

***CIRCLEVILLE-PICKAWAY
COMMUNITY IMPROVEMENT CORPORATION
PICKAWAY COUNTY***

REGULAR AUDIT

For the Years Ended December 31, 2016 and 2015





Dave Yost • Auditor of State

Board of Directors
Circleville Pickaway Community Improvement Corporation
114 West Franklin Street
Circleville, Ohio 43113

We have reviewed the *Independent Auditor's Report* of the Circleville Pickaway Community Improvement Corporation, Pickaway County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2015 through December 31, 2016. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Circleville Pickaway Community Improvement Corporation is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost
Auditor of State

August 31, 2017

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CIRCLEVILLE-PICKAWAY COMMUNITY IMPROVEMENT CORPORATION

PICKAWAY COUNTY

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INDEPENDENT AUDITOR'S REPORT

Circleville-Pickaway Community Improvement Corporation
Pickaway County
114 West Franklin Street, P.O. Box 506
Circleville, Ohio 43113

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the Circleville-Pickaway Community Improvement Corporation, Pickaway County, Ohio (the Corporation), which comprise the statement of financial position as of December 31, 2016 and 2015, and the related statements of activities and cash flows for the years then 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 Corporation's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Corporation's internal control. Accordingly, we express no 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.

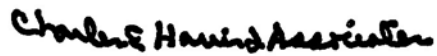
We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Circleville-Pickaway Community Improvement Corporation, Pickaway County, Ohio, as of December 31, 2016 and 2015, and the changes in financial position and its cash flows for the years then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 13, 2017, on our consideration of the Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control over financial reporting and compliance.



Charles E. Harris & Associates, Inc.
June 13, 2017

CIRCLEVILLE-PICKAWAY COMMUNITY IMPROVEMENT CORPORATION

STATEMENTS OF FINANCIAL POSITION

December 31, 2016 and 2015

	2016	2015
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 73,651	\$ 251,091
Certificate of deposit	101,304	100,289
Accounts receivable	38,060	8,225
Prepaid insurance	1,027	1,027
TOTAL CURRENT ASSETS	214,042	360,632
PROPERTY AND EQUIPMENT		
Leasehold improvements	23,658	23,658
Office furniture and equipment	16,770	16,770
	40,428	40,428
Accumulated depreciation	(20,261)	(19,243)
NET PROPERTY AND EQUIPMENT	20,167	21,185
OTHER ASSETS		
Long-lived assets available for sale		
original cost of \$1,223,000 and \$1,255,000	629,520	658,000
Investments	14,379	17,975
Long-term receivable	2,184,793	-
TOTAL OTHER ASSETS	2,828,692	675,975
TOTAL ASSETS	\$ 3,062,901	\$ 1,057,792
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 1,913	\$ 2,596
Mortgage note payable	41,691	27,128
Security deposits held	3,000	3,000
Accrued payroll and related taxes	8,370	9,309
TOTAL CURRENT LIABILITIES	54,974	42,033
LONG TERM LIABILITIES		
Jobs Ohio loan	2,184,793	-
Mortgage note payable	321,548	383,976
TOTAL LONG TERM LIABILITIES	2,506,341	383,976
TOTAL LIABILITIES	2,561,315	426,009
NET ASSETS		
Unrestricted	501,019	631,216
Temporarily restricted	567	567
TOTAL NET ASSETS	501,586	631,783
TOTAL LIABILITIES AND NET ASSETS	\$ 3,062,901	\$ 1,057,792

