current Liabilities	<u>30,727</u>	<u>119,081</u>
<i>Net Position:</i>		
Net investment in capital assets	457,381	1,090,397
Unrestricted net position	137,617	71,608
Total Liabilities and Net Position	<u>\$ 625,725</u>	<u>\$ 1,281,086</u>

Community Improvement Corporation of Warren and Trumbull County

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

December 31, 2018

Financial Analysis of CIC (Continued)

Table 2 provides a summary of changes in net position for the years ended December 31, 2018 and 2017:

Table 2

Condensed Summary of Revenues, Expenses and Changes in Net Position

	<u>2018</u>	<u>2017</u>
<i>Revenues (Expenses):</i>		
Revenues	\$ 53,810	\$ 29,367
Expenses	(20,817)	(151,557)
Excess of expenses over revenues	<u>32,993</u>	<u>(122,190)</u>
Net position, Beginning of year	562,005	1,284,195
Net position, End of year	<u>\$ 594,998</u>	<u>\$ 1,162,005</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.

On January 22, 2018, the CIC exercised its option to purchase the building at 999 Pine Avenue for \$1. The CIC leased office space in the building to a tenant for \$25,000 for 2018. Expenses consisting of property taxes, insurance, utilities and maintenance for the building totaled \$69,940 during 2018.

During 2017, the CIC leased the building at 999 Pine Avenue for \$1. The Corporation in turn, subleased office space in the building to a tenant for \$25,000.

During 2018 and 2017, the CIC received royalties from a gas well that is on land owned by the organization in the amount of \$1,879 and \$1,187, respectively.

The CIC has a 50% investment in Warren Commerce Park Realty valued at \$110,979 at December 31, 2018 and \$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 2018 and 2017.

Community Improvement Corporation of Warren and Trumbull County

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

December 31, 2018

Financial Operating Activities (Continued)

At the inception of the original lease, the building at 999 Pine Avenue was valued at \$1.1 million by an independent third-party. Based on economic factors, the building was revalued at \$500,000 during 2018.

The CIC entered into a management contract with the Youngstown, Warren Regional Chamber of Commerce. Management services for 2018 totaled \$19,800 and \$26,075 for 2017.

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, 100 East Federal Street, Youngstown, OH 44503.

Community Improvement Corporation of Warren and Trumbull County
STATEMENTS OF NET POSITION
December 31, 2018 and 2017

<u>ASSETS</u>	2018	2017
CURRENT ASSETS		
Cash	\$ 23,346	\$ 3,767
Accounts Receivables	789	759
Prepaid Expenses	3,110	2,450
TOTAL CURRENT ASSETS	27,245	6,976
PROPERTY AND EQUIPMENT		
Building	500,000	1,100,000
Land and railroad track	68,344	68,344
Leasehold improvements	15,317	15,317
	583,661	1,183,661
Less accumulated depreciation	126,280	93,264
NET PROPERTY AND EQUIPMENT	457,381	1,090,397
OTHER ASSETS		
Investment - Warren Commerce Park	110,979	148,905
Loan to Tech Belt Energy Innovation Center	30,000	30,000
Deposits	120	4,808
TOTAL OTHER ASSETS	141,099	183,713
	\$ 625,725	\$ 1,281,086
<u>LIABILITIES AND NET POSITION</u>		
Accounts payable	\$ 3,231	\$ 5,326
Accrued expenses	26,996	113,255
Unearned Revenue	500	500
TOTAL CURRENT LIABILITIES	30,727	119,081
NET POSITION		
Net investment in capital assets	457,381	1,090,397
Unrestricted	137,617	71,608
TOTAL NET POSITION	594,998	1,162,005
TOTAL LIABILITIES AND NET POSITION	\$ 625,725	\$ 1,281,086

See accompanying notes to the financial statements

Community Improvement Corporation of Warren and Trumbull County
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Years ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
REVENUES		
Royalties	\$ 1,879	\$ 1,187
Interest	0	8
Interest-TBEIC Loan	1,500	1,500
Lease Income	25,000	26,200
Gain (loss) for Warren Commerce Park Realty Co. LTD.	74	(2,182)
Miscellaneous	25,357	2,654
TOTAL SUPPORT AND REVENUE	<u>\$ 53,810</u>	<u>\$ 29,367</u>
EXPENSES		
Real Estate Taxes	\$ (83,297)	\$ 47,878
Insurance	5,532	5,969
YWRC Contract	19,800	26,075
Professional Fees	8,354	600
Depreciation	33,016	32,606
Electric	22,602	23,397
Gas	5,238	6,684
Water	1,040	1,277
Maintenance	2,692	6,356
Independent Contractor	2,007	490
Miscellaneous	3,833	225
TOTAL EXPENSES	<u>\$ 20,817</u>	<u>\$ 151,557</u>
CHANGE IN NET POSITION	32,993	(122,190)
NET POSITION AT BEGINNING OF YEAR	562,005	1,284,195
NET POSITION AT END OF YEAR	<u><u>\$ 594,998</u></u>	<u><u>\$ 1,162,005</u></u>

