

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

***PICKAWAY COUNTY
AUDIT REPORT***

For the Years Ended December 31, 2018 and 2017



OHIO AUDITOR OF STATE KEITH FABER



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Members of the Board
Circleville Pickaway Community Improvement Corporation
PO Box 506
Circleville, OH 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, 2017 through December 31, 2018. 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.

Keith Faber
Auditor of State
Columbus, Ohio

August 30, 2019

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CIRCLEVILLE-PICKAWAY COMMUNITY IMPROVEMENT CORPORATION
PICKAWAY COUNTY
December 31, 2018 and 2017

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INDEPENDENT AUDITOR'S REPORT

Circleville-Pickaway Community Improvement Corporation
Pickaway County
1360 Lancaster Pike, Suite 111
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, 2018, 2017 and 2016, 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 financial position of the Circleville-Pickaway Community Improvement Corporation, Pickaway County, Ohio, as of December 31, 2018 and 2017, 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.

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Emphasis of Matter

As discussed in Note (Summary of Significant Accounting Policies), in 2018, the Corporation adopted new accounting guidance, the Financial Accounting Standards Board's (FASB) ASU 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 10, 2019, 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

Charles E. Harris & Associates, Inc.

June 10, 2019

CIRCLEVILLE-PICKAWAY COMMUNITY IMPROVEMENT CORPORATION

STATEMENTS OF FINANCIAL POSITION

December 31, 2018 and 2017

	2018	2017
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 898,258	\$ 367,194
Certificate of deposit	100,247	100,013
Accounts receivable	78,650	133,214
Note receivable	17,280	-
Prepaid insurance	1,068	1,068
TOTAL CURRENT ASSETS	<u>1,095,503</u>	<u>601,489</u>
PROPERTY AND EQUIPMENT		
Leasehold improvements	23,658	23,658
Office furniture and equipment	16,770	16,770
	40,428	40,428
Accumulated depreciation	(22,211)	(21,236)
NET PROPERTY AND EQUIPMENT	<u>18,217</u>	<u>19,192</u>
OTHER ASSETS		
Long-lived assets available for sale, original cost of \$139,702	-	131,320
Investments	5,734	5,971
Long-term receivable	6,500,000	6,500,000
TOTAL OTHER ASSETS	<u>6,505,734</u>	<u>6,637,291</u>
TOTAL ASSETS	<u>\$ 7,619,454</u>	<u>\$ 7,257,972</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 2,249	\$ 3,073
Accrued payroll and related taxes	9,354	8,797
TOTAL CURRENT LIABILITIES	<u>11,603</u>	<u>11,870</u>
LONG TERM LIABILITIES		
Jobs Ohio loan	6,500,000	6,500,000
TOTAL LONG TERM LIABILITIES	<u>6,500,000</u>	<u>6,500,000</u>
TOTAL LIABILITIES	<u>6,511,603</u>	<u>6,511,870</u>
NET ASSETS		
Without Donor Restrictions	1,107,851	746,102
TOTAL NET ASSETS	<u>1,107,851</u>	<u>746,102</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 7,619,454</u>	<u>\$ 7,257,972</u>

See accompanying notes to the Financial Statements.

