

**GAHANNA COMMUNITY IMPROVEMENT CORPORATION
FRANKLIN COUNTY, OHIO**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018





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Members of the Board
Gahanna Community Improvement Corporation
PO Box 307273
Gahanna, Ohio 43230

We have reviewed the *Independent Auditor's Report* of the Gahanna Community Improvement Corporation, Franklin County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2019 through December 31, 2020. 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 Gahanna Community Improvement Corporation is responsible for compliance with these laws and regulations.

Keith Faber
Auditor of State
Columbus, Ohio

August 23, 2021

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**GAHANNA COMMUNITY IMPROVEMENT CORPORATION
FRANKLIN COUNTY, OHIO
Regular Audit
For the Years Ended December 31, 2019 and 2018**

TABLE OF CONTENTS

<u>Title</u>	<u>Page</u>
Independent Auditor's Report	1-2
Statement of Financial Position -December 31, 2019 and 2018	3
Statement of Activities for the Years Ended December 31, 2019 and 2018	4
Statement of Functional Expenses for the Year Ended December 31, 2019	5
Statement of Functional Expenses for the Year Ended December 31, 2018	6
Statement of Cash Flows for the Years Ended December 31, 2019 and 2018	7
Notes to the Financial Statements – For the Years Ended December 31, 2019 and 2018	8-13
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	14-15

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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 the Gahanna Community Improvement Corporation, Franklin County, Ohio (the Corporation), (a not-for-profit corporation) which comprise the statement of financial position as of December 31, 2019, and the related statement of activities, functional expenses, and cash flows for the year then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers 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 for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Gahanna Community Improvement Corporation, Franklin County, Ohio, as of December 31, 2019 and the changes in its net assets and its cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter


As discussed in Note 7 to the financial statements, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Corporation. We did not modify our opinion regarding this matter.

Other Matter

The financial statements of the Corporation as of December 31, 2018 and for the year then ended were audited by other auditors. Those auditors expressed an unqualified opinion on those financial statements in their report dated July 20, 2020.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2021, 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. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Corporation's 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 Corporation's internal control over financial reporting and compliance.



Charles E. Harris & Associates, Inc.
June 25, 2021

GAHANNA COMMUNITY IMPROVEMENT CORPORATION
STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2019 AND 2018

ASSETS	2019	2018
CURRENT ASSETS:		
CASH & CASH EQUIVALENTS	\$ 655,103	\$ 618,097
ACCOUNTS RECEIVABLE	7,794	5,546
CONTRIBUTIONS RECEIVABLE	-	5,250
NOTE RECEIVABLE, Current	16,055	7,756
ACCRUED INTEREST RECEIVABLE	12,244	-
PROPERTY MANAGEMENT DEPOSIT	1,500	-
PREPAID EXPENSES	1,350	2,138
	<u>694,046</u>	<u>638,787</u>
PROPERTY AND EQUIPMENT, net	428,195	476,896
NOTE RECEIVABLE FROM SALE OF IN KIND PROPERTY DUE FROM ASSIGNEE	158,854 197,321	167,153 206,607
TOTAL LONG TERM ASSETS	<u>356,175</u>	<u>373,760</u>
TOTAL ASSETS	<u>\$ 1,478,416</u>	<u>\$ 1,489,443</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
ACCOUNTS PAYABLE	\$ -	\$ 12,433
ACCRUED PROPERTY TAX	12,040	11,211
SECURITY DEPOSITS	1,150	2,300
	<u>13,190</u>	<u>25,944</u>
NET ASSETS		
NET ASSETS WITHOUT DONOR RESTRICTIONS	1,260,630	1,271,147
NET ASSETS WITH DONOR RESTRICTIONS	204,596	192,352
	<u>1,465,226</u>	<u>1,463,499</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,478,416</u>	<u>\$ 1,489,443</u>

See accompanying notes to the financial statements.

**GAHANNA COMMUNITY IMPROVEMENT CORPORATION
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

	2019	2018
NET ASSETS WITHOUT DONOR RESTRICTIONS:		
REVENUE AND SUPPORT:		
REVENUE SHARING	\$ 39,511	\$ 40,532
CORPORATE CONTRIBUTIONS	1,750	16,270
HOTEL/MOTEL TAX GRANT	-	18,655
BOND ASSIGNMENT FEE	25,000	-
RENTAL INCOME	21,945	28,297
NET ASSETS RELEASED FROM USE RESTRICTIONS	-	10,000
TOTAL REVENUE AND SUPPORT	88,206	113,754
EXPENSES:		
PROGRAM SERVICES:		
FOSTERING DEVELOPMENT	11,436	51,927
RESIDENTIAL RENTAL	68,702	57,433
TOTAL PROGRAM SERVICES	80,138	109,360
SUPPORT SERVICES		
GENERAL AND ADMINISTRATIVE	16,473	20,235
TOTAL EXPENSES	96,611	129,595
INCOME (LOSS) FROM OPERATIONS	(8,405)	(15,841)
OTHER INCOME (EXPENSE):		
INTEREST INCOME	247	231
REALIZED GAIN (LOSS) ON ASSETS	(2,359)	-
TOTAL OTHER INCOME (EXPENSE)	(2,112)	231
INCREASE (DECREASE) IN NET ASSETS WITHOUT DONOR RESTRICTIONS	(10,517)	(15,610)
NET ASSETS WITH DONOR RESTRICTIONS:		
IN KIND CONTRIBUTIONS	-	179,601
IMPUTED INTEREST EARNED	12,244	12,751
NET ASSETS RELEASED FROM USE RESTRICTION	-	(10,000)
INCREASE (DECREASE) IN NET ASSETS WITH DONOR RESTRICTIONS	12,244	182,352
TOTAL INCREASE (DECREASE) IN NET ASSETS	1,727	166,742
NET ASSETS, BEGINNING OF THE YEAR	1,463,499	1,296,757
NET ASSETS, END OF THE YEAR	\$ 1,465,226	\$ 1,463,499

See accompanying notes to the financial statements.