The accompanying notes are an integral part of the financial statements

CIRCLEVILLE-PICKAWAY COMMUNITY IMPROVEMENT CORPORATION

STATEMENTS OF ACTIVITIES AND NET ASSETS

For the Year Ended December 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE:			
Grants	\$ 3,098,447	\$ -	\$ 3,098,447
Contributions	383,734	-	383,734
Interest income	1,121	-	1,121
Investment income	844	-	844
In-kind contributions	3,790	-	3,790
Gain on sale of assets	1,600	-	1,600
Reimbursements	2,432	-	2,432
Rent income	<u>36,000</u>	<u>-</u>	<u>36,000</u>
 TOTAL SUPPORT AND REVENUE	 <u>3,527,968</u>	 <u>-</u>	 <u>3,527,968</u>
EXPENSES:			
Personnel costs	188,724	-	188,724
Dues and subscriptions	10,183	-	10,183
Supplies	2,596	-	2,596
Telephone	655	-	655
Meetings	455	-	455
Professional fees	21,869	-	21,869
Contract services	12,390	-	12,390
Marketing	3,906	-	3,906
Utilities	2,910	-	2,910
Depreciation	1,018	-	1,018
Liability insurance	1,704	-	1,704
Travel and entertainment	5,300	-	5,300
Repairs and maintenance	879	-	879
Green building expense	31,907	-	31,907
Projects	3,370,105	-	3,370,105
Licenses and fees	75	-	75
Miscellaneous	<u>3,489</u>	<u>-</u>	<u>3,489</u>
TOTAL EXPENSES	<u>3,658,165</u>	<u>-</u>	<u>3,658,165</u>
 DECREASE IN NET ASSETS	 (130,197)	 -	 (130,197)
 Net assets, beginning of year	 <u>631,216</u>	 <u>567</u>	 <u>631,783</u>
 Net assets, end of year	 <u>\$ 501,019</u>	 <u>\$ 567</u>	 <u>\$ 501,586</u>

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

CIRCLEVILLE-PICKAWAY COMMUNITY IMPROVEMENT CORPORATION

STATEMENTS OF ACTIVITIES AND NET ASSETS

For the Year Ended December 31, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE:			
Grants	\$ 111,488	\$ -	\$ 111,488
Contributions	391,926	-	391,926
Interest income	764	-	764
Investment income	(215)	-	(215)
In-kind contributions	1,108	-	1,108
Reimbursements	2,411	-	2,411
Rent income	<u>36,000</u>	<u>-</u>	<u>36,000</u>
 TOTAL SUPPORT AND REVENUE	 <u>543,482</u>	 <u>-</u>	 <u>543,482</u>
EXPENSES:			
Personnel costs	178,989	-	178,989
Dues and subscriptions	10,562	-	10,562
Supplies	2,327	-	2,327
Telephone	850	-	850
Meetings	792	-	792
Professional fees	21,610	-	21,610
Marketing	3,905	-	3,905
Utilities	2,258	-	2,258
Depreciation	1,202	-	1,202
Liability insurance	1,262	-	1,262
Travel and entertainment	6,666	-	6,666
Repairs and maintenance	514	-	514
Green building expense	26,291	-	26,291
Projects	131,990	-	131,990
Licenses and fees	1,086	-	1,086
Miscellaneous	<u>3,941</u>	<u>-</u>	<u>3,941</u>
TOTAL EXPENSES	<u>394,245</u>	<u>-</u>	<u>394,245</u>
 INCREASE IN NET ASSETS	 149,237	 -	 149,237
 Net assets, beginning of year	 <u>481,979</u>	 <u>567</u>	 <u>482,546</u>
 Net assets, end of year	 <u>\$ 631,216</u>	 <u>\$ 567</u>	 <u>\$ 631,783</u>

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

CIRCLEVILLE-PICKAWAY COMMUNITY IMPROVEMENT CORPORATION

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2016 and 2015

	2016	2015
CASH FLOW FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ (130,197)	\$ 149,237
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities:		
Depreciation expense	1,018	1,202
Unrealized (gain) loss in value of investments	(415)	1,014
Realized (gain) loss on sale of investments	119	(157)
Changes in assets and liabilities:		
Accounts receivable	(29,835)	(4,425)
Accounts payable	(683)	1,300
Prepaid insurance	-	(1,027)
Prepaid rent	-	(2,090)
Accrued payroll and related taxes	(939)	2,721
Net cash provided (used) by operating activities	(160,932)	147,775
CASH FLOW FROM INVESTING ACTIVITIES		
Proceeds from disposition of investment	32,919	2,865
Interest and dividends reinvested	(1,562)	(1,269)
Purchases of property and equipment	-	(2,678)
Net cash provided (used) by investing activities	31,357	(1,082)
CASH FLOW FROM FINANCING ACTIVITIES		
Payments on mortgage note payable	(47,865)	(7,000)
Net cash used by financing activities	(47,865)	(7,000)
Net increase (decrease) in cash and cash equivalents	(177,440)	139,693
Cash and cash equivalents at beginning of year	251,091	111,398
Cash and cash equivalents at end of year	\$ 73,651	\$ 251,091

Noncash transactions:

In-kind contributions for donated services were received for \$3,790 in 2016 and \$1,108 in 2015.

