

Big Walnut Area Community Improvement Corporation

Franklin County, Ohio

Regular Audit

January 1, 2004 through December 31, 2005

Years Audited Under GAGAS: 2005 and 2004

BALESTRA, HARR & SCHERER CPAs, INC.

528 South West Street, P.O. Box 687
Piketon, Ohio 45661

Telephone (740) 289-4131
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Mary Taylor, CPA
Auditor of State

Board of Trustees
Big Walnut Community Improvement Corporation
4175 Alum Creek Drive
Obetz, Ohio 43207

We have reviewed the *Independent Auditor's Report* of the Big Walnut Community Improvement Corporation, Franklin County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period January 1, 2004 through December 31, 2005. 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 Big Walnut Community Improvement Corporation is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

October 11, 2007

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Big Walnut Area Community Improvement Corporation
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Independent Auditor's Report

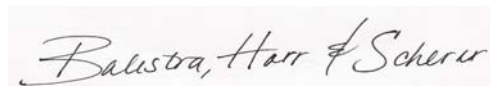
Board of Trustees
Big Walnut Area Community Improvement Corporation
Obetz, Ohio 43207

We have audited the financial statements of Big Walnut Area Community Improvement Corporation, Franklin County, Ohio, (the Corporation), as of and for the years ended December 31, 2005 and 2004. 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 audits.

We conducted our audits 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 audits 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide 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 Corporation, as of December 31, 2005 and 2004, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 15, 2007, on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.



Balestra, Harr & Scherer, CPAs, Inc.
June 15, 2007

Big Walnut Area Community Improvement Corporation
Statements of Financial Position
As of December 31, 2005 and December 31, 2004

	2005	2004
Assets:		
Cash	\$42,222	\$42,230
Accounts Receivable	13,255	14,105
 Fixed Assets:		
Land Improvement	28,975	28,975
Building	431,051	431,051
Total Fixed Assets	460,026	460,026
 Less: Accumulated Depreciation	(352,931)	(307,895)
Total Fixed Assets, net	107,095	152,131
Total Assets	\$162,572	\$208,466
 Liabilities		
Accounts Payable	\$0	\$6,786
Total Liabilities	0	6,786
 Net Assets, Unrestricted	162,572	201,680
 Total Liabilities and Net Assets	\$162,572	\$208,466

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

Big Walnut Area Community Improvement Corporation
Statements of Activities
For the Years Ended December 31, 2005 and December 31, 2004

	2005	2004
Unrestricted Net Assets		
Revenues:		
Rent Building	\$26,245	\$24,180
Rent Farmland	0	3,780
Interest Income	588	1,992
Total Revenues	26,833	29,952
Expenses:		
Loss on Sale of Fixed Assets	0	600,981
Professional Fees	7,864	7,175
Insurance	2,381	2,381
Management and General	10,660	21,755
Depreciation	45,036	45,036
Total Expenses	65,941	677,328
Total Decrease in Net Assets	(39,108)	(647,376)
Net Assets, Beginning Year	201,680	849,056
Net Assets, End of Year	\$162,572	\$201,680

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

Big Walnut Area Community Improvement Corporation
Statements of Cash Flows
For the Years Ended December 31, 2005 and December 31, 2004

	2005	2004
Cash Flows From Operating Activities		
Change in net assets	(\$39,108)	(\$647,376)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	45,036	45,036
Principal notes payable payments	0	(6,296,344)
Proceeds from sale of land	0	7,601,770
Net changes in:		
Accounts receivable	850	(2,015)
Accounts payable	(6,786)	6,786
Deferred revenue	0	(704,445)
Net cash provided by (used in) operating activities	(8)	3,412
Cash, Beginning of year	42,230	38,818
Cash, End of year	\$42,222	\$42,230

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

Big Walnut Area Community Improvement Corporation

Notes to the Financial Statements

For the Years Ended December 31, 2005 and 2004

NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization and Activities

The Big Walnut Area Community Improvement Corporation (the Corporation) is a not-for-profit community improvement corporation formed pursuant to Chapter 1724 of the Ohio Revised Code to facilitate the economic development process in the Village of Obetz and the surrounding area. The Corporation encourages the interaction of member communities and businesses therein, markets and/or promotes the occurrence of development with southeastern Franklin County, and proposes policies and makes recommendations to assist in local economic development activities.