**GAHANNA COMMUNITY IMPROVEMENT CORPORATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019**

2019

	FOSTERING DEVELOPMENT PROGRAM	RESIDENTIAL RENTAL PROGRAM	GENERAL & ADMIN	TOTAL EXPENSES
CONTRIBUTIONS	\$ -	\$ -	\$ 1,000	\$ 1,000
INSURANCE	-	2,201	750	2,951
MAINTENANCE	-	7,486	-	7,486
DEPRECIATION	2,396	43,946	-	46,342
MANAGEMENT FEES	-	775	-	775
PROPERTY TAXES	-	12,870	-	12,870
UTILITIES	-	797	-	797
MEETINGS	7,040	-	-	7,040
LEGAL AND ACCOUNTING	-	-	14,075	14,075
CONSULTING	2,000	-	-	2,000
OFFICE SUPPLIES AND OTHER	-	627	648	1,275
TOTAL EXPENSES	\$ 11,436	\$ 68,702	\$ 16,473	\$ 96,611

See accompanying notes to the financial statements.

**GAHANNA COMMUNITY IMPROVEMENT CORPORATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018**

2018

	FOSTERING DEVELOPMENT PROGRAM	RESIDENTIAL RENTAL PROGRAM	GENERAL & ADMIN	TOTAL EXPENSES
GRANTS PAID	\$ 10,000	\$ -	\$ -	\$ 10,000
INSURANCE	1,601	-	-	1,601
ADVERTISING	500	-	-	500
MAINTENANCE	-	7,039	-	7,039
DEPRECIATION	6,722	41,412	-	48,134
MANAGEMENT FEES	-	1,376	-	1,376
PROPERTY TAXES	4,524	6,787	-	11,311
UTILITIES	-	819	-	819
MEETINGS	5,580	-	-	5,580
LEGAL AND ACCOUNTING	-	-	19,774	19,774
CONSULTING	23,000	-	-	23,000
OFFICE SUPPLIES AND OTHER	-	-	461	461
TOTAL EXPENSES	\$ 51,927	\$ 57,433	\$ 20,235	\$ 129,595

See accompanying notes to the financial statements.

GAHANNA COMMUNITY IMPROVEMENT CORPORATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
CHANGE IN NET ASSETS	\$ 1,727	\$ 166,742
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
DEPRECIATION	46,342	48,134
IN KIND REVENUE	-	(179,601)
LOSS ON DISPOSAL OF FIXED ASSET	2,359	-
(INCREASE) DECREASE IN OPERATING ASSETS:		
RECEIVABLE	(2,248)	(3,892)
CONTRIBUTION RECEIVABLE	5,250	(5,250)
ACCRUED INTEREST RECEIVABLE	(12,244)	-
PREPAID EXPENSES	788	(2,138)
PROPERTY MANAGEMENT DEPOSIT	(1,500)	-
CITY RECEIVABLE	-	15,851
 INCREASE (DECREASE) IN OPERATING LIABILITIES:		
ACCOUNTS PAYABLE	(12,433)	8,712
ACCRUED PROPERTY TAXES	829	(559)
	28,870	47,999
 CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES :		
PURCHASE OF FIXED ASSETS	-	(19,105)
PROCEEDS FROM NOTE RECEIVABLE	-	7,249
DUE FROM ASSIGNEE	9,286	9,286
SECURITY DEPOSITS	(1,150)	(69)
	8,136	(2,639)
 NET CASH (USED BY) INVESTING ACTIVITIES		
NET (DECREASE IN) CASH AND CASH EQUIVALENTS	37,006	45,360
 CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	618,097	572,737
 CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 655,103	\$ 618,097
 SUPPLEMENTAL DISCLOSURES		
SELLER FINANCING NOTE FOR SALE OF LAND	\$ -	\$ 182,158

See accompanying notes to the financial statements.

GAHANNA COMMUNITY IMPROVEMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Gahanna Community Improvement Corporation (the “Corporation”) was incorporated on October 4, 1965. The Corporation is a not-for-profit community improvement corporation, as defined by Ohio Revised Code (ORC) section 1724.01, 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. Since 2014, the Corporation has also been assigned the City of Gahanna’s rights to serve as the Land Reutilization acquisition entity in conjunction with Franklin County’s authority to acquire tax delinquent realty pursuant to ORC section 5722.21. Most of the Corporation’s activities are pursuant to an annual contract with the City.

Basis of Accounting and Financial Statement Presentation

The accompanying financial statements of the Corporation have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. FASB Accounting Standards Codification (ASC) 958 requires Not-for-Profit entities to report information based on two separate classes of Net Assets (net assets without donor restrictions and net assets with donor restrictions) based on the existence or absence of donor-imposed restrictions. In 2019 and 2018, the Corporation had net assets with donor restrictions due to specific uses. The restricted net assets are restricted for use for future land bank acquisition purposes. See Note 3 for additional details.

