



**GAHANNA COMMUNITY IMPROVEMENT CORPORATION  
FRANKLIN COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**



**Dave Yost • Auditor of State**



**GAHANNA COMMUNITY IMPROVEMENT CORPORATION  
FRANKLIN COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Accountants' Report.....	1
Financial Statements	
Statement of Financial Position December 31, 2010 and 2009 .....	3
Statement of Activities for the Years Ended December 31, 2010 and 2009 .....	4
Statement of Cash Flows for the Years Ended December 31, 2010 and 2009 .....	5
Notes to the Financial Statements .....	7
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	11
Schedule of Findings.....	13
Schedule of Prior Audit Findings.....	14

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Gahanna Community Improvement Corporation  
Franklin County  
PO Box 307273  
Gahanna, Ohio 43230

To the Board of Trustees:

We have audited the accompanying financial statements of the Gahanna Community Improvement Corporation, Franklin County, Ohio (the Corporation), as of and for the years ended December 31, 2010 and 2009, as listed in the table of contents. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Gahanna Community Improvement Corporation, Franklin County, Ohio, as of December 31, 2010 and 2009, and the respective changes in financial position and cash flows, thereof, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 17, 2011, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

A handwritten signature in black ink that reads "Dave Yost".

**Dave Yost**  
Auditor of State

August 17, 2011

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**GAHANNA COMMUNITY IMPROVEMENT CORPORATION  
FRANKLIN COUNTY**

**STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2010 AND 2009**

	December 31, 2010	December 31, 2009
<b>Assets</b>		
Cash and Cash Equivalents	\$ 33,091	\$ 37,896
Hotel/Motel Tax Receivable	2,636	2,659
Due from Assignee	260,000	260,000
Depreciable Capital Assets, Net	883,568	904,994
Nondepreciable Capital Assets	98,000	98,000
<i>Total Assets</i>	<u>1,277,295</u>	<u>1,303,549</u>
<b>Liabilities &amp; Net Assets</b>		
<b>Liabilities</b>		
Security Deposits	1,200	1,200
Mortgage - Yates LLC	749,217	762,030
Total Liabilities	<u>750,417</u>	<u>763,230</u>
<b>Net Assets</b>		
Unrestricted	526,878	540,319
Total Net Assets	<u>526,878</u>	<u>540,319</u>
<b>Total Liabilities and Net Assets</b>	<u><u>\$ 1,277,295</u></u>	<u><u>\$ 1,303,549</u></u>

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

**GAHANNA COMMUNITY IMPROVEMENT CORPORATION  
FRANKLIN COUNTY**

**STATEMENT OF ACTIVITIES  
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

<b>Change in Unrestricted Net Assets:</b>	December 31, 2010	December 31, 2009
<b>Revenue and Other Support</b>		
Hotel/Motel Tax	\$ 35,070	\$ 56,446
Interest Income	32	83
Rental Income	141,009	131,308
Contractual Assignee Revenue	-	260,000
Miscellaneous Revenue	345	-
<i>Total Unrestricted Revenue and Other Support</i>	<u>176,456</u>	<u>447,837</u>
<b>Expenses</b>		
Program Services		
Grants Paid	1,500	8,166
Total Program Services	<u>1,500</u>	<u>8,166</u>
Supporting Services		
Contract Services	3,922	76
Facilities and Equipment	179,587	174,046
Operations	116	772
Professional Fees	3,945	5,967
Travel and Meetings	444	1,533
Other	383	-
Total Supporting Services	<u>188,397</u>	<u>182,394</u>
<i>Total Expenses</i>	<u>189,897</u>	<u>190,560</u>
<i>Increase(Decrease) in Unrestricted Net Assets</i>	(13,441)	257,277
<i>Net Assets Beginning of Year</i>	<u>540,319</u>	<u>283,042</u>
<i>Net Assets End of Year</i>	<u>\$ 526,878</u>	<u>\$ 540,319</u>

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



**GAHANNA COMMUNITY IMPROVEMENT CORPORATION  
FRANKLIN COUNTY**

**STATEMENT OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2010 and 2009**

	December 31, 2010	December 31, 2009
<b>Cash Flows from Operating Activities</b>		
Increase/(Decrease) in Net Assets	\$ (13,441)	\$ 257,277
(Increase)/Decrease in Hotel/Motel Tax Receivable	23	(2,659)
Increase in Due from Assignee	-	(260,000)
Increase in Accumulated Depreciation	28,419	26,221
<i>Net Cash Provided by Operating Activities</i>	<u>15,001</u>	<u>20,839</u>
<b>Cash Flows from Capital and Related Financing Activities</b>		
Furniture and Equipment	(1,084)	(14,123)
Leasehold Improvements	(5,909)	(22,290)
Security Deposits	-	1,200
Principal Payment	(12,813)	(11,073)
<i>Net Cash Used in Capital and Related Financing Activities</i>	<u>(19,806)</u>	<u>(46,286)</u>
<b>Cash Flows from Investing Activities</b>		
Proceeds of Bond	-	2,600,000
Assignment of Bonds	-	(2,600,000)
<i>Net Cash Provided by Investing Activities</i>	<u>-</u>	<u>-</u>
<i>Net Decrease in Cash and Cash Equivalents</i>	(4,805)	(25,447)
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>37,896</u>	<u>63,343</u>
<i>Cash and Cash Equivalents End of Year</i>	<u>\$ 33,091</u>	<u>\$ 37,896</u>

