



**GAHANNA COMMUNITY IMPROVEMENT CORPORATION
FRANKLIN COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2016-2015



Dave Yost • Auditor of State

**GAHANNA COMMUNITY IMPROVEMENT CORPORATION
FRANKLIN COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of Gahanna Community Improvement Corporation, Franklin County, Ohio (the Corporation), (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 Gahanna Community Improvement 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 November 6, 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.

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Dave Yost
Auditor of State
Columbus, Ohio

November 6, 2017

**GAHANNA COMMUNITY IMPROVEMENT CORPORATION
FRANKLIN COUNTY**

**STATEMENT OF FINANCIAL POSITION
December 31, 2016 and 2015**

	December 31, 2016	December 31, 2015
Assets		
Cash and Cash Equivalents	\$ 407,351	\$ 119,491
Hotel/Motel Tax Receivable	3,643	3,352
Due from Assignee	225,179	234,464
Investment Property	301,138	361,515
Notes Receivable - Short Term	104,284	104,286
Notes Receivable - Long Term	-	104,284
Depreciable Capital Assets, Net	203,203	52,895
Non-Depreciable Capital Assets, Land	16,500	-
<i>Total Assets</i>	<u>1,261,298</u>	<u>980,287</u>
Liabilities & Net Position		
Liabilities		
Current Portion of Long Term Debt	104,286	104,286
Security Deposits	2,400	1,250
Long-Term Debt - Mortgage	-	104,284
Total Liabilities	<u>106,686</u>	<u>209,820</u>
Net Assets		
Unrestricted	770,468	770,468
Net Income	384,145	-
Total Net Assets	<u>1,154,613</u>	<u>770,468</u>
Total Liabilities and Net Position	<u><u>\$ 1,261,299</u></u>	<u><u>\$ 980,288</u></u>

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

**GAHANNA COMMUNITY IMPROVEMENT CORPORATION
FRANKLIN COUNTY**

**STATEMENT OF ACTIVITIES
December 31, 2016 and 2015**

Change in Unrestricted Net Assets:	December 31, 2016	December 31, 2015
Revenue and Other Support		
Revenue Sharing - Blue Mile	\$ 20,909	\$ 16,023
Corporate Contributions	-	8,000
Hotel/Motel Tax	46,339	45,030
Intergovernmental Revenue	350,000	75,000
Miscellaneous Revenue	19	22,500
Program Service Fees	9,250	11,500
Rental Income	70,348	113,885
Interest Income	63	87
Gain on Sale of Property	14,984	13,515
<i>Total Unrestricted Revenue and Other Support</i>	<u>511,912</u>	<u>305,540</u>
Expenses		
Supporting Services		
Contract Services	1,510	54,792
Facilities and Equipment	105,750	116,160
Operations	875	906
Professional Fees	6,795	8,514
Travel and Meetings	8,000	8,194
Other	4,837	3,043
<i>Total Expenses</i>	<u>127,767</u>	<u>191,609</u>
<i>Increase(Decrease) in Unrestricted Net Position</i>	<u>384,145</u>	<u>113,931</u>
<i>Net Assets Beginning of Year</i>	<u>770,468</u>	<u>656,537</u>
<i>Net Assets End of Year</i>	<u>\$ 1,154,613</u>	<u>\$ 770,468</u>

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

**GAHANNA COMMUNITY IMPROVEMENT CORPORATION
FRANKLIN COUNTY**

**STATEMENT OF FINANCIAL POSITION
December 31, 2016 and 2015**

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Cash Flows from Operating Activities		
Net Income	\$ 384,145	\$ 113,932
Adjustments to reconcile Net Income to net cash provided by operations:		
Note Receivable Current Portion	2	-
(Increase)/Decrease in Hotel/Motel Tax Receivable	(291)	77
Increase (Decrease) in Accumulated Depreciation	15,738	17,004
Current Portion of Long-Term Debt	<u>(2)</u>	<u>-</u>
<i>Net Cash Provided by Operating Activities</i>	<u>399,592</u>	<u>131,013</u>
Investing Activities		
Building	(166,046)	-
Land	(16,500)	-
Land Improvements	-	(2,913)
Investment Property	60,377	(361,515)
Due from Assignee	9,286	9,286
Receivable - City of Gahanna	104,286	104,286
Less Current Portion	(2)	-
Security Deposits	1,150	-
Net cash provided by Investing Activities	<u>(7,449)</u>	<u>(250,856)</u>
Financing Activities		
Mortgage	(104,286)	(104,286)
Less Current Portion of Long-Term Debt	2	-
Net cash provided by Financing Activities	<u>(104,284)</u>	<u>(104,286)</u>
Net cash increase for period	<u>287,859</u>	<u>(224,129)</u>
Cash at beginning of period	119,491	343,620
Cash at end of period	<u>\$ 407,350</u>	<u>\$ 119,491</u>

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

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Gahanna Community Improvement Corporation Franklin County

Notes to Financial Statements December 31, 2016 and 2015

1. Nature of Business and Summary of Significant Accounting Policies

Nature of Business

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

Basis of Accounting

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

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board ASC 958, *Financial Statements of Non-for-Profit Organizations*. Under ASC 958, the Corporation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. No temporarily restricted and permanently restricted net assets were held and, accordingly, these financial statements do not reflect any activity related to these classes of net assets. As permitted by this statement, the Corporation does not use fund accounting.

Use of Estimates

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

Cash and Cash Equivalents

The Corporation considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. There were no cash equivalents at December 31, 2016 and 2015, and all cash was held in demand deposits.