Revenue

The Corporation derives revenue from multiple sources.

Rental income is received from tenants of properties held while awaiting redevelopment opportunities. Rental income is recognized on a straight-line basis over the term of the leases.

Through December 2018, a provision in the contract with the City required the City to pay the Corporation 4.165% of the Hotel/Motel tax received by the City of Gahanna. Such provision is not part of the 2019 contract.

Revenue Sharing is pursuant to two agreements entered into by the Corporation and local cable network service and data center providers. On August 6, 2010, the Corporation entered into a 15-year, network service agreement with a local cable network service provider to allow it to utilize specific fibers of a City owned fiber optic cable network which the Corporation leases from the City. The Corporation receives a 15% commission of the collected gross revenue of the provider from service fees of specific local private commercial business customers of the network. The contract states one half of the revenue received from the local network service provider must be spent by the Corporation to expand the network. The Corporation has expended approximately \$15,000 on fiber optic cables since inception of the contract, but the one-half of revenue provision has not otherwise been enforced so no liability has been accrued or Board restriction of cash has been recorded related to the contract provision. On August 23, 2019, the Corporation entered into another revenue sharing agreement with a company that provides various managed and data center services which pays the Corporation 10% commission of the collected net revenues received from a specific local Corporation.

The Corporation hosts a free to the public annual Groundhog Day Economic Forecast breakfast in which corporate contributions are received as sponsors.

**GAHANNA COMMUNITY IMPROVEMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue (Continued)

In-kind Contribution revenue is from a parcel of commercial vacant land where the estimated fair market value above the one-dollar purchase price is reported as a contribution from the City.

Bond Assignment Fee revenue is a one-time fee received from a local private school to compensate the Corporation for their participation in certain financing allowed under Chapter 165 of the Ohio Revised Code.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the recorded amounts of revenues and expenses during the period. Actual results could differ from those estimates.

Income Taxes

The Corporation is generally exempt from federal income taxes under Internal Revenue Code Section 501(c) (4). However, certain unrelated business activities of the Corporation may be subject to Federal income taxes to give rise to an entity level tax. Management believes no tax provision was necessary for the years ended December 31, 2019 and 2018, and no uncertain tax positions exist that would materially impact the financial statements. With few exceptions, the Corporation is no longer subject to tax examinations by tax authorities for the years prior to December 31, 2015.

Liquidity and Availability of Resources

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

	<u>2019</u>	<u>2018</u>
Cash and Cash Equivalents	\$ 655,103	\$ 618,097
Less unavailable for general expenditures within one year, due to:		
Donor-imposed restrictions	(29,687)	(17,443)
Receivables	<u>20,038</u>	<u>10,796</u>
Total	<u>\$ 645,454</u>	<u>\$ 611,450</u>

The Corporation does not have a formal policy regarding a minimum amount of short-term financial assets to have on hand. As of December 31, 2019, the Corporation has liquid resources available to meet more than one year of normal operating expenses, which are on average \$4,200 per month.

Cash and Cash Equivalents

The Corporation considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

**GAHANNA COMMUNITY IMPROVEMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Receivables

Receivables are stated at the amount management expects to collect from the different revenue sources. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual receivables. Balances outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance. As of December 31, 2019 and 2018, all receivables were considered collectable.

Contributions receivable consist of promises to give related to the annual economic forecast event held in February of most years.

Account receivables pertain to the internet and data service provider commission agreements and the County agency Bond assignment fee arrangement.

Property and Equipment

Property and equipment is stated at cost, less accumulated depreciation. Repairs and maintenance costs are charged to expense as incurred. Expenditures for assets and betterments of a nature considered to materially extend the useful lives of the assets are capitalized if costing \$500 or more. Prior to 2018, the buildings and improvements were depreciated using the straight-line method over 27.5 years. As more fully described in Note 8, management reevaluated the useful life of the buildings to determine a remaining useful life of 6 years. Fiber optic cable network assets are depreciated using the 150-declining balance method over 15 years. Website development costs are amortized using the double declining balance method over 5 years.

Depreciation expense for the years ended December 31, 2019 and 2018 was \$46,342 and \$48,134, respectively.

Property and equipment as of December 31, was as follows:

	<u>2019</u>	<u>2018</u>
Website Development Cost	\$ -	\$ 38,050
Fiber Optic Cable Assets	31,710	31,710
Buildings and Improvements	263,672	263,672
Land	<u>244,598</u>	<u>244,598</u>
	539,980	578,030
Less: Accumulated Depreciation	<u>(111,785)</u>	<u>(101,134)</u>
Fixed Assets, net	<u>\$ 428,195</u>	<u>\$ 476,896</u>

Allocation of Expenses

All expenses are either directly related to one of the programs or for administrative expenses. Therefore, specific expenses do not necessitate being allocated between programmatic and administrative expenses. Additionally, there are no salaried employees or office space to require an allocation based on time and effort or square footage.

GAHANNA COMMUNITY IMPROVEMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

2) CONTROLLING RELATED PARTY

The Board of Directors of the Corporation consists of 11 Trustees appointed by the City, and 8 General Members, who are approved by a majority vote of the Trustees. Consequently, the Corporation meets the criteria of being a controlled affiliate subsidiary of the City pursuant to FASB ASC 958-810-25.