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

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**GAHANNA COMMUNITY IMPROVEMENT CORPORATION  
FRANKLIN COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009**

**1. Nature of Business and Summary of Significant Accounting Policies**

Nature of Business

Gahanna Community Improvement Corporation (the Corporation) was incorporated on January 1, 1997. The Corporation is a not-for-profit community improvement corporation which was formed for the purpose of advancing, encouraging and promoting the industrial, economic, commercial and civic development of the City of Gahanna, Ohio and the surrounding area.

Basis of Accounting

The financial statements of the Corporation have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables and liabilities.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statements of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Non-for-Profit Organizations*. Under SFAS No. 117, the Corporation 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. No temporarily restricted and permanently restricted net assets were held and, accordingly, these financial statements do not reflect any activity related to these classes of net assets. As permitted by this statement, the Corporation does not use fund accounting.

Use of Estimates

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

Cash and Cash Equivalents

The Corporation considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. There were no cash equivalents at December 31, 2010 and 2009, all cash was held in demand deposits.

Hotel/Motel Tax Receivable

Receivables consist of amounts due from the City of Gahanna for hotel/motel taxes.

**GAHANNA COMMUNITY IMPROVEMENT CORPORATION  
FRANKLIN COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**1. Nature of Business and Summary of Significant Accounting Policies (Continued)**

Property and Equipment

Acquisitions of property and equipment in excess of \$500 original cost are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair market value at the date of donation. Depreciation is computed under the straight-line method.

During fiscal year 2008, the Corporation purchased land and a commercial building, part of which is used as office space and the rest of which is rented to other organizations. The purchase prices for the assets were \$997,607, which is comprised of \$98,000 of non-depreciable land and \$899,607 of depreciable building and improvements. During fiscal year 2010 and 2009, the Corporation capitalized additional building improvements, as well as furniture and equipment purchases for the building, totaling \$5,909 and \$22,290 in building improvements and \$1,084 and \$14,123 in furniture equipment, for 2010 and 2009, respectively.

All reported capital assets, except land, are depreciated. Depreciation is calculated over the following useful lives:

Buildings and improvements	39 years
Furniture and equipment	5 years

Income Taxes

The Corporation is exempt from federal and state income taxes under Internal Revenue Code Section 501(c)(6) and Chapters 1702 and 1724 of the Ohio Revised Code.

Concentration of Credit Risk

The Corporation's cash balances are within federally insured levels. The Corporation continually monitors its balances to minimize the risk of loss for these balances.

Rental Income

Rental income is received from tenants leasing space in a commercial building located at 181 Granville Street. Rental income is recognized on a straight line basis over the term of the leases.

**GAHANNA COMMUNITY IMPROVEMENT CORPORATION  
FRANKLIN COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**2. Notes Payable**

Notes payable consisted of the following:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Yates Mortgage - 2009	\$773,103	-	11,073	762,030
Yates Mortgage – 2010	\$762,030	-	12,813	749,217

Note payable to Yates Development, LLC in one hundred nineteen monthly payments of \$5,479 including interest at 7.00% and a final balloon payment of \$ 614,912 due November 1, 2018. The note is collateralized by the land and commercial building.

Future maturities of long-term debt are as follows:

December 31, 2011	\$ 13,741
December 31, 2012	14,585
December 31, 2013	15,787
December 31, 2014	16,929
December 31, 2015	18,153
December 31, 2016-2018	<u>670,022</u>
Total Principal Payments	<u>\$749,217</u>

**3. Operating Leases**

The Corporation owns the entire multi-level building at 181 Granville Street and leases occupancy to multiple tenants. Tenants pay monthly rental fees based on the size of their space, duration of the lease, and whether they need additional storage space. Total rental fees received by the Corporation in 2010 and 2009 from the tenants were \$141,009 and \$131,308, respectively.

**4. Risk Management**

The Corporation is subjected to certain types of risk in the performance of its normal functions. They include risks the Corporation might be subjected to by its employees in the performance of their normal duties. The Corporation manages these types of risks through commercial insurance. The amount of settlements has not exceeded insurance coverage for any of the past three years. There has not been a significant reduction of coverage since the prior year in any of the major categories of risk.