CIRCLEVILLE-PICKAWAY COMMUNITY IMPROVEMENT CORPORATION

STATEMENTS OF ACTIVITIES

For the Years Ended December 31, 2018 and 2017

	2018	2017		
	Without Donor Restrictions	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE:				
Grants	\$ -	\$ 1,468,101	\$ -	\$ 1,468,101
Contributions	1,072,882	661,776	-	661,776
Interest income	925	772	-	772
Investment income (loss)	(207)	1,416	-	1,416
In-kind contributions	1,183	1,819	-	1,819
Loss on sale of assets	(54,040)	(58,200)	-	(58,200)
Reimbursements	-	609	-	609
Other income	136	-	-	-
Rent Income	-	8,097	-	8,097
Net assets released from restrictions	<u>1,020,879</u>	<u>2,084,390</u>	<u>(567)</u>	<u>2,084,390</u>
TOTAL SUPPORT AND REVENUE	1,020,879	2,084,957	-	2,084,957
EXPENSES:				
Bad debt	9,270	-	-	-
Personnel costs	229,449	203,599	-	203,599
Dues and subscriptions	12,921	12,462	-	12,462
Supplies	3,340	2,543	-	2,543
Telephone	-	620	-	620
Meetings	2,047	124	-	124
Professional fees	34,735	52,473	-	52,473
Marketing	1,584	2,179	-	2,179
Utilities	3,438	3,091	-	3,091
Depreciation	975	975	-	975
Liability insurance	1,797	1,756	-	1,756
Travel and entertainment	8,546	3,557	-	3,557
Repairs and maintenance	850	1,467	-	1,467
Green building and lot expense	6,393	42,105	-	42,105
Projects	339,000	1,480,601	-	1,480,601
Other cost of sale	-	30,548	-	30,548
Employee health program	3,000	-	-	-
Miscellaneous	1,785	1,774	-	1,774
TOTAL EXPENSES	659,130	1,839,874	-	1,839,874
INCREASE IN NET ASSETS	361,749	245,083	(567)	244,516
Net assets, beginning of year	<u>746,102</u>	<u>501,019</u>	<u>567</u>	<u>501,586</u>
Net assets, end of year	\$ 1,107,851	\$ 746,102	\$ -	\$ 746,102

See accompanying notes to the Financial Statements.

CIRCLEVILLE-PICKAWAY COMMUNITY IMPROVEMENT CORPORATION

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
CASH FLOW FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 361,749	\$ 244,516
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation expense	975	975
Unrealized gain in value of investments	463	(143)
Realized gain on sale of investments	-	(838)
Realized loss on sale of property	54,040	58,200
Changes in assets and liabilities:		
Accounts and note receivable	37,284	(95,154)
Accounts payable	(824)	1,160
Prepaid insurance	-	41
Security deposits held	-	(3,000)
Accrued payroll and related taxes	557	426
<i>Net cash provided by operating activities</i>	<u>454,244</u>	<u>206,183</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Proceeds from disposition of investments	77,280	451,754
Interest and dividends reinvested	(460)	(1,155)
<i>Net cash provided by investing activities</i>	<u>76,820</u>	<u>450,599</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Payments on mortgage note payable	-	(363,239)
<i>Net cash used by financing activities</i>	<u>-</u>	<u>(363,239)</u>
Net increase in cash and cash equivalents	531,064	293,543
Cash and cash equivalents at beginning of year	<u>367,194</u>	<u>73,651</u>
<i>Cash and cash equivalents at end of year</i>	<u>\$ 898,258</u>	<u>\$ 367,194</u>

See accompanying notes to the Financial Statements.

CIRCLEVILLE-PICKAWAY COMMUNITY IMPROVEMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS - Continued

December 31, 2018 and 2017

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 adopted the newly effective Financial Accounting Standards Board (FASB), Accounting Standards Update (ASU) 2016-14, entitled *Not-for-Profit Entities*. ASU 2016-14 has several requirements. First, it requires that net assets be presented in two classes (net assets with donor restrictions and net assets without donor restrictions) rather than the previous three classes (unrestricted, temporarily restricted, and permanently restricted). Next, the new standard requires an analysis of expenses by function and nature to be presented in one location in the financial statements, whether in the notes or in a separate financial statement. The new standard also requires not-for-profit entities to report investment returns net of related investment expenses. Finally, it requires a description of qualitative information in the notes to the financial statements as well as disclosing the availability of financial assets as of the date of the statement of financial position to meet cash needs for general expenditures within one year. The guidance became effective for the Organization in 2018 and required a modified retrospective transition approach to be applied to all periods presented.

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 2015, 2016 and 2017 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, 2018 and 2017

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - *Continued*

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 expenditures for property and equipment, including improvements that significantly extend an asset's 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.

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.

During the years ended December 31, 2018 and 2017, 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, when applicable. There were no cash payments for interest or income taxes during the years ended December 31, 2018 and 2017.