3) NOTE RECEIVABLE

In January 2018, the Corporation sold, to an unrelated third party, the realty that had been received from the City as an in-kind contribution. The sale was 100% seller financed accepting 15-year non-interest-bearing \$300,000 promissory note calling for \$20,000 annual payments starting January 2019 through January 1, 2033. Pursuant to ASU 2015-03, *Interest- Imputation of Interest* the sale and related Note Receivable are required to be valued by estimating the fair market value to be the net present value of the future cash flows to be received discounted by using the expected interest rate that would be charged for a similar transaction by a commercial lender. Based on a local financial institution's reported lending rate for 100% financing of vacant commercial land, an interest rate of 7% was used to compute the net present value of the transaction in January 1, 2018 to be estimated at \$182,158 and resulting in a discount amount of \$117,842. Amortization of the discount is reported in the Statement of Activities and Changes in Net Assets as imputed interest earned. As of December 31, 2019 and 2018, the carrying value of the noninterest-bearing note unamortized discount is \$92,847 and \$105,073, respectively. As a condition of the City's In-Kind contribution, all proceeds of the Note are required to be used for future land bank acquisitions so interest earned is shown as donor restricted income to add to the original discounted Note principal amount less required closing costs the Corporation was required to incur as a condition of the original contribution.

4) OPERATING LEASES

In 2019 and 2018, the Corporation was the lessor of a two single family residential properties held for future redevelopment. One tenant has a one-year lease which expires July 31, 2020. The other property had a lease that expired March 31, 2019 and is vacant as of December 31, 2019. Tenants pay monthly base and pet rent and pay for their own utilities. The Corporation pays for maintenance and realty taxes. In 2019 and 2018, total rents received by the Corporation were \$21,945 and \$27,050, respectively.

The Corporation leases from the City the exclusive use of four fiber optic cable fibers entering the City, referred to as Backbone Network, and up to forty-eight fiber optic cable fibers (forty-six and forty-three in use in 2019 and 2018, respectively) providing network connectivity within the City, referred to as Fiber Distribution Network. The lease is non-cancellable and expires in May 2025. The lease requires annual payments of \$450 per fiber being utilized, resulting in an annual lease payment of \$22,500 and \$21,150 for 2019 and 2018, respectively. Additionally, the contract calls for the City to be compensated for any pro-rata share of maintenance costs related to the fibers used. However, annual lease payments due and other costs have been waived each year by the City since contract inception. Thus, Management does not expect future payment obligations to be incurred during the remainder of the contract.

GAHANNA COMMUNITY IMPROVEMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

5) FEES AND NON-CURRENT ASSET FROM 2009 ASSIGNMENT OF BONDS

In December 2009, the Corporation received a 30-year economic development term loan from Franklin County specifically to purchase 30-year, zero interest, Taxable Revenue Bonds, Series 2009, issued by the Ohio Air Quality Development Authority totaling \$2,600,000, issued for the purpose of financing the installation of a methane gas capture system and redevelopment of a former Gahanna landfill by Franklin County's CIC. Repayment of the nonrecourse Note by the Corporation is to be exclusively from proceeds received from Bond repayments and in no event will the Corporation be responsible for repaying the loan from any other source. The Bonds were simultaneously assigned back to Franklin County to effectively extinguish the debt to the County since that is the sole source of the repayment obligation. Consequently, no liability is recorded by the Corporation pertaining to the Note. However, the Assignment Agreement also provides the County will pay the Corporation quarterly payments through December 2040 equal to 10 percent of the annual Bond payments received by the County. Consequently, the Corporation recorded revenue and a non-current Assignee Receivable for \$260,000 in 2009. In 2018 and 2019, the Corporation received total payments from the County of \$9,286 each year. None of the Assignee Receivable is classified as a current asset since Management considers such allocation to be immaterial to the financial statements.

6) CONTINGENCIES

In 2018, the City of Gahanna contingently appropriated \$350,000 of funds annually to be disbursed to the Corporation at the time properties are acquired. As of December 31, 2019, the Corporation has contingent funds available of \$571,613 from the City for future realty acquisitions. Revenue is only recognized when realty acquisitions meeting the City's criteria occur.

As described in Note 4, the City has historically waived annual lease payments related to the Optical Fiber Use Agreement. However, the waiver of future lease payments is dependent on future City action.

The collection of the \$197,321 Assignee Receivable as of December 31, 2019, is contingent on the County fully collecting Bond principal.

As described in Note 1 about the Fees received from a local cable network service provider, the Corporation could be called upon to use 50% of fees received to reinvest it in cable network infrastructure improvements.

7) SUBSEQUENT EVENTS

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the Corporation. In addition, the impact on the Corporation's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

GAHANNA COMMUNITY IMPROVEMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

8) CHANGE IN ACCOUNTING ESTIMATE

As discussed in Note 1, Summary of Significant Accounting Policies, due to residential properties acquired for the purpose of land redevelopment instead of for long-term rental use, Management has redetermined that as of January 2018 the remaining useful life is only 6 years instead of the remainder of the previously assigned 27.5 year estimated life. The effect of these changes on actual and expected depreciation expense in 2018 and future years is \$31,824 annually through 2023.

9) EXCHANGE OF SERVICES

Annually, the Corporation enters into an agreement with the City where the Corporation is obligated to perform certain services in exchange for the City to perform certain services for the Corporation. Management has deemed the amount of bartered exchanged services to be immaterial to the financial statements so no revenue or offsetting expenses have been recorded.