See accompanying notes to the financial statements

Community Improvement Corporation of Warren and Trumbull County
STATEMENTS OF CASH FLOWS
Years ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
OPERATING ACTIVITIES		
Cash received from customers	\$ 91,706	\$ 30,044
Cash payments to suppliers of goods or services	(77,553)	(70,084)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>14,153</u>	<u>(40,040)</u>
INVESTING ACTIVITIES		
Gain on investment	5,426	2,182
NET CASH USED IN INVESTING ACTIVITIES	<u>5,426</u>	<u>2,182</u>
INCREASE (DECREASE) IN CASH	19,579	(37,858)
CASH AT BEGINNING OF YEAR	3,767	41,625
CASH AT END OF YEAR	<u>\$ 23,346</u>	<u>\$ 3,767</u>
NET CASH USED IN OPERATING ACTIVITIES		
Operating income (loss)	\$ 32,993	\$ (122,190)
Change in assets and liabilities:		
Depreciation	33,016	32,606
Decrease in receivables, prepaid expenses and deposits	3,998	454
Decrease in investment	32,500	0
Increase (decrease) in trade accounts payable and accruals	(88,354)	49,090
NET CHANGE IN ASSETS AND LIABILITIES	<u>(18,840)</u>	<u>82,150</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>\$ 14,153</u>	<u>\$ (40,040)</u>

See accompanying notes to the financial statements

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Community Improvement Corporation of Warren and Trumbull County
NOTES TO FINANCIAL STATEMENT
December 31, 2018 and 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, 2018, management believes all accounts are collectible.

NOTES TO FINANCIAL STATEMENT

December 31, 2018 and 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, 2018 and 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 \$110,979 and \$148,905 at December 31, 2018 and 2017, respectively. A gain of \$74 and a loss of \$2,182 was recorded at December 31, 2018 and 2017, respectively.

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, 2018 and 2017

NOTE C – CAPITAL ASSETS

Building

The Corporation exercised its option to purchase the building at 999 Pine Avenue for \$1 effective January 22, 2018. The building was previously valued at \$1.1 million based on a third-party appraisal performed at the inception of the original lease. During 2018, the building, including land was re-valued based on current market conditions at \$500,000. The building is being carried on the statement of financial position based on the current valuation. The building 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, 2018, was as follows:

	Balance at 12/31/2017	Additions	Reductions	Balance at 12/31/2018
Business Activities				
Building	\$ 1,100,000	\$ 0	\$ (600,000)	\$ 500,000
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>(600,000)</u>	<u>583,661</u>
Less Accumulated Depreciation:				
Building	84,618	28,616	0	113,234
Leasehold improvements	8,646	4,400	0	13,046
Total Depreciation	<u>93,264</u>	<u>33,016</u>	<u>0</u>	<u>126,280</u>
Business Activities				
Capital Assets, Net	<u>\$ 1,090,397</u>	<u>\$ (33,016)</u>	<u>\$ (600,000)</u>	<u>\$ 457,381</u>

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
Business 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>
Business Activities				
Capital Assets, Net	<u>\$ 1,123,003</u>	<u>\$ (32,606)</u>	<u>\$ 0</u>	<u>\$ 1,090,397</u>

NOTES TO FINANCIAL STATEMENT

December 31, 2018 and 2017

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 Forty eight months, TBEIC will pay interest (until March 2, 2020). Commencing March 3, 2020 and continuing until March 2, 2024, TBEIC shall pay forty-eight monthly installments of \$690.88. On or before March 2, 2024, 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 formed a joint venture, Warren Commerce Park Realty with Valley Economic Development Partners, formerly known as Mahoning Valley Economic Development Corporation effective May 27, 1997, with each holding fifty percent of the units in the partnership. The partnership was formed to acquire land and develop commercial buildings for sale or lease to third parties in the Warren Commerce Park. The partnership currently holds no land or buildings for sale or lease. The investment is valued at \$110,979 and \$148,905 as of December 31, 2018 and 2017, respectively. A gain of \$74 and a loss of \$2,182 was recorded at December 31, 2018 and 2017, respectively.

Deposits

Deposits in the amount of \$120 and \$4,808 at December 31, 2018 and 2017, respectively, are 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, 2018 and 2017, respectively, the recorded amount and bank balance of CIC deposits was \$23,346 and \$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.