The statement of cash flows includes noncash transactions in the form of in-kind contributions and services in the amount of \$1,183 (\$1,819 in 2017). The amount recorded as contributions was offset by expenses of the same amount.

CIRCLEVILLE-PICKAWAY COMMUNITY IMPROVEMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS - Continued

December 31, 2018 and 2017

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - *Continued*

Liquidity Management

The Organization's financial assets available within one year of the balance sheet date for general expenditures are as follows:

Cash and cash equivalents	\$ 898,258
Certificate of deposit	100,247
Receivables	<u>95,930</u>
Total	<u><u>\$ 1,094,435</u></u>

Those assets are sufficient to meet ordinary business expenses in excess of one year. The Organization structures its financial assets to be available as its general expenditures, liabilities and other obligations come due. As part of its liquidity management, the Organization may invest in short-term investments to provide access to cash for unanticipated expenses effecting continuing operations, fund near-term strategic initiatives, and to manage investment risk.

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 FASB issued ASU 2016-02, *Leases*. 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 and 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 the ASU is to significantly enhance comparability and clarify principles of revenue recognition practices across entities, industries, jurisdictions, and capital markets. It is effective for annual reporting periods beginning after December 15, 2018 and 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.

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 2018 were \$16,740 (\$16,006 for 2017).

CIRCLEVILLE-PICKAWAY COMMUNITY IMPROVEMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS - Continued

December 31, 2018 and 2017

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.

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.

LONG LIVED ASSETS AVAILABLE FOR SALE

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 net of the expected 6% commission payable upon the sale, through a charge in the statement of activities of \$490,750 and depreciation was discontinued. The warehouse building was sold May 31, 2017. The four industrial lots remaining were sold December 3, 2018. 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". The original carrying value of the remaining assets (all land) was \$139,702 at December 31, 2017. Since those assets were sold in 2018, there was no balance at December 31, 2018.

The remaining industrial lots were sold to a related part for \$77,280, of which \$17,280 is recorded as a receivable. According to the sales agreement, upon the subsequent sale of the lots by the purchaser, the Organization will also receive 50% of the sales proceeds in excess of \$154,560. No amounts have been recorded to reflect this contingent receivable.

MORTGAGE NOTE PAYABLE

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 had drawn \$6,500,000 on the loan as of December 31, 2017 and 2018.

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).

CIRCLEVILLE-PICKAWAY COMMUNITY IMPROVEMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS - Continued

December 31, 2018 and 2017

MORTGAGE NOTE PAYABLE - Continued

Principal payments required for the years subsequent to December 31, 2018 based on amounts outstanding are as follows:

2019	\$	-
2020		320,000
2021		320,000
2022		320,000
2023		320,000
2024 and after		5,220,000

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 net assets. The original cost of the investment was \$5,643 at December 31, 2018 (\$5,423 at December 31, 2017) and unrealized losses of \$90 (\$548 gains for 2017) were recorded for the year then ended.

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 was completed in 2018 and the Organization received the Ohio Job Ready Site Certification on September 17, 2018. The Organization received its final draw on this grant in 2017 (\$304,905 in 2017), \$105,000 of which was held until final certification obtained. That amount was disbursed on September 24, 2018.

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.

CIRCLEVILLE-PICKAWAY COMMUNITY IMPROVEMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS - Continued

December 31, 2018 and 2017

FAIR VALUE MEASUREMENTS - Continued

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.

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 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	Fair Value Measurements using:		
		Inputs Level 1	Inputs Level 2	Inputs Level 3
December 31, 2018				
Investments	\$ 5,734	\$ 5,734	\$ -	\$ -
December 31, 2017				
Investments	\$ 5,971	\$ 5,971	\$ -	\$ -

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.

An independent third party maintains the investments in a balanced mutual fund. The securities in the fund are publicly traded and the fair value is determined using the closing net asset value as of December 31, 2018 and 2017. As a result, these items are listed as Level 1.

The carrying amount 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 receivables and liabilities due to the excessive cost involved.

SUBSEQUENT EVENTS

Subsequent events were evaluated through June 10, 2019, which is the date the financial statements were available to be issued.