10) CONCENTRATIONS

The Corporation, at times, maintains its cash and cash equivalents deposits at a financial institution in excess of the \$250,000 federally insured limit.

The Corporation is dependent on contracts with the City of Gahanna for the majority of its activities.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
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 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 Gahanna Community Improvement Corporation, Franklin County, (the Corporation), which comprise the statements of financial position as of the year ended December 31, 2019 and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements and have issued our report thereon dated June 25, 2021. We noted the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Corporation.

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.


Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Corporation's financial statements are free from material misstatement, we performed tests of 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 that are required to be reported under *Government Auditing Standards*.

However, we noted certain matters not requiring inclusion in this report that we reported to the Corporation's management in a separate letter dated June 25, 2021.

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 & Associates, Inc.
June 25, 2021

**GAHANNA COMMUNITY IMPROVEMENT CORPORATION
FRANKLIN COUNTY, OHIO**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019



**GAHANNA COMMUNITY IMPROVEMENT CORPORATION
FRANKLIN COUNTY, OHIO
Regular Audit
For the Years Ended December 31, 2020 and 2019**

TABLE OF CONTENTS

<u>Title</u>	<u>Page</u>
Independent Auditor’s Report	1-2
Statement of Financial Position -December 31, 2020 and 2019	3
Statement of Activities for the Years Ended December 31, 2020 and 2019	4
Statement of Functional Expenses for the Year Ended December 31, 2020	5
Statement of Functional Expenses for the Year Ended December 31, 2019	6
Statement of Cash Flows for the Years Ended December 31, 2020 and 2019	7
Notes to the Financial Statements – For the Years Ended December 31, 2020 and 2019	8-13
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	14-15

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 the Gahanna Community Improvement Corporation, Franklin County, Ohio (the Corporation), (a not-for-profit corporation) which comprise the statement of financial position as of December 31, 2020 and 2019, and the related statement of activities, functional expenses 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 the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers 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 for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

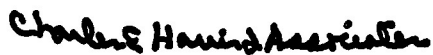
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Gahanna Community Improvement Corporation, Franklin County, Ohio, as of December 31, 2020 and 2019 and the changes in its net assets and its cash flows for the years then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 7 to the financial statements, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Corporation. We did not modify our opinion regarding this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2021, 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. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Corporation's 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 Corporation's internal control over financial reporting and compliance.



Charles E. Harris & Associates, Inc.
June 25, 2021

GAHANNA COMMUNITY IMPROVEMENT CORPORATION
STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2020 AND 2019

ASSETS	2020	2019
CURRENT ASSETS:		
CASH & CASH EQUIVALENTS	\$ 722,672	\$ 655,103
ACCOUNTS RECEIVABLE	12,609	7,794
NOTE RECEIVABLE, Current	8,880	16,055
ACCRUED INTEREST RECEIVABLE	-	12,244
PROPERTY MANAGEMENT DEPOSIT	901	1,500
ESCROW DEPOSIT	5,000	-
PREPAID EXPENSES	1,362	1,350
	<hr/>	<hr/>
TOTAL CURRENT ASSETS	751,424	694,046
	<hr/>	<hr/>
PROPERTY AND EQUIPMENT, net	382,020	428,195
	<hr/>	<hr/>
NOTE RECEIVABLE FROM SALE OF IN KIND PROPERTY DUE FROM ASSIGNEE	149,973 188,036	158,854 197,321
TOTAL LONG TERM ASSETS	338,009	356,175
	<hr/>	<hr/>
TOTAL ASSETS	<u>\$ 1,471,453</u>	<u>\$ 1,478,416</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
ACCOUNTS PAYABLE	\$ 160	\$ -
ACCRUED PROPERTY TAX	14,405	12,040
SECURITY DEPOSITS	869	1,150
	<hr/>	<hr/>
TOTAL CURRENT LIABILITIES	15,434	13,190
NET ASSETS		
NET ASSETS WITHOUT DONOR RESTRICTIONS	1,239,722	1,260,630
NET ASSETS WITH DONOR RESTRICTIONS	216,297	204,596
	<hr/>	<hr/>
	1,456,019	1,465,226
	<hr/>	<hr/>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,471,453</u>	<u>\$ 1,478,416</u>

See accompanying notes to the financial statements.

GAHANNA COMMUNITY IMPROVEMENT CORPORATION
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
NET ASSETS WITHOUT DONOR RESTRICTIONS:		
REVENUE AND SUPPORT:		
REVENUE SHARING	\$ 50,000	\$ 39,511
RENTAL INCOME	27,530	21,945
INTERGOVERNMENTAL REVENUE	20,000	-
CORPORATE CONTRIBUTIONS	-	1,750
BOND ASSIGNMENT FEE	-	25,000
TOTAL REVENUE AND SUPPORT	97,530	88,206
 EXPENSES:		
PROGRAM SERVICES:		
FOSTERING DEVELOPMENT	26,229	11,436
RESIDENTIAL RENTAL	78,615	68,702
TOTAL PROGRAM SERVICES	104,844	80,138
 SUPPORT SERVICES		
GENERAL AND ADMINISTRATIVE	13,742	16,473
TOTAL EXPENSES	118,586	96,611
 INCOME (LOSS) FROM OPERATIONS	(21,056)	(8,405)
 OTHER INCOME (EXPENSE):		
INTEREST INCOME	148	247
REALIZED GAIN (LOSS) ON ASSETS	-	(2,359)
TOTAL OTHER INCOME (EXPENSE)	148	(2,112)
 INCREASE (DECREASE) IN NET ASSETS WITHOUT DONOR RESTRICTIONS	(20,908)	(10,517)
 NET ASSETS WITH DONOR RESTRICTIONS:		
INCREASE FROM IMPUTED INTEREST EARNED	11,701	12,244
 TOTAL INCREASE (DECREASE) IN NET ASSETS	(9,207)	1,727
 NET ASSETS, BEGINNING OF THE YEAR	1,465,226	1,463,499
 NET ASSETS, END OF THE YEAR	\$ 1,456,019	\$ 1,465,226