Hotel/Motel Tax Receivable

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

Gahanna Community Improvement Corporation
Franklin County

Notes to Financial Statements
December 31, 2016 and 2015
(Continued)

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

Property and Equipment

Acquisitions of property and equipment in excess of \$500 original cost are capitalized. Property and equipment are carried at cost.

During fiscal year 2008, the Corporation purchased land and a commercial building, part of which is used as office space and the rest of which is rented to other organizations. The purchase price for the assets was \$997,607, which is comprised of \$98,000 of non-depreciable land and \$899,607 of depreciable building and improvements. On April 7, 2011 the land, commercial building and improvements were sold to the City of Gahanna for \$730,000. The Corporation will receive annual payments of \$104,286 for seven years with no interest. The Corporation continues to collect rents from the tenants and pay the ordinary and necessary expenses associated with the building.

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

Leasehold improvements	39 years
Land improvements	15 years
Equipment	5 years

Depreciation expense for the years ended December 31, 2016 and 2015 was \$15,738 and \$17,004, respectively. Land and buildings located at 181 Granville Street, Gahanna, Ohio, is held as collateral for the aforementioned debt.

Income Taxes

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

Concentrations of Credit Risk

During 2016 the Corporation maintained two bank accounts at Heartland Bank. One account had a balance in excess of the federally insured level of \$250,000. The Corporation continually monitors its account balances to minimize the risk of loss.

Gahanna Community Improvement Corporation
Franklin County

Notes to Financial Statements
December 31, 2016 and 2015
(Continued)

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

Rental Income

Rental income is received from tenants leasing space in a commercial building located at 181 Granville Street and residential property located at 327 Amfield Ct. Rental income is recognized on a straight line basis over the term of the leases.

2. Notes Payable

Notes payable consisted of the following:

	<u>Dec. 31, 2016</u>	<u>Dec. 31, 2015</u>
Note payable to Heartland Bank of \$650,000, commencing August 2011 for eighty-four months with interest only payments at 5% starting September 4, 2011 and annual principal payments of \$104,286 starting May 1, 2012.	\$ 104,284	\$ 208,570

Future maturities of long-term debt are as follows:

December 31, 2017	\$ <u>104,284</u>
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The Corporation paid \$6,793 and \$12,129 for 2016 and 2015, respectively, of interest payments on the above notes payable.

3. Operating Leases

The Corporation collects rents and pays ordinary and necessary expenses associated with the multi-level building at 181 Granville Street. Tenants pay monthly rental fees based on the size of their space, duration of the lease, and whether they need additional storage space. Total rents received by the Corporation in 2016 and 2015 from the tenants were \$55,429 and \$113,885, respectively.

During 2016 the Corporation began collecting rent and paying ordinary and necessary expenses associated with a residential property at 327 Amfield Ct. The tenant pays a monthly rent of \$1,300. Total rents received by the Corporation in 2016 were \$14,919.

Gahanna Community Improvement Corporation
Franklin County

Notes to Financial Statements
December 31, 2016 and 2015
(Continued)

4. Assignment of Debt

In December 2009, the Corporation purchased bonds from the Ohio Air Quality Development Authority totaling \$2,600,000 with a zero percent interest rate and subsequently loaned the proceeds of these bonds to the Central Ohio Community Improvement Corporation. All rights and liabilities associated with these bonds were assigned from the Corporation to Franklin County (the Assignee). As a result of this agreement, the Corporation is to receive payments equal to 10 percent of the annual payments received by the Assignee, for a total of \$260,000. Total payments received by the Corporation from the Assignee in 2016 and 2015 were \$9,286 and \$9,286, respectively.

5. Intergovernmental Revenue

The Corporation received a grant of \$350,000 on May 25, 2012 from the City of Gahanna. The grant was given with the stipulation that the Corporation would use these funds for economic development in the City of Gahanna, which is consistent with its tax-exempt purpose.

During 2015 the Corporation expended part of these funds for environmental and engineering studies on land in the City of Gahanna targeted for economic development. The Corporation also spent funds developing a website to attract new business to the area.

The Corporation received a grant of \$350,000 on November 4, 2016 from the City of Gahanna. The grant was given with the stipulation that the Corporation would use these funds for economic development in the City of Gahanna, which is consistent with its tax-exempt purpose.

During 2016 the Corporation expended part of these funds to purchase an economically depressed property in the City of Gahanna. The Corporation intends to improve this property and resell it.

6. Gain on Sale of Property

During 2016 the Corporation acquired vacant land in the City of Gahanna that had been abandoned by the previous owner. This property was sold to an unrelated third party that intends to develop and build on the land. The proceeds of the sale of \$15,000 were used for the Corporation's tax-exempt purpose.

**Gahanna Community Improvement Corporation
Franklin County**

Notes to Financial Statements
December 31, 2016 and 2015
(Continued)

7. Program Revenues and Expenses

The Corporation had one program event during the year (2016 Groundhog Day Event). Revenues from this event were \$9,250. Program expenses of \$7,134 were paid for the facility rental.

8. Subsequent Events

The Corporation adopted the provisions of FASB ASC 855-10-50 (formerly SFAS No. 165, Subsequent Events) on January 1, 2010. The Corporation has evaluated the existence and impact of subsequent events through April 27, 2017, which is the date the financial statements were available to be issued. There were no subsequent events that required disclosure.

9. Risk Management

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

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

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

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Gahanna Community Improvement 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 November 6, 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. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

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*.

Purpose of this Report

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

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Dave Yost
Auditor of State
Columbus, Ohio

November 6, 2017



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GAHANNA COMMUNITY IMPROVEMENT CORPORATION

FRANKLIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 1, 2018**