CIRCLEVILLE-PICKAWAY COMMUNITY IMPROVEMENT CORPORATION

STATEMENTS OF FINANCIAL POSITION

December 31, 2017 and 2016

	2017	2016
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 367,194	\$ 73,651
Certificate of deposit	100,013	101,304
Accounts receivable	133,214	38,060
Prepaid insurance	1,068	1,027
TOTAL CURRENT ASSETS	<u>601,489</u>	<u>214,042</u>
PROPERTY AND EQUIPMENT		
Leasehold improvements	23,658	23,658
Office furniture and equipment	16,770	16,770
	40,428	40,428
Accumulated depreciation	(21,236)	(20,261)
NET PROPERTY AND EQUIPMENT	<u>19,192</u>	<u>20,167</u>
OTHER ASSETS		
Long-lived assets available for sale original cost of \$139,702 (\$1,223,000 in 2016)	131,320	629,520
Investments	5,971	14,379
Long-term receivable	6,500,000	2,184,793
TOTAL OTHER ASSETS	<u>6,637,291</u>	<u>2,828,692</u>
TOTAL ASSETS	<u><u>\$ 7,257,972</u></u>	<u><u>\$ 3,062,901</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 3,073	\$ 1,913
Mortgage note payable	-	41,691
Security deposits held	-	3,000
Accrued payroll and related taxes	8,797	8,370
TOTAL CURRENT LIABILITIES	<u>11,870</u>	<u>54,974</u>
LONG TERM LIABILITIES		
Jobs Ohio loan	6,500,000	2,184,793
Mortgage note payable	-	321,548
TOTAL LONG TERM LIABILITIES	<u>6,500,000</u>	<u>2,506,341</u>
TOTAL LIABILITIES	<u><u>6,511,870</u></u>	<u><u>2,561,315</u></u>
NET ASSETS		
Unrestricted	746,102	501,019
Temporarily restricted	-	567
TOTAL NET ASSETS	<u><u>746,102</u></u>	<u><u>501,586</u></u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 7,257,972</u></u>	<u><u>\$ 3,062,901</u></u>

See accompanying notes to the financial statements.

CIRCLEVILLE-PICKAWAY COMMUNITY IMPROVEMENT CORPORATION

STATEMENTS OF ACTIVITIES

For the Years Ended December 31, 2017 and 2016

	2017			2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE:						
Grants	\$ 1,468,101	\$ -	\$ 1,468,101	\$ 3,098,447	\$ -	\$ 3,098,447
Contributions	661,776	-	661,776	383,734	-	383,734
Interest income	772	-	772	1,121	-	1,121
Investment income (loss)	1,416	-	1,416	844	-	844
In-kind contributions	1,819	-	1,819	3,790	-	3,790
Loss on sale of assets	(58,200)	-	(58,200)	-	-	-
Gain on sale of assets	-	-	-	1,600	-	1,600
Reimbursements	609	-	609	2,432	-	2,432
Rent Income	8,097	-	8,097	36,000	-	36,000
Net assets released from restrictions	2,084,390	567	(567)	3,527,968	-	3,527,968
TOTAL SUPPORT AND REVENUE	2,084,957	-	2,084,957	3,527,968	-	3,527,968
EXPENSES:						
Personnel costs	203,599	-	203,599	188,724	-	188,724
Dues and subscriptions	12,462	-	12,462	10,183	-	10,183
Supplies	2,543	-	2,543	2,596	-	2,596
Telephone	620	-	620	655	-	655
Meetings	124	-	124	455	-	455
Professional fees	52,473	-	52,473	21,869	-	21,869
Marketing	2,179	-	2,179	3,906	-	3,906
Utilities	3,091	-	3,091	2,910	-	2,910
Depreciation	975	-	975	1,018	-	1,018
Liability insurance	1,756	-	1,756	1,704	-	1,704
Travel and entertainment	3,557	-	3,557	5,300	-	5,300
Repairs and maintenance	1,467	-	1,467	879	-	879
Green building and lot expense	42,105	-	42,105	31,907	-	31,907
Projects	1,480,601	-	1,480,601	3,370,105	-	3,370,105
Other cost of sale	30,548	-	30,548	-	-	-
Contract services	-	-	-	12,390	-	12,390
License and fees	-	-	-	75	-	75
Miscellaneous	1,774	-	1,774	3,489	-	3,489
TOTAL EXPENSES	1,839,874	-	1,839,874	3,658,165	-	3,658,165
INCREASE IN NET ASSETS	245,083	(567)	244,516	(130,197)	-	(130,197)
Net assets, beginning of year	501,019	567	501,586	631,216	567	631,783
Net assets, end of year	\$ 746,102	\$ -	\$ 746,102	\$ 501,019	\$ 567	\$ 501,586