Basis of Accounting

The Corporation adopted the accrual basis of accounting in 1999. Previously, the modified cash basis of accounting was used. Management believes that the accrual method better matches revenues and expenses in the statement of activities.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statements of Financial Accounting Standards (SFAS) No. 117, *Financial Statements for Not-For-Profit Organizations*. Under SFAS No. 117, the Corporation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. No temporarily restricted or permanently restricted net assets were held and accordingly, these financials do not reflect any activity related to these classes of net assets. As permitted by this statement, the Corporation does not use fund accounting.

Credit Risk

The Corporation maintained its cash balances in several types of financial accounts including checking, savings and money market accounts in one financial institution during 2005 and 2004. At December 31, 2005 and 2004, the Corporation's carrying values of cash were \$42,222 and \$42,230, respectively. At December 31, 2005 and 2004, the Corporation's bank balances were \$49,678 and \$43,372, respectively. The bank balances at December 31, 2005 and 2004 were insured by the Federal Deposit Insurance Corporation (FDIC).

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Specifically, depreciation expense is calculated using an estimate of the useful lives of land improvements and its building.

Big Walnut Area Community Improvement Corporation

Notes to the Financial Statements

For the Years Ended December 31, 2005 and 2004

NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions

The Corporation also follows the recommendations of the Financial Accounting Standards Board in its Statements of Financial Accounting Standards (SFAS No. 116, *Accounting for Contributions Received and Contributions Made*). Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

The Corporation did not receive any contributions in 2005 and 2004.

Income Tax Status

The Corporation is a not-for-profit organization that the Internal Revenue Service has determined to be exempt from income taxes under Section 501(c)3 of the Internal Revenue Code.

NOTE 2 – DESCRIPTION OF LAND

In 1997, the Corporation acquired 331 acres of land in Franklin County, Ohio. The original purchase of land was recorded at a cost of \$8,885,677, which included capitalized raw land costs, all related bank fees and settlement charges required by the Corporation, and the excess funds retained by the developer upon the first mortgage proceeds which amounted to \$106,768. The cost of the land was increased in 1998 by \$2,342,452, the amount of the second mortgage drawn on the bank for purposes of funding the debt service and parkwide infrastructure extension costs as defined in the land lease agreement. The cost of land was again capitalized in 1999 when the developer drew on the second mortgage in the amount of \$157,548.

Land is being stated at the lower of cost or market and costs are being recognized in the statement of activities based on the proportionate amount of land sold to the total land available for sale. The Corporation sold all of its land in 2004.

NOTE 3 – LAND LEASE

On April 30, 1997, the Corporation entered into a Lease with Option to Purchase Agreement with the developer of the land. The agreement provides for the lease of the property for 10 years ending April 2007 for an initial rental fee of \$1,400,970 plus rent for all debt service, loan fees, and loan expenses for the loans taken on the property. The debt service loan fees and expenses have not been paid as rent to the Corporation by the developer, but have been paid to the bank as required under the note agreements. Thus, these fees have not been recorded in rental income. The agreement also grants the lessee (developer) the exclusive right and option to purchase the property. The option may be exercised during the option period which expires four months after the loans have been repaid or 2007, whichever is later. The selling price of the property is equal to the mortgage release amount on the loans, as determined by the bank.