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

CIRCLEVILLE-PICKAWAY COMMUNITY IMPROVEMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2016 and 2015

ORGANIZATION AND NATURE OF ACTIVITIES

The Circleville-Pickaway Community Improvement Corporation (the Organization), doing business as the Pickaway Progress Partnership (P³) is the economic development agent for Pickaway County and its municipalities. P³ has three main objectives: promote and market the advantages of locating business in the County; promote a stronger business environment by facilitating retention and expansion efforts of local employers; and deliver a seamless network of economic development services and value-added programs to existing businesses, local government, and prospective companies throughout Pickaway County. P³ is a non-profit corporation with a board of directors comprised of leaders from the public and private sectors. P³ receives its funding from a variety of investors in the public and private sectors.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation - The Organization's policy is to prepare its financial statements on the accrual basis of accounting; consequently, certain revenues are recognized when earned rather than when received and certain expenses and purchases of assets are recognized when the obligation is incurred rather than when cash is disbursed. However, the Organization does have a departure from accounting principles generally accepted in the United States of America disclosed in the report and the footnote entitled "PLEDGES RECEIVABLE". The effect of this departure is not material to the financial statements.

In accordance with accounting principles generally accepted in the United States of America, the Organization 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. Accordingly, net assets of Circleville-Pickaway Community Improvement Corporation and changes therein are classified and reported as follows:

Unrestricted Net Assets - Net assets that are not subject to donor imposed restrictions. This includes amounts from some funding sources that require the funds to be spent on activities within the scope of the Organization.

Temporarily Restricted Net Assets - Net assets subject to donor imposed stipulations that may or will be met, either by the activities of the Organization or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently Restricted Net Assets - Net assets subject to donor-imposed stipulations that are maintained permanently by the Organization. P³ has no permanently restricted net assets.

Income Taxes - The Organization is a nonprofit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes.

The Organization complies with Accounting Standards Codification (ASC) 740-10 related to uncertain tax positions. ASC 740-10 prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken on a tax return. Management is not aware of any tax positions taken by the Organization on its tax returns that they consider to be uncertain or that will jeopardize its tax exempt status. Tax returns for the years ended 2013, 2014 and 2015 are open and subject to examination by the Internal Revenue Service.

Cash and Cash Equivalents - Short-term, highly liquid investments that are readily convertible to known amounts of cash, including money market accounts, and have original maturities of three months or less are considered to be cash equivalents.

CIRCLEVILLE-PICKAWAY COMMUNITY IMPROVEMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS - Continued

December 31, 2016 and 2015

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounts Receivable - Accounts receivable represents that portion of pledges due from contributors for that year that were not paid at year end. Management considers economic conditions affecting its donors as well as their historical performance in determining whether or not an allowance for doubtful accounts is necessary. Based on this assessment management believes all amounts recorded are fully collectible. As noted in the PLEDGES RECEIVABLE footnote, the Organization does not record the amount of pledges due to be received in future years.

Property and Equipment - All significant expenditures for property and equipment, including improvements that significantly extend the assets life, are capitalized at cost and depreciated on the straight-line basis over the estimated useful lives of the assets, principally seven years for furniture and equipment, and 39 years for buildings and leasehold improvements. Expenditures for repair and maintenance are expensed as incurred. Donated property and equipment is recorded at fair value at the time of donation if the fair value can be reasonably determined.

Property and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value of an asset or asset group may not be recoverable. An impairment loss would be recognized in operations for the amount that the carrying value of an asset or asset group exceeds its fair value determined using applicable accounting standards.

During 2013, the Organization offered its warehouse building and five industrial lots for sale and, accordingly obtained an appraisal. In connection with that, the land and real property that was made available for sale was written down to its estimated net realizable value, less the expected 6% commission payable upon the sale, through a charge in the statement of activities of \$490,750 and depreciation was discontinued.

