



**GAHANNA COMMUNITY IMPROVEMENT CORPORATION
FRANKLIN COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2012-2011



Dave Yost • Auditor of State

**GAHANNA COMMUNITY IMPROVEMENT CORPORATION
FRANKLIN COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of Gahanna Community Improvement Corporation, Franklin County, Ohio (the Corporation), as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Gahanna Community Improvement Corporation, Franklin County, Ohio, as of December 31, 2012 and 2011, and the changes in its financial position and its cash flows for the year 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 January 16, 2014, 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.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State
Columbus, Ohio

January 16, 2014

**GAHANNA COMMUNITY IMPROVEMENT CORPORATION
FRANKLIN COUNTY**

**STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2012 AND 2011**

	December 31, 2012	December 31, 2011
Assets		
Cash and Cash Equivalents	\$ 349,051	\$ 18,049
Hotel/Motel Tax Receivable	2,794	2,882
Due from Assignee	260,000	260,000
Notes Receivable	521,428	625,714
Depreciable Capital Assets, Net	22,761	-
<i>Total Assets</i>	<u>1,156,034</u>	<u>906,645</u>
Liabilities & Net Assets		
Liabilities		
Security Deposits	1,250	1,150
Mortgage	545,714	650,000
Total Liabilities	<u>546,964</u>	<u>651,150</u>
Net Assets		
Unrestricted	609,070	255,495
Total Net Assets	<u>609,070</u>	<u>255,495</u>
Total Liabilities and Net Assets	<u><u>\$ 1,156,034</u></u>	<u><u>\$ 906,645</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, 2012 AND 2011**

Change in Unrestricted Net Assets:	December 31, 2012	December 31, 2011
Revenue and Other Support		
Hotel/Motel Tax	\$ 37,086	\$ 34,872
Intergovernmental Revenue	350,000	-
Interest Income	258	53
Rental Income	92,835	106,151
<i>Total Unrestricted Revenue and Other Support</i>	<u>480,179</u>	<u>141,076</u>
Expenses		
Supporting Services		
Contract Services	4,882	3,319
Facilities and Equipment	117,428	156,793
Operations	135	953
Professional Fees	3,090	7,121
Travel and Meetings	794	1,173
Loss on Sale of Capital Assets	-	243,100
Other	275	-
<i>Total Expenses</i>	<u>126,604</u>	<u>412,459</u>
<i>Increase(Decrease) in Unrestricted Net Assets</i>	<u>353,575</u>	<u>(271,383)</u>
<i>Net Assets Beginning of Year</i>	<u>255,495</u>	<u>526,878</u>
<i>Net Assets End of Year</i>	<u>\$ 609,070</u>	<u>\$ 255,495</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, 2012 and 2011**

	December 31, 2012	December 31, 2011
Cash Flows from Operating Activities		
Increase/(Decrease) in Net Assets	\$ 353,575	\$ (271,383)
Disposal of Capital Assets	-	243,100
(Increase)/Decrease in Hotel/Motel Tax Receivable	88	(246)
Increase in Accumulated Depreciation	648	8,468
<i>Net Cash Provided by or Used in Operating Activities</i>	<u>354,311</u>	<u>(20,061)</u>
Cash Flows from Capital and Related Financing Activities		
Land Improvements	(12,249)	-
Leasehold Improvements	(11,160)	-
Security Deposits	100	(50)
Notes Receivable	104,286	104,286
Mortgage Proceeds	-	650,000
Payment of Mortgage	-	(749,217)
Principal Payment	(104,286)	-
<i>Net Cash Used in Capital and Related Financing Activities</i>	<u>(23,309)</u>	<u>5,019</u>
<i>Net Increase/Decrease in Cash and Cash Equivalents</i>	331,002	(15,042)
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>18,049</u>	<u>33,091</u>
<i>Cash and Cash Equivalents End of Year</i>	<u>\$ 349,051</u>	<u>\$ 18,049</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, 2012 AND 2011**

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 ASC 958, Financial Statements of Not-for-Profit Organizations*. Under ASC 958, 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. As of December 31, 2012 and December 31, 2011, net assets are unrestricted.

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, 2012 and 2011, 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.

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 price for the assets was \$997,607, which is comprised of \$98,000 of non-depreciable land and \$899,607 of depreciable building and improvements. On April 7, 2011 the land, commercial building and improvements were sold to the City of Gahanna for \$730,000. The Corporation will receive annual payments of \$104,286 for seven years with no interest. The Corporation continues to collect rents from the tenants and pay the ordinary and necessary expenses associated with the building.