Big Walnut Area Community Improvement Corporation

Notes to the Financial Statements

For the Years Ended December 31, 2005 and 2004

NOTE 3 – LAND LEASE (Continued)

In addition, the selling price per the agreement was to include a prorated portion of the infrastructure costs and soft costs (engineering, debt service, development fees) incurred by the developer in preparing the land for sale. However, these infrastructure and soft costs were not included in the selling price negotiated between the Corporation and the developer and accordingly, have not been included in the sale price of the land parcels sold. Upon expiration or other termination of the lease, all property not sold under the option will be surrendered to the Corporation.

The developer exercised its option to purchase the land in 2004, and as a result, the Corporation paid the loan for the property in full.

NOTE 4 – CONTRIBUTED BUILDING

During 1998, as part of the lease with option to purchase agreement with the developer of the land, the Corporation received a training facility building with a donated fair market value of \$431,051. The Corporation is responsible for paying for all utilities and other costs. The building is stated at cost. The Corporation provides for depreciation of the building using the straight-line method over 10 years, the estimated useful life of the building. Depreciation expense on the building totaled \$43,105 and \$43,105 for the years ended December 31, 2005 and 2004, respectively.

NOTE 5 – LEASE COMMITMENT

The Corporation leases the land that the building is on from the Village of Obetz. The lease term is for five years ending August 31, 2007 with an option for a five year extension. The annual lease payment is \$1 and upon expiration of the lease or upon vacation of the facility by its tenant, the building and all equipment are to be sold by the Corporation to the Village of Obetz for \$1.

NOTE 6 – BUILDING LEASE INCOME

On September 1, 1997, the Corporation entered into a lease agreement with Team Columbus Soccer, L.L.C., to lease administrative offices and training facility for an initial term of five years for a minimum annual base rent of \$20,700. Lease payments are required monthly. The Corporation is required to pay for all maintenance, taxes, and certain insurance coverages. The lease provides for a fee to be paid to the Corporation for an early termination and the lease may be renewed for additional five-year period at a new annual base rent. The total income recognized on this lease was \$26,245 and \$24,180 for the years ended December 31, 2005 and 2004, respectively.

NOTE 7 – FIXED ASSETS

During 2001, the Corporation purchased a sign for its business park in the amount of \$19,850 and installed an irrigation system for the soccer field in the amount of \$9,125. These assets are being depreciated over 15 years using the straight-line method. Depreciation expense was \$1,931 and \$1,931 for years ended December 31, 2005 and 2004, respectively.

NOTE 8 – LITIGATION

The Corporation is not party to any legal proceedings as either plaintiff or defendant.

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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*

Board of Trustees
Big Walnut Area Community Improvement Corporation
Obetz, Ohio 43207

We have audited the financial statements of Big Walnut Area Community Improvement Corporation, Franklin County, Ohio, (the Corporation), as of and for the years ended December 31, 2005 and 2004, and have issued our report thereon dated June 15, 2007. We conducted our audits 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.

Internal Control Over Financial Reporting

In planning and performing our audits, 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 an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Corporation's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and responses as items 2005.01, 2005.02, 2005.03, 2005.04, and 2005.05.

A material weakness is a reportable 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 caused by error or fraud 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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider items 2005.01, 2005.02, 2005.03, and 2005.04 to be material weaknesses.

Compliance and Other Matters

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 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 material instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*

We noted certain matters that we reported to management of the Corporation in a separate letter dated June 15, 2007.

Board of Trustees
Big Walnut Area Community Improvement Corporation

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*
Page 2

This report is intended solely for the information and use of management and 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 cursive script that reads "Balestra, Harr & Scherer". The signature is written in black ink on a light-colored background.