As required by generally accepted accounting principles, prior to the sale, these assets were presented separately on the statements of financial position as "Long-lived assets available for sale". Following are the categories of assets available for sale at original carrying value as of December 31:

	<u>2016</u>	<u>2015</u>
Land	\$ 223,000	\$ 255,000
Buildings	<u>1,000,000</u>	<u>1,000,000</u>
	1,223,000	1,255,000
Accumulated depreciation	<u>(106,250)</u>	<u>(106,250)</u>
Net book value	<u>\$ 1,116,750</u>	<u>\$ 1,148,750</u>

Revenue and Expense Recognition - Revenues are recorded in the period for which they are awarded based upon signed contracts or, in the case of pledges, in the period the current year portion of the pledge becomes due. In the absence of a signed contract, revenues are recorded when earned or when the cash is received. Revenues received for specific purposes are used in accordance with applicable restrictions. Expenses are included in operations in the period they are incurred.

Contributed Services and Materials - Unpaid volunteers have made significant contributions of their time in the furtherance of the Organization's programs. The value of this contributed time is not reflected in these financial statements since it is not susceptible to objective measurement or valuation. Contributed materials, if significant, are recorded in the statement of activities at fair value if readily determinable.

CIRCLEVILLE-PICKAWAY COMMUNITY IMPROVEMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS - Continued

December 31, 2016 and 2015

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Contributed Services and Materials - Continued - During the years ended December 31, 2016 and 2015, Pickaway County and other organizations made in-kind contributions in the form of office space, professional services, clerical support, materials and supplies and other services. In the event that these contributions could be reasonably valued and quantified, they were recorded in the statement of activities as "In-kind contributions" with offsetting expenses.

Statement of Cash Flows - Cash and cash equivalents in the statement of cash flows includes restricted cash. There were no cash payments for interest or income taxes during the years ended December 31, 2016 and 2015.

The statement of cash flows includes noncash transactions in the form of in-kind contributions and services in the amount of \$3,790 (\$1,108 in 2015). The amount recorded as contributions was offset by expenses of the same amount.

Concentration of Credit Risk - The Organization's cash balances in financial institutions at times throughout the year may exceed federally insured limits. No losses in such accounts have been experienced and, as a result, management believes it is not exposed to any significant credit risk related to its cash deposits.

The Organization receives some of its support from individuals and businesses operating in Pickaway County. Continued support is somewhat dependent upon economic conditions in that geographic area.

Use of Estimates - The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Although these estimates are based on management's knowledge of current events and actions it may undertake in the future, they may ultimately differ from actual results.

Recent Accounting Standards - In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases* (Topic 842). ASU 2016-02 requires recognition of a lease liability and a right-of-use asset for all leases (with the exception of short-term leases) on the balance sheet. The ASU is effective for annual periods beginning after December 15, 2019. The guidance requires a modified retrospective transition approach be applied to all periods presented. The Organization is currently evaluating the impact that the adoption will have on its financial statements for fiscal year 2020.

In 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*. The objective of this Update is to significantly enhance comparability and clarify principles of revenue recognition practices across entities, industries, jurisdictions, and capital markets. On July 9, 2015, the FASB approved a one-year deferral of the effective date, while permitting entities to elect to adopt one year earlier on the original effective date. The amendments in this Update are effective for annual reporting periods beginning after December 15, 2018. The standard can be adopted either retrospectively to each prior reporting period presented or as a cumulative effect adjustment as of the date of adoption. The Organization is currently in the process of analyzing the information necessary to determine the impact of adopting this new guidance.

PLEDGES RECEIVABLE

Pledges receivable represents that portion of pledges which have been invoiced but are unpaid at year end. They are recorded as accounts receivable on the balance sheet. Management considers economic conditions affecting its donors as well as their historical performance in determining whether or not an allowance for doubtful accounts is necessary. Based on this assessment management believes all amounts recorded are fully collectible.

CIRCLEVILLE-PICKAWAY COMMUNITY IMPROVEMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS - Continued

December 31, 2016 and 2015

PLEDGES RECEIVABLE - Continued

During 2011, the Organization solicited contributions to be received over a period of time through a formal fund-raising campaign. Accounting principles generally accepted in the United States of America requires nonprofit organizations to record these "promises to give" as receivables and revenue at their net realizable value when certain conditions are met, depending on whether they are conditional, unconditional and the period of time involved. Management has not determined the net realizable value of these pledges, instead the Organization records revenues and receivables annually when an invoice is sent to the donor. There are no pledges remaining to be collected in future years.