See accompanying notes to the financial statements.

**GAHANNA COMMUNITY IMPROVEMENT CORPORATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020**

2020

	FOSTERING DEVELOPMENT PROGRAM	RESIDENTIAL RENTAL PROGRAM	GENERAL & ADMIN	TOTAL EXPENSES
GRANTS	\$ 20,000	\$ -	\$ -	\$ 20,000
INSURANCE	-	2,201	768	2,969
MAINTENANCE	-	13,645	-	13,645
DEPRECIATION	2,229	43,946	-	46,175
MANAGEMENT FEES	-	3,249	-	3,249
PROPERTY TAXES	-	14,480	-	14,480
UTILITIES	-	791	-	791
MEETINGS	4,000	-	-	4,000
LEGAL AND ACCOUNTING	-	-	12,935	12,935
OFFICE SUPPLIES AND OTHER	-	303	39	342
TOTAL EXPENSES	\$ 26,229	\$ 78,615	\$ 13,742	\$ 118,586

See accompanying notes to the financial statements.

**GAHANNA COMMUNITY IMPROVEMENT CORPORATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019**

2019

	FOSTERING DEVELOPMENT PROGRAM	RESIDENTIAL RENTAL PROGRAM	GENERAL & ADMIN	TOTAL EXPENSES
CONTRIBUTIONS	\$ -	\$ -	\$ 1,000	\$ 1,000
INSURANCE	-	2,201	750	2,951
MAINTENANCE	-	7,486	-	7,486
DEPRECIATION	2,396	43,946	-	46,342
MANAGEMENT FEES	-	775	-	775
PROPERTY TAXES	-	12,870	-	12,870
UTILITIES	-	797	-	797
MEETINGS	7,040	-	-	7,040
LEGAL AND ACCOUNTING	-	-	14,075	14,075
CONSULTING	2,000	-	-	2,000
OFFICE SUPPLIES AND OTHER	-	627	648	1,275
TOTAL EXPENSES	\$ 11,436	\$ 68,702	\$ 16,473	\$ 96,611

See accompanying notes to the financial statements.

GAHANNA COMMUNITY IMPROVEMENT CORPORATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
CHANGE IN NET ASSETS	\$ (9,207)	\$ 1,727
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
DEPRECIATION	46,175	46,342
LOSS ON DISPOSAL OF FIXED ASSET	-	2,359
(INCREASE) DECREASE IN OPERATING ASSETS:		
RECEIVABLE	(4,815)	(2,248)
CONTRIBUTION RECEIVABLE	-	5,250
ACCRUED INTEREST RECEIVABLE	12,244	(12,244)
PREPAID EXPENSES	(12)	788
PROPERTY MANAGEMENT DEPOSIT	599	(1,500)
ESCROW DEPOSIT	(5,000)	-
 INCREASE (DECREASE) IN OPERATING LIABILITIES:		
ACCOUNTS PAYABLE	160	(12,433)
ACCRUED PROPERTY TAXES	2,365	829
	42,509	28,870
 CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES :		
PROCEEDS FROM NOTE RECEIVABLE	16,056	-
DUE FROM ASSIGNEE	9,285	9,286
SECURITY DEPOSITS	(281)	(1,150)
	25,060	8,136
 NET CASH (USED BY) INVESTING ACTIVITIES		
	67,569	37,006
 CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	655,103	618,097
 CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 722,672	\$ 655,103

See accompanying notes to the financial statements.

GAHANNA COMMUNITY IMPROVEMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Gahanna Community Improvement Corporation (the “Corporation”) was incorporated on October 4, 1965. The Corporation is a not-for-profit community improvement corporation, as defined by Ohio Revised Code (ORC) section 1724.01, 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. Since 2014, the Corporation has also been assigned the City of Gahanna’s rights to serve as the Land Reutilization acquisition entity in conjunction with Franklin County’s authority to acquire tax delinquent realty pursuant to ORC section 5722.21. Most of the Corporation’s activities are pursuant to an annual contract with the City.

Basis of Accounting and Financial Statement Presentation

The accompanying financial statements of the Corporation have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. FASB Accounting Standards Codification (ASC) 958 requires Not-for-Profit entities to report information based on two separate classes of Net Assets (net assets without donor restrictions and net assets with donor restrictions) based on the existence or absence of donor-imposed restrictions. In 2020 and 2019, the Corporation had net assets with donor restrictions due to specific uses. The restricted net assets are restricted for use for future land bank acquisition purposes. See Note 3 for additional details.

Revenue

The Corporation derives revenue from multiple sources.