See accompanying notes to the Financial Statements.

CIRCLEVILLE-PICKAWAY COMMUNITY IMPROVEMENT CORPORATION

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
CASH FLOW FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ 244,516	\$ (130,197)
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities:		
Depreciation expense	975	1,018
Unrealized gain in value of investments	(143)	(415)
Realized (gain) loss on sale of investments	(838)	119
Realized gain (loss) on sale of property	58,200	(1,600)
Changes in assets and liabilities:		
Accounts receivable	(95,154)	(29,835)
Accounts payable	1,160	(683)
Prepaid insurance	41	-
Security deposits held	(3,000)	-
Accrued payroll and related taxes	<u>426</u>	<u>(939)</u>
Net cash provided (used) by operating activities	<u>206,183</u>	<u>(162,532)</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Proceeds from disposition of investments	451,754	34,519
Interest and dividends reinvested	<u>(1,155)</u>	<u>(1,562)</u>
Net cash provided by investing activities	<u>450,599</u>	<u>32,957</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Payments on mortgage note payable	(363,239)	(47,865)
Net cash used by financing activities	<u>(363,239)</u>	<u>(47,865)</u>
Net increase (decrease) in cash and cash equivalents	293,543	(177,440)
Cash and cash equivalents at beginning of year	<u>73,651</u>	<u>251,091</u>
Cash and cash equivalents at end of year	<u>\$ 367,194</u>	<u>\$ 73,651</u>

See accompanying notes to the financial statements.

CIRCLEVILLE-PICKAWAY COMMUNITY IMPROVEMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

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 2014, 2015 and 2016 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, 2017 and 2016

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 expenditures for property and equipment, including improvements that significantly extend an asset's 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. The warehouse building was sold May 31, 2017. Four industrial lots remain for sale.

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:

	2017	2016
Land	\$ 139,702	\$ 223,000
Buildings	- <hr/>	1,000,000 <hr/>
	139,702	1,223,000
Accumulated depreciation	- <hr/>	(106,250) <hr/>
Net book value	<u>\$ 139,702</u>	<u>\$ 1,116,750</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, 2017 and 2016

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Contributed Services and Materials – Continued

During the years ended December 31, 2017 and 2016, 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, 2017 and 2016.

The statement of cash flows includes noncash transactions in the form of in-kind contributions and services in the amount of \$1,819 (\$3,790 in 2016). 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 and 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.

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities*. ASU 2016-14 has several requirements. First, it requires net assets to be presented in two classes (net assets with donor restrictions and net assets without donor restrictions) rather than the current three classes (unrestricted, temporarily restricted, and permanently restricted). Next, the new standard will require an analysis of expenses by function and nature to be presented in one location in the financial statements, whether in the notes or in a separate financial statement. The new standard also requires not-for-profit organizations

CIRCLEVILLE-PICKAWAY COMMUNITY IMPROVEMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS - Continued

December 31, 2017 and 2016

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - *Continued*

Recent Accounting Standards - *Continued*

to report investment returns net of related investment expenses. Finally, it will require a description of qualitative information in the notes to the financial statements as well as disclosure of the availability of financial assets at the financial statement date to meet cash needs for general expenditures within one year. The guidance is effective for annual periods beginning after December 15, 2017 and requires a modified retrospective transition approach to be applied to all periods presented. The Organization is currently evaluating the impact the adoption will have on its financial statements for its year ending December 31, 2018.

