



**WESTERVILLE INDUSTRY AND COMMERCE CORPORATION
FRANKLIN COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2016



Dave Yost • Auditor of State

**WESTERVILLE INDUSTRY AND COMMERCE CORPORATION
FRANKLIN COUNTY**

DECEMBER 31, 2016 and 2015

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Westerville Industry and Commerce Corporation
Franklin County
21 South State Street
Westerville, Ohio 43086

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of Westerville Industry and Commerce Corporation, Franklin County, Ohio (the Corporation), (a not-for-profit corporation), which comprise the statement of financial position, the related statements of activities and cash flows, as of and for the years ended December 31, 2016 and 2015, 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 those risks of financial statement material 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 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 the Westerville Industry and Commerce Corporation, Franklin County as of December 31, 2016 and 2015, and the changes in its financial position and its cash flows for the years then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 22, 2017, on our consideration of the Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control over financial reporting and compliance.

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

September 22, 2017

**WESTERVILLE INDUSTRY AND COMMERCE CORPORATION
FRANKLIN COUNTY**

**STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2016**

Assets	
Current Assets:	
Cash	\$ 889,944
Loans Receivable	45,000
	<u>934,944</u>
Non-current Assets:	
Loans Receivable	<u>370,023</u>
Total Assets	<u>1,304,967</u>
Liabilities	
Current Liabilities:	
Accounts Payable	<u>11,450</u>
Total Current Liabilities	<u>11,450</u>
Net Assets	
Temporarily Restricted for Façade Program	236,710
Temporarily Restricted for Energy Efficiency Program	19,125
Unrestricted Net Assets	<u>1,037,682</u>
Total Liabilities and Net Assets	<u><u>\$ 1,304,967</u></u>

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

**WESTERVILLE INDUSTRY AND COMMERCE CORPORATION
FRANKLIN COUNTY**

**STATEMENT OF ACTIVITIES
AS OF DECEMBER 31, 2016**

	Unrestricted	Restricted for Façade Program	Restricted for Energy Savings Program	Total
Operating Revenue				
Member Dues & Other Revenues	\$ 181	\$ -	\$ -	\$ 181
Funds Received from the City of Westerville	2,501	100,000	230,392	332,893
Total Operating Revenue	\$ 2,682	\$ 100,000	\$ 230,392	\$ 333,074
Net assets released from restrictions				
Satisfaction of program restrictions	359,777	(129,385)	(230,392)	-
Operating Expenses				
Forgiven Loan Expense	(2,500)	-	-	(2,500)
Energy Savings Program Expense	(230,392)	-	-	(230,392)
Façade Program Expense	(129,385)	-	-	(129,385)
Professional Consulting Expense	(190)	-	-	(190)
Real Estate Expense	(343,886)	-	-	(343,886)
Miscellaneous Expenses	(1,709)	-	-	(1,709)
Total operating expenses	(708,062)	-	-	(708,062)
Total Operating Income (Loss)	\$ (345,603)	\$ (29,385)	\$ -	\$ (374,988)
Nonoperating Income (Expenses)				
Interest Revenue	373	-	-	373
Loss on Sale of Property	(50,935)	-	-	(50,935)
Total Nonoperating Income (expenses)	(50,562)	-	-	(50,562)
Change in Net Assets	(396,165)	(29,385)	-	(425,550)
Net Assets, beginning of year	1,433,847	266,095	19,125	1,719,067
Net Assets, end of year	\$ 1,037,682	\$ 236,710	\$ 19,125	\$ 1,293,517