Rental income is received from tenants of properties held while awaiting redevelopment opportunities. Rental income is recognized on a straight-line basis over the term of the leases.

Revenue Sharing is pursuant to two agreements entered into by the Corporation and local cable network service and data center providers. On August 6, 2010, the Corporation entered into a 15-year, network service agreement with a local cable network service provider to allow it to utilize specific fibers of a City owned fiber optic cable network which the Corporation leases from the City. The Corporation receives a 15% commission of the collected gross revenue of the provider from service fees of specific local private commercial business customers of the network. The contract states one half of the revenue received from the local network service provider must be spent by the Corporation to expand the network. The Corporation has expended approximately \$15,000 on fiber optic cables since inception of the contract, but the one-half of revenue provision has not otherwise been enforced so no liability has been accrued or Board restriction of cash has been recorded related to the contract provision. On August 23, 2019, the Corporation entered into another revenue sharing agreement with a corporation that provides various managed and data center services which pays the Corporation 10% commission of the collected net revenues received from a specific local corporation.

**GAHANNA COMMUNITY IMPROVEMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue (Continued)

In 2019, the Corporation hosted a free to the public Groundhog Day Economic Forecast breakfast in which corporate contributions are received as sponsors.

Bond Assignment Fee revenue is a one-time fee received from a local private school to compensate the Corporation for their participation in certain financing allowed under Chapter 165 of the Ohio Revised Code.

Intergovernmental Revenue is a one-time reimbursement from the City for payments disbursed by the Corporation to local businesses under the CARES Act.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the recorded amounts of revenues and expenses during the period. Actual results could differ from those estimates.

Income Taxes

The Corporation is generally exempt from federal income taxes under Internal Revenue Code Section 501(c) (4). However, certain unrelated business activities of the Corporation may be subject to Federal income taxes to give rise to an entity level tax. Management believes no tax provision was necessary for the years ended December 31, 2020 and 2019, and no uncertain tax positions exist that would materially impact the financial statements. With few exceptions, the Corporation is no longer subject to tax examinations by tax authorities for the years prior to December 31, 2016.

Liquidity and Availability of Resources

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

	<u>2020</u>	<u>2019</u>
Cash and Cash Equivalents	\$ 722,672	\$ 655,103
Less unavailable for general expenditures within one year, due to:		
Donor-imposed restrictions	(57,423)	(29,687)
Receivables	12,609	20,038
Total	<u>\$ 677,858</u>	<u>\$ 645,454</u>

The Corporation does not have a formal policy regarding a minimum amount of short-term financial assets to have on hand. As of December 31, 2020, the Corporation has liquid resources available to meet more than one year of normal operating expenses, which are on average \$6,000 per month.

**GAHANNA COMMUNITY IMPROVEMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

The Corporation considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Receivables

Receivables are stated at the amount management expects to collect from the different revenue sources. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual receivables. Balances outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance. As of December 31, 2020 and 2019, all receivables were considered collectable.

Account receivables pertain to the internet and data service provider commission agreements and the County agency Bond assignment fee arrangement.

Property and Equipment

Property and equipment is stated at cost, less accumulated depreciation. Repairs and maintenance costs are charged to expense as incurred. Expenditures for assets and betterments of a nature considered to materially extend the useful lives of the assets are capitalized if costing \$500 or more. Fiber optic cable network assets are depreciated using the 150-declining balance method over 15 years.

Depreciation expense for the years ended December 31, 2020 and 2019 was \$46,175 and \$46,342, respectively.

Property and equipment as of December 31, was as follows:

	<u>2020</u>	<u>2019</u>
Fiber Optic Cable Assets	\$ 31,710	\$ 31,710
Buildings and Improvements	263,672	263,672
Land	<u>244,598</u>	<u>244,598</u>
	539,980	539,980
Less: Accumulated Depreciation	<u>(157,960)</u>	<u>(111,785)</u>
Fixed Assets, net	<u>\$ 382,020</u>	<u>\$ 428,195</u>

Allocation of Expenses

All expenses are either directly related to one of the programs or for administrative expenses. Therefore, specific expenses do not necessitate being allocated between programmatic and administrative expenses. Additionally, there are no salaried employees or office space to require an allocation based on time and effort or square footage.

GAHANNA COMMUNITY IMPROVEMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

2) CONTROLLING RELATED PARTY

The Board of Directors of the Corporation consists of 11 Trustees appointed by the City, and 3 General Members, who are approved by a majority vote of the Trustees. Consequently, the Corporation meets the criteria of being a controlled affiliate subsidiary of the City pursuant to FASB ASC 958-810-25.

3) NOTE RECEIVABLE

In January 2018, the Corporation sold, to an unrelated third party, the realty that had been received from the City as an in-kind contribution. The sale was 100% seller financed accepting 15-year non-interest-bearing \$300,000 promissory note calling for \$20,000 annual payments starting January 2019 through January 1, 2033. Pursuant to ASU 2015-03, *Interest- Imputation of Interest* the sale and related Note Receivable are required to be valued by estimating the fair market value to be the net present value of the future cash flows to be received discounted by using the expected interest rate that would be charged for a similar transaction by a commercial lender. Based on a local financial institution's reported lending rate for 100% financing of vacant commercial land, an interest rate of 7% was used to compute the net present value of the transaction in January 1, 2018 to be estimated at \$182,158 and resulting in a discount amount of \$117,842. Amortization of the discount is reported in the Statement of Activities and Changes in Net Assets as imputed interest earned. As of December 31, 2020 and 2019, the carrying value of the noninterest-bearing note unamortized discount is \$81,146 and \$92,847, respectively. As a condition of the City's In-Kind contribution, all proceeds of the Note are required to be used for future land bank acquisitions, so interest earned is shown as donor restricted income to add to the original discounted Note principal amount less required closing costs the Corporation was required to incur as a condition of the original contribution.