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.

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 was 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 was to 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 was sold at any time during the loan term. If sold at any time during the term of the loan, \$500,000 was to be immediately due and payable to the State of Ohio and would 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 per month effective July 2016. Regardless of any events, the maximum amount for repayment was \$500,000.

The loan was secured by a first mortgage on the land and building. In addition, in the event that P³ was unable to meet the monthly mortgage obligation, the Village of Ashville would provide a guarantee of up to \$20,000 annually and Pickaway County would guarantee any remaining unpaid balance. The building was sold in 2017 and the loan was paid off.

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.

CIRCLEVILLE-PICKAWAY COMMUNITY IMPROVEMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS - Continued

December 31, 2017 and 2016

MORTGAGE NOTE PAYABLE – Continued

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 \$6,500,000 on the loan as of December 31, 2017.

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, 2017 based on amounts outstanding are as follows:

2018	\$	-
2019		-
2020		320,000
2021		320,000
2022		320,000
2023 and after		5,540,000

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 paid \$1,000 per month plus a charge for maintenance. The second tenant paid \$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 remained in the building and were leasing on a month to month basis through March of 2017, and the building was sold May 31, 2017.

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, 2017 and 2016 was \$8,097 and \$36,000, respectively.

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 2017 were \$16,006 (\$14,648 for 2016).

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

CIRCLEVILLE-PICKAWAY COMMUNITY IMPROVEMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS - Continued

December 31, 2017 and 2016

INVESTMENTS - Continued

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 \$5,423 at December 31, 2017 and unrealized gains of \$548 were recorded for the year then ended.

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 is nearing completion and the Organization requested \$304,905 on the grant during 2017 (\$3,083,607 in 2016), \$105,000 of which is being held until final certification is obtained. That amount is recorded as a receivable at year end. The site requires environmental remediation which is currently in process.

The Organization was awarded an AEP Ohio 2018 Local Economic Advancement Program (LEAP) grant for \$10,000. The purpose of the grant is to provide funds to assist in paying for the creation of a Comprehensive Economic Development Strategic Plan for Pickaway County.

The Organization was awarded an Ohio Development Services Agency grant for \$1,153,196 in 2017. The purpose of the grant is to provide funds for costs associated with the completion of public roadwork improvements in support of the Rickenbacker Intermodal Connector (Rickenbacker) project.

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

CIRCLEVILLE-PICKAWAY COMMUNITY IMPROVEMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS - Continued

December 31, 2017 and 2016

FAIR VALUE MEASUREMENTS - Continued

assets or liabilities. Valuation techniques might include the use of pricing models, discounted cash flow models or similar techniques.

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	Fair Value Measurements using:		
		Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2017				
Investments	\$ 5,971	\$ 5,971	\$	\$
December 31, 2016				
Investments	\$ 14,379	\$ 14,379	\$ -	\$ -

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, 2017 and 2016. 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 10, 2019, which is the date the financial statements were available to be issued.

**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
1360 Lancaster Pike, Suite 111
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) as of and for the years ended December 31, 2018 and 2017, 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 10, 2019, wherein we noted that the Corporation implemented Financial Accounting Standards Board (FASB 2016-14, Not-For-Profit Entities (Topic 958) – *Presentation of Financial Statements for Not-For-Profit Entities*.

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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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.

Circleville-Pickaway Community Improvement Corporation

Pickaway County

Independent Auditor's Report on Internal Control Over
Financial Reporting and on Compliance and Other
Matters Required by *Government Auditing Standards*

Page 2

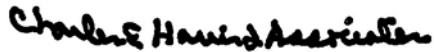
Compliance and Other Matters

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*.

However, we noted certain matters that we have reported to management of the Corporation in a separate letter dated June 10, 2019.

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 Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Charles E. Harris and Associates, Inc.

June 10, 2019

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OHIO AUDITOR OF STATE KEITH FABER



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.

A handwritten signature in black ink that reads "Susan Babbitt".

CLERK OF THE BUREAU

CERTIFIED
SEPTEMBER 12, 2019