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

**WESTERVILLE INDUSTRY AND COMMERCE CORPORATION
FRANKLIN COUNTY**

**STATEMENT OF CASH FLOWS
AS OF DECEMBER 31, 2016**

Cash flows from operating activities	
Cash received from member dues	\$ 12
Cash received from insurance refund	169
Cash received from City of Westerville	414,868
Cash disbursed for operating expenses	(284)
Cash loan payments to businesses	(16,023)
Cash energy grant to businesses	(226,108)
Cash FIP grant to businesses	(123,644)
Cash disbursed for real estate transactions	(343,886)
Cash disbursed for professional consulting	<u>(190)</u>
Net cash (used) by operating activities	(295,086)
Cash flows from investing activities	
Interest earned on investments	373
Cash received from sale of property	<u>745,496</u>
Net cash (used) by investing activities	745,869
Net increase in cash	450,783
Cash, beginning of year	<u>439,161</u>
Cash, end of year	<u><u>\$ 889,944</u></u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating (loss)	(374,988)
Changes in assets and liabilities:	
(Increase) in Loans Receivable	(13,523)
Decrease in Intergovernmental Receivable	81,975
Increase in Accounts Payable	<u>11,450</u>
Net cash (used) by operating activities	<u><u>\$ (295,086)</u></u>

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

**WESTERVILLE INDUSTRY AND COMMERCE CORPORATION
FRANKLIN COUNTY**

**STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2015**

Assets

Current Assets:

Cash	\$ 439,162
Intergovernmental Receivable	81,975
Loans Receivable	12,500
	<u>533,637</u>

Non-current Assets:

Loans Receivable	389,000
Land Held for Resale	796,431
	<u>1,185,431</u>

Total Assets 1,719,068

Net Assets

Temporarily Restricted for Façade Program	274,845
Temporarily Restricted for Energy Efficiency Program	19,125
Unrestricted Net Assets	<u>1,425,098</u>

Total Liabilities and Net Assets \$ 1,719,068

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

**WESTERVILLE INDUSTRY AND COMMERCE CORPORATION
FRANKLIN COUNTY**

**STATEMENT OF ACTIVITIES
AS OF DECEMBER 31, 2015**

	Unrestricted	Restricted for Façade Program	Restricted for Energy Savings Program	Total
Operating Revenue				
Member Dues & Other Revenue	\$ 24	\$ -	\$ -	\$ 24
Loan Payment	5,025	-	-	5,025
Funds Received from the City of Westerville	231,975	200,000	187,801	619,776
Total Operating Revenue	237,024	200,000	187,801	624,825
Net assets released from restrictions				
Satisfaction of program restrictions	242,275	(73,599)	(168,676)	-
Operating Expenses				
Forgiven Loan Expense	(87,000)	-	-	(87,000)
Energy Savings Program Expense	(168,676)	-	-	(168,676)
Façade Program Expense	(73,599)	-	-	(73,599)
Professional Consulting Expense	(9,924)	-	-	(9,924)
Real Estate Expense	(450)	-	-	(450)
Miscellaneous Expenses	(2,277)	-	-	(2,277)
Total operating expenses	(341,926)	-	-	(341,926)
Total Operating Income (Loss)	137,373	126,401	19,125	282,899
Nonoperating Income (Expenses)				
Interest Revenue	248	-	-	248
Total Nonoperating Income (expenses)	248	-	-	248
Capital Contributions	796,431	-	-	796,431
Change in Net Assets	934,052	126,401	19,125	1,079,578
Net Assets, beginning of year	491,046	148,444	-	639,490
Net Assets, end of year	<u>\$ 1,425,098</u>	<u>\$ 274,845</u>	<u>\$ 19,125</u>	<u>\$ 1,719,068</u>

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

**WESTERVILLE INDUSTRY AND COMMERCE CORPORATION
FRANKLIN COUNTY**

**STATEMENT OF CASH FLOWS
AS OF DECEMBER 31, 2015**

Cash flows from operating activities	
Cash received from member dues and other revenue	\$ 24
Cash received from business towards WICC loan	5,025
Cash received from City of Westerville	555,294
Cash disbursed for operating expenses	(2,277)
Cash loan payments to businesses	(154,000)
Cash energy grant to businesses	(240,410)
Cash FIP grant to businesses	(73,599)
Cash disbursed for real estate transactions	(450)
Cash disbursed for professional consulting	<u>(9,924)</u>
Net cash provided by operating activities	79,683
Cash flows from investing activities	
Interest earned on investments	<u>248</u>
Net cash provided by investing activities	248
Net increase in cash	79,931
Cash, beginning of year	<u>359,231</u>
Cash, end of year	<u><u>\$ 439,162</u></u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income (loss)	282,899
Changes in Assets and Liabilities:	
(Increase) in Loans Receivable	(49,507)
(Increase) in Intergovernmental Receivable	(81,975)
(Decrease) in Accounts Payable	<u>(71,734)</u>
Net cash provided (used) by operating activities	<u><u>\$ 79,683</u></u>

Non-Cash Transactions:

WICC received \$796,431 in capital contributions from COCIC for land acquisition.

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

**WESTERVILLE INDUSTRY AND COMMERCE CORPORATION
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

1. DESCRIPTION OF ENTITY

The Westerville Industry and Commerce Corporation (the Corporation) is a not-for-profit community improvement corporation organized and existing under Chapter 1724 of the Ohio Revised Code. The Corporation was established September 20, 1965, as certified by the Secretary of State of Ohio. The Board has seven (7) members. Three members of the Board are from the public sector and four members are from the private sector. One of the public sector members also serves as a member of Westerville City Council. The Corporation, as a nonprofit community improvement corporation, was formed for the purpose of advancing, encouraging, and promoting the industrial, economic, commercial and civic development of the City of Westerville.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting - The financial statements of the Corporation have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Basis of Presentation – Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Accounting Standards Codification (ASC) 958, *Not-for-Profit Entities*. Under ASC 958, the Corporation is required to report information regarding its financial position and activities according to three classes of net position: unrestricted net assets, temporarily restricted net asset, and permanently restricted net asset. As of December 31, 2016 and 2015 net position is either restricted or unrestricted. The Corporation applies temporarily restricted resources first when expenditures are incurred for purposes for which either temporarily restricted or unrestricted amounts are available.

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. Accordingly, actual results could differ from those estimates.

Property and Equipment – Acquisition of property and equipment are capitalized. Expenditures for maintenance and repairs are charged against operations. Property and equipment are carried at cost or, if donated, at the approximate fair value as of the date of donation.

Depreciation is computed using primarily the straight-line method. All reported capital assets, except land, are depreciated.

The Corporation reported no depreciation in 2016 or 2015 because the only asset was land held for resale as disclosed in Note 7.

3. CASH DEPOSITS

At December 31, 2016, the bank balance was \$889,944. The Federal Deposit Insurance Corporation (FDIC) covered \$250,000 of this bank balance. The remaining amount was collateralized by the bank's public entity deposit pool. At December 31, 2015, the bank balance was \$458,286. The Federal Deposit Insurance Corporation (FDIC) covered \$250,000 of this bank balance. The remaining amount was collateralized by the bank's public entity deposit pool.

**WESTERVILLE INDUSTRY AND COMMERCE CORPORATION
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(CONTINUED)**

4. LOANS RECEIVABLE

The Board reviews and approves the awarding of certain loans to corporations wishing to locate within the City of Westerville as a means to incentivize job creation. Repayment of the loans is normally forgiven if certain income tax revenues are generated by the company within a specified period of time. For fiscal year 2016, loans of \$2,500 and were forgiven. For fiscal year 2015, loans of \$15,000, \$10,000, \$40,000, \$16,000 and \$6,000 were forgiven. When repayment does occur, the monies repaid are used to fund additional loans. The receivable represents the loans outstanding at the balance sheet date, net uncollectible loans.

5. FAÇADE IMPROVEMENT PROGRAM

The Board reviews and approves the awarding of grants to corporations to improve company buildings in the Uptown Westerville area as a means to keep the area in shape. Grants are not repaid by the companies. The amounts disbursed for grants are recorded as an expense on the income statement.

6. COMMERCIAL AND INDUSTRIAL ENERGY SAVINGS PROGRAM

The Board reviews and approves the awarding of grants to commercial and industrial customers for implementing energy efficiency projects. Grants are not repaid by the companies. The amounts disbursed for grants are recorded as an expense on the income statement.

7. LAND HELD FOR RESALE

The Corporation purchased property at 32 Heatherdown Drive in 2014. The property was transferred to the Central Ohio Community Improvement Corporation (COCIC) at the end of 2014. The COCIC transferred the property back to the Corporation in 2015. The land was held by the Corporation as of December 31, 2015 in the amount of \$796,431. The land was sold in 2016. No land was held for resale as of December 31, 2016.

8. RELATED PARTY

The City of Westerville is identified as a related party to the Corporation. The City provides the majority of the Corporation's funding. During 2016 and 2015, the City paid the Corporation \$341,032 and \$622,877 for the purchase of real estate and for support of the Corporation's incentive programs.



Dave Yost • Auditor of State

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

Westerville Industry and Commerce Corporation
Franklin County
21 South State Street
Westerville, Ohio 43086

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 the Westerville Industry and Commerce Corporation, Franklin County, (the Corporation), (a not-for-profit corporation) as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements, and have issued our report thereon dated September 22, 2017.

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.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2016-001 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*.

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Corporation's Response to Findings

The Entity'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.

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

September 22, 2017

**WESTERVILLE INDUSTRY AND COMMERCE CORPORATION
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2016 AND 2015**

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

FINDING NUMBER 2016-001

Financial Reporting

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

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

The following audit adjustments were material to the December 31, 2016 financial statements and were posted to the accounting records and financial statements:

- Decrease Loans Receivable and Loan Forgiveness in the amount of \$81,975 to record the activity and balances in the proper period.
- Increase Facade Program Expense – Unrestricted (\$5,741), Miscellaneous Expense - Unrestricted (\$1,425) and Accounts Payable (\$7,166) to properly record accounts payable as of yearend.
- Decrease Net Assets Released from Restrictions - Facade Program (\$5,741) and increase Net Assets Released from Restrictions - Unrestricted \$5,741 to properly record Net Assets Released from temporary restrictions.
- Increase Operating Cash Flows from energy grant to businesses by \$19,125 on the Statement of Cash Flows to record cash disbursements in the proper period.

The following audit adjustments were material to the December 31, 2015 financial statements and were posted to the accounting records and financial statements:

- Decrease Short Term Loans and Increase Loan Forgiveness in the amount of \$81,975 to record the activity and balances in the proper period.
- Decrease Short Term Loans and Increase Long Term Loans in the amount of \$25,000 to properly record loan balances.
- Decrease Invested in Capital Assets, Net of Related Debt and increase Unrestricted Net Assets in the amount of \$796,431 to properly record the net asset balance related to the Land Held for Resale as of December 31, 2015.
- Increase Intergovernmental Receivable and Funds Received from the City of Westerville Unrestricted in the amount of \$81,975 to properly record receipts received after yearend for forgiveness of loans forgiven as of December 31, 2015.
- Increase Professional Consulting Expense Unrestricted and Decrease Professional Consulting Expense Restricted for Facade program in the amount of \$8,750 to properly classify expenses.
- Decrease Accounts Payable and Cash in the amount of \$19,125 due to the expenses being paid before year end.
- Decrease Funds Received from the City of Westerville and Loan Forgiveness Unrestricted in the amount of \$17,493 to remove loan forgiveness that actually occurred in 2014.

**WESTERVILLE INDUSTRY AND COMMERCE CORPORATION
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2016 and 2015
(CONTINUED)**

<p>1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (CONTINUED)</p>
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FINDING NUMBER 2016-001 (CONTINUED)

Financial Reporting (Continued)

Lack or failure of controls in place 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 continue to develop and enhance policies and procedures to further 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.

Officials' Response

The Corporation understands the importance of financial reporting. During the audit period the Corporation's activity and transactions increased significantly from previous years. Many of these transactions and programs were very complex and difficult to record. These led to timing reclassifications across years and reclassifications of line items on the financial statements (i.e., current to noncurrent, restricted to unrestricted, etc). The Corporation has created procedures to review each loan and program closeout to ensure that the transactions are reported properly in the financial statements going forward.



Dave Yost • Auditor of State

WESTERVILLE INDUSTRY AND COMMERCE 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
NOVEMBER 14, 2017**