



**Auditor of State
Betty Montgomery**

**GALION COMMUNITY IMPROVEMENT CORPORATION
CRAWFORD COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Galion Community Improvement Corporation
Crawford County
301 Harding Way East
Galion, Ohio 44833

To the Board of Trustees:

We have audited the accompanying statements of financial position of the Galion Community Improvement Corporation, Crawford County, Ohio, (the Corporation) as of December 31, 2003, and December 31, 2002, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. 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 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 that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Galion Community Improvement Corporation, Crawford County, Ohio, as of December 31, 2003, and December 31, 2002, and the changes in net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 4, the Corporation excluded the Revolving Loan Funds previously recorded on the Corporation's financial statements, as the cash and receivables association with these funds are assets of the City of Galion.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 22, 2004, 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

A handwritten signature in black ink that reads "Betty Montgomery".

Betty Montgomery
Auditor of State

September 22, 2004

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**GALION COMMUNITY IMPROVEMENT CORPORATION
CRAWFORD COUNTY**

**STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2003**

Assets:	
Cash	\$ 188,299
Workers Comp Deposit	25
Fixed Assets (less accumulated depreciation)	<u>120,758</u>
Total Assets	<u><u>309,082</u></u>
Liabilities:	
Accounts Payable	3,188
Net Assets:	
Unrestricted Net Assets	<u>305,894</u>
Total Liabilities and Net Assets	<u><u>\$ 309,082</u></u>

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

**GALION COMMUNITY IMPROVEMENT CORPORATION
CRAWFORD COUNTY**

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2003**

Revenue:	
City Contract	\$ 136,615
Enterprise Zone Fees	4,000
Earnings on Investments	2,210
Reimbursements	<u>18,234</u>
 Total Revenue	 <u>161,059</u>
 Expenses:	
Payroll	104,707
Meetings and Travel	3,702
Dues and Subscriptions	3,840
Office	3,410
Utilities	944
Telephone	3,530
Insurance	3,380
Advertising	830
Professional Services	16,888
Seminars and Education	2,208
Property Taxes	2,398
Depreciation	2,810
Rent	3,746
Miscellaneous	<u>6,133</u>
 Total Expenses	 <u>158,526</u>
 Increase in Unrestricted Net Assets	 2,533
 Net Assets, Beginning of Year	 <u>303,361</u>
 Net Assets, End of Year	 <u><u>\$ 305,894</u></u>

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

**GALION COMMUNITY IMPROVEMENT CORPORATION
CRAWFORD COUNTY**

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2003**

CASH FLOWS FROM OPERATING ACTIVITIES	
Increase in net assets	\$ 2,533
Adjustments to reconcile increase in net assets to net cash used by operating activities:	
Depreciation	2,810
Increase in accounts payable	<u>1,337</u>
NET CASH USED BY OPERATING ACTIVITIES	6,680
CASH, BEGINNING OF YEAR	<u>181,619</u>
CASH, END OF YEAR	<u><u>\$ 188,299</u></u>

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

**GALION COMMUNITY IMPROVEMENT CORPORATION
CRAWFORD COUNTY**

**STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2002**

Assets:	
Cash	\$ 181,619
Workers Comp Deposit	25
Fixed Assets (less accumulated depreciation)	<u>123,568</u>
 Total Assets	 <u><u>305,212</u></u>
 Liabilities:	
Accounts Payable	1,851
 Net Assets:	
Unrestricted Net Assets	<u>303,361</u>
 Total Liabilities and Net Assets	 <u><u>\$ 305,212</u></u>

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

**GALION COMMUNITY IMPROVEMENT CORPORATION
CRAWFORD COUNTY**

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2002**

Revenue:	
City Contract	\$ 124,555
Enterprise Zone Fees	3,500
Earnings on Investments	3,715
Reimbursements	16,379
Miscellaneous	<u>16,408</u>
 Total Revenue	 <u>164,557</u>
Expenses:	
Payroll	102,010
Meetings and Travel	4,744
Dues and Subscriptions	2,764
Office	992
Utilities	984
Telephone	3,688
Insurance	2,318
Advertising	441
Professional Services	5,369
Maintenance	871
Property Taxes	1,018
Depreciation	3,785
Rent	3,969
Miscellaneous	<u>32,240</u>
 Total Expenses	 <u>165,193</u>
 Decrease in Unrestricted Net Assets	 (636)
 Net Assets, Beginning of Year (Restated, See Note 4)	 <u>303,997</u>
 Net Assets, End of Year	 <u><u>\$ 303,361</u></u>

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

**GALION COMMUNITY IMPROVEMENT CORPORATION
CRAWFORD COUNTY**

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2002**

CASH FLOWS FROM OPERATING ACTIVITIES	
Decrease in net assets	\$ (636)
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation	3,785
Increase in accounts payable	<u>1,411</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	4,560
CASH, BEGINNING OF YEAR	<u>177,059</u>
CASH, END OF YEAR	<u><u>\$ 181,619</u></u>

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

**GALION COMMUNITY IMPROVEMENT CORPORATION
CRAWFORD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002**

1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Galion Community Improvement Corporation (the Corporation), was incorporated in 1979. The Corporation is a nonprofit entity which was formed for the purpose of advancing, encouraging, and promoting the industrial, economic, commercial, and civic development of the City of Galion, Ohio, and the surrounding area.