MORTGAGE NOTE PAYABLE

In May of 2008, the Organization secured a mortgage note from the State of Ohio through the Director of Development. The loan was for the purpose of constructing a "green" commercial building near Ashville, Ohio. The loan term is 15 years and required no payments for years one through five, unless the building was sold or leased. If leased during that period, P³ was required to pay 50% of the lease proceeds to the State, which were to be applied to the outstanding balance of the mortgage note. During years six through fifteen, interest will accrue at an annual rate of 3% plus a service fee of .25%.

In the sixth year of the term, 50% of the initial loan principal was to be forgiven unless the building is sold at any time during the loan term. If sold at any time during the term of the loan, \$500,000 will be immediately due and payable to the State of Ohio and will reduce the outstanding loan balance. Beginning in year six (July 1, 2013), the outstanding principal balance began to be amortized and paid over the 120 months remaining (years six through fifteen) at the rate stated in the previous paragraph. Loan payments increased to approximately \$4,420 effective July 2016. Regardless of any events, the maximum amount for repayment is \$500,000.

The loan is secured by a first mortgage on the land and building. In addition, in the event that P³ is unable to meet the monthly mortgage obligation, the Village of Ashville will provide a guarantee of up to \$20,000 annually and Pickaway County will guarantee any remaining unpaid balance. Principal payments required for the years subsequent to December 31, 2016 are as follows:

2017	\$ 41,691
2018	42,959
2019	44,265
2020	45,612
2021	46,999
2022 and after	141,713

During 2010 the Organization commenced leases with two tenants. As required by the mortgage note, the Organization remitted \$12,000 of the rental revenue of \$21,250 received through July 31, 2013, to the State of Ohio. Rent reimbursement to the State of Ohio ended August 1, 2013 when debt payments commenced.

In November of 2016, the Organization secured a Jobs Ohio (JO) Growth Fund loan of up to \$6,500,000. The loan is for the purpose of providing a portion of the financing of a natural gas line at a local project site. The loan term is 15 years and requires no payment for years one through three. During years four through fifteen, interest will accrue at an annual rate of 2% plus a service fee of .25%. The Organization has drawn \$2,184,793 on the loan as of December 31, 2016.

CIRCLEVILLE-PICKAWAY COMMUNITY IMPROVEMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS - Continued

December 31, 2016 and 2015

MORTGAGE NOTE PAYABLE – Continued

The JO loan will be repaid with a combination of Tax Increment Financing (TIF) and Joint Economic Development District (JEDD) payments from the Organization starting in year 4, with a minimum of \$320,000 annually. As a result, a long-term receivable for that amount has been recorded. Should the TIF/JEDD payments fall below \$320,000 in any given year, the guarantors, Sofidel S.p.A., an Italian corporation (Sofidel) and Sofidel America Corp., a Florida for-profit corporation (Sofidel America), will be required to make up the difference (minimum payment guarantee). Principal payments required for the years subsequent to December 31, 2016 based on amounts outstanding are as follows:

2017	\$	-
2018		-
2019		-
2020		320,000
2021		320,000
2022 and after		1,544,793

LEASE AGREEMENTS

During 2010, the Organization entered into leases with two unrelated parties to lease space in the building. Both leases were for a term of 4 years, one beginning June 1, 2010 and one beginning July 1, 2010. The first tenant pays \$1,000 per month plus a charge for maintenance. The second tenant pays \$2,000 per month plus a charge for maintenance. Even though the lease agreement for the second tenant began July 1, 2010, the tenant did not move in and begin paying rent until September 1, 2010. The leases expired August 31, 2014; however, both tenants have remained in the buildings and are leasing on a month to month basis.

Prior to the second tenant moving in, the Organization made improvements totaling \$34,000 to the building. The tenant paid for half of those improvements at the beginning of the lease period and paid the remainder of the balance over the term of the lease (\$354 per month) which expired in 2014 at which time the balance was paid in full. No interest was charged on the loan and management believes the amount of any imputed interest was not significant. Total lease income for the years ended December 31, 2016 and 2015 was \$36,000 for each year. Subsequent to year end, one tenant moved as a result of the pending sale.

RETIREMENT PLAN

The Organization sponsors a qualified defined contribution retirement plan for its employees. Contributions made to the plan and recorded in the statement of activities for 2016 were \$14,648 (\$9,042 for 2015).