4) OPERATING LEASES

In 2020 and 2019, the Corporation was the lessor of two single family residential properties held for future redevelopment. One tenant has a one-year lease which expired July 31, 2020 and is vacant as of December 31, 2020. The other property has a one-year lease that will expire February 28, 2021. Tenants pay monthly base and pet rent and pay for their own utilities. The Corporation pays for maintenance and realty taxes. In 2020 and 2019, total rents received by the Corporation were \$27,530 and \$21,945, respectively.

The Corporation leases from the City the exclusive use of four fiber optic cable fibers entering the City, referred to as Backbone Network, and up to forty-eight fiber optic cable fibers (forty-seven and forty-six in use in 2020 and 2019, respectively) providing network connectivity within the City, referred to as Fiber Distribution Network. The lease is non-cancellable and expires in May 2025. The lease requires annual payments of \$450 per fiber being utilized, resulting in an annual lease payment of \$22,950 and \$22,500 for 2020 and 2019, respectively. Additionally, the contract calls for the City to be compensated for any pro-rata share of maintenance costs related to the fibers used. However, annual lease payments due and other costs have been waived each year by the City since contract inception. Thus, Management does not expect future payment obligations to be incurred during the remainder of the contract.

GAHANNA COMMUNITY IMPROVEMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

5) FEES AND NON-CURRENT ASSET FROM 2009 ASSIGNMENT OF BONDS

In December 2009, the Corporation received a 30-year economic development term loan from Franklin County specifically to purchase 30-year, zero interest, Taxable Revenue Bonds, Series 2009, issued by the Ohio Air Quality Development Authority totaling \$2,600,000, issued for the purpose of financing the installation of a methane gas capture system and redevelopment of a former Gahanna landfill by Franklin County's CIC. Repayment of the nonrecourse Note by the Corporation is to be exclusively from proceeds received from Bond repayments and in no event will the Corporation be responsible for repaying the loan from any other source. The Bonds were simultaneously assigned back to Franklin County to effectively extinguish the debt to the County since that is the sole source of the repayment obligation. Consequently, no liability is recorded by the Corporation pertaining to the Note. However, the Assignment Agreement also provides the County will pay the Corporation quarterly payments through December 2040 equal to 10 percent of the annual Bond payments received by the County. Consequently, the Corporation recorded revenue and a non-current Assignee Receivable for \$260,000 in 2009. In 2019 and 2020, the Corporation received total payments from the County of \$9,286 each year. None of the Assignee Receivable is classified as a current asset since Management considers such allocation to be immaterial to the financial statements.

6) CONTINGENCIES

In 2018, the City of Gahanna contingently appropriated \$350,000 of funds annually to be disbursed to the Corporation at the time properties are acquired. As of December 31, 2020, the Corporation has contingent funds available of \$571,613 from the City for future realty acquisitions. Revenue is only recognized when realty acquisitions meeting the City's criteria occur.

As described in Note 4, the City has historically waived annual lease payments related to the Optical Fiber Use Agreement. However, the waiver of future lease payments is dependent on future City action.

The collection of the \$188,036 Assignee Receivable as of December 31, 2020, is contingent on the County fully collecting Bond principal.

As described in Note 1 about the Fees received from a local cable network service provider, the Corporation could be called upon to use 50% of fees received to reinvest it in cable network infrastructure improvements.

7) SUBSEQUENT EVENTS

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the Corporation. In addition, the impact on the Corporation's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

GAHANNA COMMUNITY IMPROVEMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

8) EXCHANGE OF SERVICES

Annually, the Corporation enters into an agreement with the City where the Corporation is obligated to perform certain services in exchange for the City to perform certain services for the Corporation. Management has deemed the amount of bartered exchanged services to be immaterial to the financial statements, so no revenue or offsetting expenses have been recorded.

9) CONCENTRATIONS

The Corporation, at times, maintains its cash and cash equivalents deposits at a financial institution in excess of the \$250,000 federally insured limit.

The Corporation is dependent on contracts with the City of Gahanna for the majority of its activities.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
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 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 Gahanna Community Improvement Corporation, Franklin County, (the Corporation), which comprise the statements of financial position as of the years ended December 31, 2020 and 2019 and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements and have issued our report thereon dated June 25, 2021. We noted the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Corporation.

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.


Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Corporation's financial statements are free from material misstatement, we performed tests of 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 that are required to be reported under *Government Auditing Standards*.

However, we noted certain matters not requiring inclusion in this report that we reported to the Corporation's management in a separate letter dated June 25, 2021.

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 & Associates, Inc.
June 25, 2021

OHIO AUDITOR OF STATE KEITH FABER



GAHANNA COMMUNITY IMPROVEMENT CORPORATION

FRANKLIN COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

This is a true and correct copy of the report, which is required to be filed pursuant to Section 117.26, Revised Code, and which is filed in the Office of the Ohio Auditor of State in Columbus, Ohio.



Certified for Release 9/2/2021

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov