



**WESTERVILLE INDUSTRY AND COMMERCE CORPORATION
FRANKLIN COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2006-2005



Mary Taylor, CPA
Auditor of State

**WESTERVILLE INDUSTRY AND COMMERCE CORPORATION
FRANKLIN COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Westerville Industry and Commerce Corporation
Franklin County
21 South State Street
Westerville, Ohio 43081

To the Board of Trustees:

We have audited the accompanying financial statements of the Westerville Industry and Commerce Corporation, Franklin County, Ohio (the Corporation), as of and for the years ended December 31, 2006 and December 31, 2005, as listed in the table of contents. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express opinions 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 financial position of the Westerville Industry and Commerce Corporation, Franklin County, Ohio, as of December 31, 2006 and December 31, 2005, and the changes in its financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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In accordance with *Government Auditing Standards*, we have also issued our report dated July 31, 2007, 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 "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

July 31, 2007

**WESTERVILLE INDUSTRY AND COMMERCE CORPORATION
FRANKLIN COUNTY**

**STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2006**

Assets

Current Assets:

Cash	\$ 117,492
Loans receivable	<u>80,000</u>

Total Assets

197,492

Liabilities

Current Liabilities:

Total current liabilities

-

-

Unrestricted Net Assets

197,492

Total liabilities and net assets

\$ 197,492

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

**WESTERVILLE INDUSTRY AND COMMERCE CORPORATION
FRANKLIN COUNTY**

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2006**

Operating Revenue	
Member Dues	<u>\$ 8</u>
Total operating revenue	8
Operating Expenses	
Forgiven Loan Expense	(85,280)
Professional Consulting Expense	(24,033)
Miscellaneous Expense	<u>(662)</u>
Total operating expenses	<u>(109,975)</u>
Operating Loss	(109,967)
Nonoperating income (expenses)	
Interest revenue	3,877
Change in Net Assets	(106,090)
Net Assets, beginning of year	<u>303,582</u>
Net Assets, end of year	<u><u>\$ 197,492</u></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
FOR THE YEAR ENDED DECEMBER 31, 2006**

Cash flows from operating activities	
Cash received from member dues	\$ 8
Cash dispersed for operating expenses	(662)
Cash loan payments to businesses	(20,000)
Cash dispersed for professional consulting	<u>(24,033)</u>
Net cash provided (used) by operating activities	(44,687)
Cash flows from investing activities	
Interest earned on investments	<u>3,877</u>
Net cash provided (used) by investing activities	<u>3,877</u>
Net increase (decrease) in cash/cash equivalents	(40,810)
Cash / cash equivalents, beginning of year	<u>158,302</u>
Cash / cash equivalents, end of year	<u><u>117,492</u></u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income (loss)	(109,967)
Changes in assets and liabilities:	
Decrease (increase) in loans receivable	<u>65,280</u>
Net cash provided (used) by operating activities	<u><u>\$ (44,687)</u></u>

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

**WESTERVILLE INDUSTRY AND COMMERCE CORPORATION
FRANKLIN COUNTY**

**STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2005**

Assets	
Current Assets:	
Cash	\$ 158,302
Loans receivable	<u>145,280</u>
Total Assets	<u><u>303,582</u></u>
Liabilities	
Current Liabilities:	
	<u>-</u>
Total current liabilities	<u>-</u>
Unrestricted Net Assets	<u>303,582</u>
Total liabilities and net assets	<u><u>\$ 303,582</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
FOR THE YEAR ENDED DECEMBER 31, 2005**

Operating Revenue	
Member Dues	<u>\$ -</u>
Total operating revenue	-
Operating Expenses	
Total operating expenses	<u>(588)</u>
Operating Loss	(588)
Nonoperating income (expenses)	
Interest revenue	<u>2,884</u>
Change in Net Assets	2,296
Net Assets, beginning of year	<u>301,286</u>
Net Assets, end of year	<u><u>\$ 303,582</u></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
FOR THE YEAR ENDED DECEMBER 31, 2005**

Cash flows from operating activities	
Cash dispersed for operating expenses	\$ (588)
Cash received from loan repayment by Arclight	<u>100,000</u>
Net cash provided (used) by operating activities	<u>99,412</u>
Cash flows from investing activities	
Interest earned on investments	<u>2,884</u>
Net cash provided (used) by investing activities	<u>2,884</u>
Net increase (decrease) in cash/cash equivalents	102,296
Cash / cash equivalents, beginning of year	<u>56,006</u>
Cash / cash equivalents, end of year	<u><u>158,302</u></u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income (loss)	(588)
Changes in assets and liabilities:	
Decrease (increase) in loans receivable	<u>100,000</u>
Net cash provided (used) by operating activities	<u><u>\$ 99,412</u></u>

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

**WESTERVILLE INDUSTRY AND COMMERCE CORPORATION
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2006**

1. DESCRIPTION OF ENTITY

The Westerville Industry and Commerce Corporation (the Corporation) is a not-for-profit corporation that was established September 20, 1965, as certified by the Secretary of State of Ohio. The Board has 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 is a nonprofit 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 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 Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-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. As of December 31, 2006 and 2005 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. Accordingly, actual results could differ from those estimates.