The Corporation's management believes these financial statements present all activities for which the Corporation is financially accountable.

B. 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.

C. 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 Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. As of December 31, 2003, and December 31, 2002, net assets are unrestricted.

D. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

E. Property

Acquisitions of property in excess of \$50 are capitalized. Land is carried at cost. Depreciation is computed using the straight-line method over a useful life of 5-7 years for office equipment.

F. Income Taxes

The Corporation is exempt from federal and state income taxes under Internal Revenue Code Section 501(c)(3) and Chapters 1702 and 1724 of the Ohio Revised Code.

**GALION COMMUNITY IMPROVEMENT CORPORATION
CRAWFORD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

2. FIXED ASSETS

A summary of fixed assets at December 31 follows:

	2003	2002
Land	\$ 114,976	\$ 114,976
Office equipment	34,697	34,697
Less: accumulated depreciation	(28,915)	(26,105)
Net fixed assets	\$ 120,758	\$ 123,568

3. RISK MANAGEMENT

Commercial Insurance

The Corporation has obtained comprehensive property and general liability insurance through a private carrier.

4. PRIOR PERIOD ADJUSTMENT

An adjustment was made to eliminate the Revolving Loan Funds previously recorded on the Corporation's financial statements. These funds are assets of the City of Galion and, therefore, should not have been included on the Corporation's financial statements.

Also, an adjustment was made to eliminate a liability recorded at December 31, 2001 for payroll withholdings payable. Amounts in this accrual had already been expensed with gross payroll during 2001.

The effect of these adjustments on beginning net assets reported as of January 1, 2002 is as follows:

Net assets as previously reported	\$ 1,539,327
Adjustment for Revolving Loans	(1,239,338)
Adjustment for Payroll Withholdings	4,008
Restated net assets at January 1, 2002	\$ 303,997

The adjustment had the following effect on the excess of revenue over expenses as previously reported for the fiscal year ended December 31, 2001:

Excess as previously reported	\$ 78,044
Adjustment to beginning net assets	(37,393)
Restated amount for the year ended December 31, 2001	\$ 40,651

**GALION COMMUNITY IMPROVEMENT CORPORATION
CRAWFORD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

5. SUBSEQUENT EVENT

After paying the first \$34,750 quarterly payment to the Corporation in 2004, the City of Galion cancelled the contract to provide any further funding to the Corporation. As of the date of these financial statements, the Corporation Director and Assistant Director have both been relieved of their duties in the absence of continued City funding. On August 10, 2004, the Corporation entered into an agreement with the Galion Area Chamber of Commerce (the Chamber) whereby the Chamber agreed, in exchange for payment of \$2,083 per month from the Corporation, to undertake certain Corporation responsibilities, including the following:

- The development of an accurate and continuing updated data base for the Galion community relating to job skill sets, employment/unemployment rates, rates of taxation, available tax abatement, tax assistance programs whether the same are based upon economic enterprise zones, Ohio Department of Development or other available programs, local, state and federal, for the benefit of potential industrial applicants who are currently in the community or who may be enticed to come to the Galion community through such data base information;
- Assistance in the efforts at retention of current Galion industry and industrial base.

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**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Galion Community Improvement Corporation
Crawford County
301 Harding Way East
Galion, Ohio 44833

To the Board of Trustees:

We have audited the accompanying financial statements of the Galion Community Improvement Corporation, Crawford County, Ohio, (the Corporation) as of and for the years ended December 31, 2003, and December 31, 2002, and have issued our report thereon dated September 22, 2004, wherein we noted the Corporation excluded the Revolving Loan Funds previously recorded on the Corporation's financial statements. 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.

Compliance

As part of obtaining reasonable assurance about whether the Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 such an opinion. The results of our tests disclosed no instances of noncompliance we must report under *Government Auditing Standards*. However, we noted a certain immaterial instance of noncompliance that we have reported to the Corporation's management in a separate letter dated September 22, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Corporation's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report that we have reported to the Corporation's management in a separate letter dated September 22, 2004.

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Galion Community Improvement Corporation
Crawford County
Independent Accountants' Report On Compliance And On Internal Control
Required By *Government Auditing Standards*
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This report is intended solely for the information and use of management and the Board of Trustees, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

September 22, 2004



**Auditor of State
Betty Montgomery**

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**GALION COMMUNITY IMPROVEMENT CORPORATION
CRAWFORD COUNTY**

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 16, 2004**