**GAHANNA COMMUNITY IMPROVEMENT CORPORATION
FRANKLIN COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

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

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

Depreciation expense for the years ended December 31, 2012 and 2011 was \$648 and \$8,468, respectively.

Income Taxes

The Corporation is exempt from federal and state income taxes under Internal Revenue Code Section 501 (c) (4) and Chapters 1702 and 1724 of the Ohio Revised Code.

Concentrations 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.

2. Notes Payable

Notes payable consisted of the following:

	Dec. 31, 2012	Dec. 31, 2011
Note payable to Heartland Bank of \$650,000, commencing August 2011 for eighty-four months with interest only payments at 5% starting September 4, 2011 and annual principal payments of \$104,286 starting May 1, 2012.	\$ 545,714	\$ 650,000

Future maturities of long-term debt are as follows:

December 31, 2013	\$ 104.286
December 31, 2014	\$ 104.286
December 31, 20 15	\$ 104.286
December 31, 2016	\$ 104.286
December 31, 201 7	\$ 104.284
Thereafter	\$ 24.286

**GAHANNA COMMUNITY IMPROVEMENT CORPORATION
FRANKLIN COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

3. Operating Leases

The Corporation collects rents and pays ordinary and necessary expenses associated with the multilevel building at 181 Granville Street. Tenants pay monthly rental fees based on the size of their space, duration of the lease, and whether they need additional storage space. Total rents received by the Corporation in 2012 and 2011 from the tenants were \$92,835 and \$106,151, 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. Intergovernmental Revenue

The Corporation received a grant of \$350,000 on May 25, 2012 from the City of Gahanna. The grant was given with the stipulation that the Corporation would use these funds for economic development in the City of Gahanna, which is consistent with its tax-exempt purpose. As of December 31, 2012 the board had not yet decided how to use these funds.

6. Assignment of Debt

In December 2009, the Corporation purchased bonds from the Ohio Air Quality Development Authority totaling \$2,600,000 with 0 percent interest rate and subsequently loaned the proceeds of these bonds to the Central Ohio Community Improvement Corporation (COCIC). All rights and the liabilities regarding these bonds were assigned from the Corporation to Franklin County (the Assignee). As a result of this agreement, the Corporation is to receive payments equal to 10 percent of the annual payments received by the County totaling \$260,000. No payments were received in 2011 or 2012.

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

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

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of Gahanna Community Improvement Corporation, Franklin County, Ohio, (the Corporation) as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements, and have issued our report thereon dated January 16, 2014.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Corporation's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Corporation's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified 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 internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Corporation's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2012-001 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, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Entity's Response to Findings

The 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.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Corporation's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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Dave Yost
Auditor of State
Columbus, Ohio

January 16, 2014

**GAHANNA COMMUNITY IMPROVEMENT CORPORATION
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011**

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

FINDING NUMBER 2012-001

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, 2012 and 2011:

- Adjustment to record the amount due from assignee and the associated effect on beginning net assets totaling \$260,000.
- Reclassification to properly classify the grant receipts from the City of Gahanna as intergovernmental revenue rather than miscellaneous revenue in 2012.
- Adjustment to the 2011 Statement of Cash Flows to properly report \$311,013 related to the disposal of capital assets. These transactions should not be reported as cash flows from Capital and Related Financing Activities since cash was not expended for these activities.

Also, we noted an inconsequential adjustment to report \$8,889 in accounts payable at December 31, 2012, which was not posted to the Corporation's financial statements and ledgers.

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.

**GAHANNA COMMUNITY IMPROVEMENT CORPORATION
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011
(Continued)**

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

FINDING NUMBER 2012-001 (Continued)

Material Weakness (Continued)

Official's Response:

Adjustments will be made to the 2012 and 2011 financial statements to reflect the \$260,000 due from assignee, adjustments to properly classify the grant from the City of Gahanna as intergovernmental revenue, and \$8,889 in accounts payable for the December 31, 2012 financial statements. Further procedures will be established for documentation of all income and expenses, especially from the Corporation's management company who handles the real estate property owned by the Corporation.

**GAHANNA COMMUNITY IMPROVEMENT CORPORATION
FRANKLIN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2012 AND 2011**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2010-001	Financial Reporting	No	Not corrected. Re-issued as Finding 2012-001.

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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
MARCH 6, 2014**