NOTES TO FINANCIAL STATEMENT

December 31, 2018 and 2017

NOTE E – LEASES

Capital Lease

The Corporation leased a building under a lease agreement that expired on December 31, 2017. Annual rent expense on the building was \$1. The Corporation was responsible for paying all real estate taxes and utilities during the term of the lease. At the end of the lease, the Corporation had the option to purchase the building for \$1. This option was exercised on January 22, 2018.

Lease

The Corporation leases office space to a tenant under a one-year operating lease. Rent for the term of the lease is \$25,000. The lease agreement includes two additional one-year options at \$25,000 each. During 2017, the Corporation subleased office space in the building to a tenant under a one-year operating lease in the amount of \$25,000.

NOTE F – ACCRUED EXPENSES

The building at 999 Pine Avenue was revalued during 2018, retroactive to January 1, 2015. As a result, property taxes previously expensed and accrued for have been reduced and the amount of property taxes paid in 2016 was refunded to the Corporation and is included in miscellaneous income in the statements of revenues, expenses and changes in net position in the amount of \$21,150. As of December 31, 2018 and 2017, accrued property taxes were \$26,996 and \$108,934, respectively.

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 \$19,800 and \$26,075 in 2018 and 2017, respectively.

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 April 24, 2019, the Corporation entered into an agreement to sell the building at 999 Pine Avenue for \$215,000. The Corporation will be responsible for all accrued taxes and commissions at the closing of the sale. The closing is expected to take place within 90 days of signing of the agreement.

OHIO AUDITOR OF STATE KEITH FABER



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

Community Improvement Corporation of Warren and Trumbull County
Trumbull County
City Centre One, Suite 500
100 East Federal Street
Youngstown, Ohio 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, (the CIC) as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the CIC's basic financial statements and have issued our report thereon dated January 29, 2021, wherein we noted the CIC referred to the financial impact of COVID-19 and the ensuing emergency measures that will impact subsequent periods.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the CIC's internal control over financial reporting (internal control) as a basis for designing audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the CIC'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 CIC'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 2019-001 to be a material weakness.

CIC's Response to Finding

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

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 financial statements. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

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 CIC's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the CIC's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio

January 29, 2021

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

**SCHEDULE OF FINDINGS
DECEMBER 31, 2019 AND 2018**

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

FINDING NUMBER 2019-001

MATERIAL WEAKNESS

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

The CIC did not have adequate controls in place to help detect or prevent financial reporting errors. The lack of these controls over the posting of financial transactions resulted in errors and irregularities which could decrease the reliability of financial data at year-end.

The 2018 financial statements included the following financial reporting errors:

A CIC building was revalued at the start of 2018 from \$1,100,000 to \$500,000. The financial statements and notes to the financial statements improperly showed the building revalued at \$615,516 and an impairment loss expenditure of \$484,484. However, the \$484,484 did not meet the definition of an impairment in accordance with GASB Codifications 1400.181-1400.187. The transaction should have been treated as an asset revaluation with restated beginning net position. As a result, the building was overstated by \$115,516, expenses were overstated by \$484,484, and net position at beginning of the year was overstated by \$600,000. Additionally, net investments in capital assets and net position end of the year were also overstated by \$115,516.

The 2019 financial statements included the following financial reporting errors:

Net position beginning of the year was overstated by \$115,516 due to the errors in 2018. Additionally, the financial statements showed a loss on sale of assets of \$304,581 under operating expenses. However, this should have been presented as a non-operating item and the amount should have been \$189,065 after taking into consideration the 2018 over statement of buildings noted above. In addition, proceeds from the sale of building and leasehold improvements, on the cash flow statement, was understated by \$1,839.

The financial statements were adjusted to correct for the above errors.

The CIC should adopt policies and procedures for controls over recording the daily financial transactions and to help ensure the information accurately reflects the activity of the CIC and thereby increasing the reliability of the financial data at year-end.

Official's Response: The CIC experienced a change in C-level management causing a disruption in transition of policies, practices, and document flow. Additionally, CIC records were damaged/lost in an office flood. Efforts to provide information for the audit engagement were further encumbered by remote work situations and furlough of staff due to COVID-19. The CIC has taken appropriate measures to reinstate policies and procedures for controls over recording the daily financial transactions. These policies and procedures will be used to help ensure the information presented accurately reflects the activity of the CIC and therefore increases the reliability of the financial data at year-end.

OHIO AUDITOR OF STATE KEITH FABER



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

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 2/18/2021

88 East Broad Street, Columbus, Ohio 43215
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This report is a matter of public record and is available online at
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