INVESTMENTS

The investments represent an endowment fund held for the Organization at the Pickaway County Community Foundation and managed by the Columbus Foundation. The fund maintains a balanced portfolio with an equity exposure of 30-60%. The investments are presented on the statements of financial position at fair value on the year end date. Investment income, gains and losses are reported in the statement of activities and nets assets. The original cost of the investment was \$13,964 at December 31, 2016 and unrealized gains of \$415 were recorded for the year then ended.

CIRCLEVILLE-PICKAWAY COMMUNITY IMPROVEMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS - Continued

December 31, 2016 and 2015

GRANT INCOME

The Organization was awarded an Ohio Jobs Ready Site grant for \$3.5 million in 2010. The purpose of the grant is to provide funds to help with the development of a former manufacturing site to be ready for immediate use. Work on the site has begun and the Organization drew \$3,083,607 on the grant during 2016 (\$111,488 in 2015). The site requires environmental remediation which is currently in process.

The Organization was awarded a Jobs Ohio Revitalization Phase II grant for \$12,390 in 2016. The purpose of the grant is to provide reimbursement for environmental testing at a former manufacturing site.

The Organization was awarded an AEP Ohio Economic Business Development 2016 Local Economic Advancement Program (LEAP) grant for \$2,450. The purpose of the grant is to provide funds to redesign the Organization's current website to better market Pickaway County.

FAIR VALUE MEASUREMENTS

The Organization complies with FASB ASC 820 *Fair Value Measurements and Disclosures* to account for and report fair value. ASC 820 provides a single definition of fair value, a framework for measuring fair value and expanded disclosures concerning fair value. The standard defines fair value as the price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

Fair values of certain assets are determined based on the fair value hierarchy established in this standard, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. Observable inputs are inputs that reflect assumptions market participants would use in pricing the asset or liability based on the best information available in the circumstances.

The standard describes three levels within its hierarchy that may be used to measure fair value which are:

Level 1 – Values are based on unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 - Values are based on quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 - Values are generated from unobservable inputs that are supported by little or no market activity and that are a significant component of the fair value of the assets or liabilities. These unobservable inputs would reflect management's estimates of assumptions that market participants would use in pricing related assets or liabilities. Valuation techniques might include the use of pricing models, discounted cash flow models or similar techniques.

CIRCLEVILLE-PICKAWAY COMMUNITY IMPROVEMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS - Continued

December 31, 2016 and 2015

FAIR VALUE MEASUREMENTS - Continued

The following table presents the assets and liabilities included in the statements of financial position that are carried at fair value measured on a recurring basis and indicates the level within the fair value hierarchy utilized to determine such value:

		Fair Value Measurements using:		
	Fair Value	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2016				
Investments	\$ 14,379	\$ 14,379	\$ -	\$ -
December 31, 2015				
Investments	\$ 17,975	\$ 17,975	\$ -	\$ -

A financial asset or liability's classification within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement. The assessment of the significance of a particular input to the fair value measurement requires judgment, and may affect the classification of fair value assets and liabilities within the fair value hierarchy levels. The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The investments are maintained in a balanced mutual fund by a third party. The securities in the fund are publicly traded and the fair value is determined using the closing net asset value as of December 31, 2016 and 2015. As a result, these items are listed as Level 1.

The carrying value of financial instruments classified as current assets and current liabilities, approximate fair value due to the short-term maturity of the instruments. Management believes it is not feasible to readily determine the fair value of its long-term debt due to the excessive cost involved.

SUBSEQUENT EVENTS

Subsequent events were evaluated through June 7, 2017, which is the date the financial statements were available to be issued.

Subsequent to year end, the Organization entered into a contract to sell the warehouse building for \$440,000 and the sale was finalized on May 31, 2017.

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

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

Circleville-Pickaway Community Improvement Corporation
Pickaway County
114 West Franklin Street, P.O. Box 506
Circleville, Ohio 43113

To the Board of Trustees:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Circleville-Pickaway Community Improvement Corporation, Pickaway County, Ohio (the Corporation), which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated June 13, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Corporation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of Corporation's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Corporation's financial statements will not be prevented, or detected and corrected on a timely basis. 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.

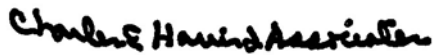
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Corporation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Corporation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Charles E. Harris and Associates, Inc.
June 13, 2017



Dave Yost • Auditor of State

**CIRCLEVILLE PICKAWAY COMMUNITY IMPROVEMENT CORPORATION
PICKAWAY 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
SEPTEMBER 12, 2017**