**5. Subsequent Event**

On August 4, 2011, the Corporation refinanced their mortgage with Heartland Bank, totaling \$650,000. The mortgage has a fixed interest rate of five percent and will mature August 4, 2018.

**GAHANNA COMMUNITY IMPROVEMENT CORPORATION  
FRANKLIN COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**6. Assignment of Debt**

In December 2009, the Corporation purchased bonds from the Ohio Air Quality Development Authority totaling \$2,600,000 with a 0 percent interest rate and subsequently loaned the proceeds of these bonds to the Central Ohio Community Improvement Corporation (the COCIC). All rights and liabilities regarding these bonds were assigned from the Corporation to Franklin County (the Assignee). As a result of this assignment, the Corporation will receive quarterly payments equal to 10 percent of the annual payments received by the County totaling \$260,000, which receipt will begin in 2012.



# Dave Yost • Auditor of State

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

Gahanna Community Improvement Corporation  
Franklin County  
PO Box 307273  
Gahanna, Ohio 43230

To the Board of Trustees:

We have audited the basic financial statements of Gahanna Community Improvement Corporation, Franklin County, Ohio (the Corporation) as of and for the years ended December 31, 2010 and 2009, which collectively comprise the Corporation's financial statements and have issued our report thereon dated August 17, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Corporation's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Corporation's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Corporation's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2010-001 described in the accompanying schedule of findings to be a material weakness.

### **Compliance and Other Matters**

As part of reasonably assuring whether the Corporation's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters that we must report under *Government Auditing Standards*.

We also noted certain matters not requiring inclusion in this report that we reported to the Corporation's management in a separate letter dated August 17, 2011.

The Corporation's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Corporation's response and, accordingly, we express no opinion on it.

We intend this report solely for the information and use of management, the audit committee, the Board of Trustees, and others within the Corporation. We intend it for no one other than these specified parties.



**Dave Yost**  
Auditor of State

August 17, 2011



**GAHANNA COMMUNITY IMPROVEMENT CORPORATION  
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2010 AND 2009**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**Finding 2010-001**

**Financial Reporting – Material Weakness**

Sound financial reporting is the responsibility of the Corporation's Treasurer and Board and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

The Corporation utilizes the Quick Books System. Copies of all checks paid are sent to BlankenBecler, the Corporation's GAAP converter, to be recorded on the Corporation's books along with monthly bank statements. Copies of deposits and other monies received are not sent to BlankenBecler, but rather receipt postings are made based on bank statements.

At year-end the cash basis information from the accounting system is converted into the financial statements reported under Accounting Principles Generally Accepted in the United States of America. Accrual information is prepared by BlankenBecler, along with the financial statements.

We noted the following material differences, which were posted to the Corporation's financial statements and ledgers at December 31, 2009:

- Adjustment to present the Investing Activities for Proceeds of Bond and Assignment of Bonds totaling \$2,600,000 for the Statement of Cash Flows
- Adjustment to record the amount Due from Assignee and the associated Contractual Assignee Revenue totaling \$260,000

We noted the following immaterial differences, which were not posted to the Corporation's financial statements and ledgers at December 31, 2010 and 2009:

- Adjustment to correct and overstatement of Depreciation Expense in 2010 totaling \$1,937
- Reclassification of Revenue from Hotel Motel Taxes to Miscellaneous Revenue in 2010 totaling \$5,136

Lack or failure of controls over the posting of financial transactions and financial reporting can result in errors and irregularities that may go undetected and decreases the reliability of financial data throughout the year.

We recommend the Corporation develop policies and procedures to enhance its controls over recording of financial transactions and financial reporting to help ensure the information accurately reflects the activity of the Corporation and thereby increasing the reliability of the financial data throughout the year. Additionally, we recommend the Corporation provide BlankenBecler with copies of all deposits, checks, and supporting documentation to allow for proper recording of the Corporation's transactions and ensure a review of generated items by a member of management with financial knowledge.

**Official's Response:** Adjustments will be made to the 2009 and 2010 financial statements to reflect the \$2,600,000 of bond proceeds and assignment of bonds, as well as the \$260,000 of contractual assignee revenue as recommended in the audit report. Further procedures will be established to provide copies of supporting documentation for deposits and checks as recommended in the report.

**GAHANNA COMMUNITY IMPROVEMENT CORPORATION  
FRANKLIN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2010 AND 2009**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2008-001	Financial Reporting	No	Not Corrected; re-issued as Finding 2010-001.



# Dave Yost • Auditor of State

**GAHANNA COMMUNITY IMPROVEMENT CORPORATION**

**FRANKLIN 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 6, 2011**