Balestra, Harr & Scherer, CPAs, Inc.
June 15, 2007

Big Walnut Area Community Improvement Corporation
Schedule of Findings and Responses
For the Years Ended December 31, 2005 and 2004

Findings Related to the Financial Statements Required to be Reported in Accordance with GAGAS

Finding Number 2005.01

Material Weakness – Maintenance of Accounting System:

The Corporation's accounting system had not been reconciled to the prior year's audit report and therefore, beginning and ending balances were inaccurate and/or incomplete. By failing to maintain an accurate and complete accounting system, the Corporation's officials are relying on misinformation for decision-making. The Corporation should post all audit adjustments to its accounting system and reconcile ending balances to the audit report to ensure accurate and complete balances on its financial statements. Furthermore, the Corporation should review recorded balances to ensure that they are accurately reflected in order to provide management with reliable financial information for use as a decision making tool.

Client Response:

Was unaware of the adjustments that needed to be made. Did adjust for depreciation.

Finding Number 2005.02

Material Weakness – Maintenance of Financial Information:

The Corporation failed to provide financial information upon repeated requests. As a result, the Corporation was declared unauditably by the Auditor of State and was provided 90 days to gather adequate supporting documentation for audit. Even after the 90 days expired, numerous requests by the auditors were required to gather sufficient information for financial statement examination. The Corporation's records should be made available within a reasonable period of time after a request is made. Failure to maintain records in a readily available fashion may result in lost information or an inadequate audit trail. The Corporation should review its procedures for preparing and maintaining financial information and make modifications where necessary in order to provide both internal and external users with complete and timely access to records as needed.

Client Response:

Client chose not to respond.

Finding Number 2005.03

Material Weakness – Bank Reconciliations

During the course of fieldwork, several instances were noted where complete bank reconciliations were not performed in a timely manner or could not be produced upon request. Bank reconciliations should be completed each month, reconciling the Corporation's cash balances to the bank balances. These reconciliations should be maintained with bank statements to be readily available for review. Completion of bank reconciliations ensures the completeness and accuracy of cash balances on the books. Failure to complete bank reconciliations in a timely manner can result in misstated cash balances and the failure to timely identify errors or irregularities in the balances. Failure to maintain bank reconciliations results in an incomplete audit trail. The Corporation should implement procedures to ensure complete bank reconciliations are performed in a timely manner and maintained.

Client Response:

Do review bank statements and since the activity is generally a couple of checks per month, would notice this but will start performing manual bank reconciliations.

Big Walnut Area Community Improvement Corporation
Schedule of Findings and Responses
For the Years Ended December 31, 2005 and 2004

Finding Number 2005.04

Material Weakness – Adequate Financial Statement Recognition

The Corporation reports on a GAAP basis but fails to prepare the necessary adjustments to its cash basis activity to recognize proper GAAP basis financial statement amounts. Material misstatements were noted in relation to the Corporation's land sale and the related notes payable, accounts receivable, and accounts payable. Audit adjustments were proposed to correct these accounts and their related revenue and expense accounts. The Corporation should implement procedures to ensure that its GAAP basis financial statement figures are free of material misstatement.

Client Response:

Was unaware of need to operate on the accrual basis and have always operated on the cash basis. Will review receivable issue with Board again, but they have not wanted to enforce in the past.

Finding Number 2005.05

Reportable Condition – Maintenance of Supporting Documentation for Disbursements

The Corporation was unable to provide supporting documentation for a number of expenditures. Documents should be maintained to support all expenditures. Failure to maintain supporting documentation for expenditures results in an incomplete audit trail and exposes the Corporation to the risk of loss resulting from misappropriation of assets or errors in payment. The Corporation should implement procedures to ensure that all expenditures are supported by proper documentation and that such documentation is properly maintained.

Client Response:

Will be more diligent about getting the documents from the President.

Big Walnut Area Community Improvement Corporation
Status of Prior Schedule of Findings and Responses
For the Years Ended December 31, 2005 and 2004

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2003.01	Maintenance of Accounting System	No	Reissued as 2005.01
2003.02	Maintenance of Financial Information	No	Reissued as 2005.02



Mary Taylor, CPA
Auditor of State

BIG WALNUT 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
NOVEMBER 8, 2007**