3. CASH AND CASH EQUIVALENTS

Cash is secured by the Federal Depository Insurance Corporation. Cash in excess of FDIC coverage is uncollateralized.

4. LOANS RECEIVABLE

The Board approves the awarding of loans to corporations wishing to locate within the City of Westerville. The loans are normally not required to be repaid if certain income tax revenues are generated by the company within a specified period of time, for fiscal year 2006, a loan of \$85,280 was forgiven. When repayment does occur, the monies repaid are used to issue additional loans. The receivable represents the loans outstanding at the balance sheet date.

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' 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 43081

To the Board of Trustees:

We have audited the financial statements of Westerville Industry and Commerce Corporation (the Corporation) as of and for the years ended December 31, 2006 and December 31, 2005, which comprise the Corporation's basic financial statements and have issued our report thereon dated July 31, 2007. 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 expressing our opinion on the financial statements, but not to opine 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 would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Corporation's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Corporation's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2006-001 and 2006-003.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Corporation's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. We believe none of the significant deficiencies described above are material weaknesses.

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 two instances of noncompliance or other matters that we must report under *Government Auditing Standards*, which are described in the accompanying schedule of findings as items 2006-001 and 2006-002.

The Corporation's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Corporation's responses and, accordingly, we express no opinion on them.

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



Mary Taylor, CPA
Auditor of State

July 31, 2007

**WESTERVILLE INDUSTRY AND COMMERCE CORPORATION
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2006 AND 2005**

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

FINDING NUMBER 2006-001

Material Noncompliance and Significant Deficiency

Tax Filing Requirements

Title 26 of the Internal Revenue Code (IRS) requires not-for-profit corporations who are tax-exempt to annually file Form 990 with the IRS if their gross receipts exceed \$25,000. Should a Corporation not be exempt from Federal taxation, it should annually file Form 1120 (corporate income tax return) with the IRS. Corporations must also file an annual financial statement with the Ohio Attorney General, if their gross receipts exceed \$5,000 or their gross assets exceed \$15,000. A copy of Form 990 will meet this requirement.

The Corporation did not file with the IRS or the Ohio Attorney General for 2006 or 2005. The Corporation's gross receipts exceeded \$25,000 in 2005 and their gross assets exceeded \$15,000 in both 2006 and 2005.

We recommend the Corporation annually file Form 990 with the IRS and file financial statements or IRS Form 990 with the Ohio Attorney Generals Office.

Official's Response: "Thank you for bringing this matter to my attention. I will take this to the WICC Board of Trustees for their consideration." (Julie Colley)

FINDING NUMBER 2006-002

Material Noncompliance

Not-for-Profit Status

Ohio Rev. Code Section 1724.08 requires all Community Improvement Corporations to register as not-for-profit Ohio corporations under Chapter 1702, which exempts them from Ohio income tax. To receive Federal tax exemption, corporations must file for an IRS exemption certificate. Corporations can often qualify for exemption under Internal Revenue Code Sections 501 (c) (3) or (c) (4).

The Corporation has not filed for Federal tax exemption.

We recommend the Corporation file for Federal tax exemptions.

Official's Response: "Thank you for bringing this matter to my attention. I will take this to the WICC Board of Trustees for their consideration." (Julie Colley)

**WESTERVILLE INDUSTRY AND COMMERCE CORPORATION
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2006 AND 2005**

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

FINDING NUMBER 2006-003

Significant Deficiency

Financial Reporting

Sound financial reporting is the responsibility of the Secretary/Treasurer and the Board of Trustees and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

The following audit adjustments were made to the financial statement:

1. Added forgiven loan expense of \$85,280 to the 2006 statement of activities due to InChord Communication meeting all obligations of their 2002 loan agreement with Westerville Industry and Commerce Corporation.
2. Decreased operating expenses in 2006 by \$20,000 due to the expense not being classified as operating expense on the statement of activities.

The lack 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 Board of Trustees adopt policies and procedures for controls over recording of financial transactions and over 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.

Official's Response: Both items representing loan amounts provided/forgiven by WICC, were included numerous times on supporting and other financial documentation for WICC and were simply inaccurately classified on the Statement of Activities, per standards. Efforts will be made in the future to more accurately reflect loans on this statement.



Mary Taylor, CPA
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
OCTOBER 18, 2007**