# Franklin Community Improvement Corporation

Financial Statements

Years Ended December 31, 2008 and 2007

with Independent Auditors' Report

Board of Directors
Franklin Community Improvement Corporation
207 Vista Drive
Gahanna, Ohio 43230

We have reviewed the *Independent Auditors' Report* of the Franklin Community Improvement Corporation, Franklin County, prepared by Clark, Schaefer, Hackett & Co., for the audit period January 1, 2007 through December 31, 2008. 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 Franklin Community Improvement Corporation is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

May 21, 2009

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CLARK SCHAEFER HACKETT
STRENGTH IN NUMBERS

**INDEPENDENT AUDITORS' REPORT**

To the Board of Directors
Franklin Community Improvement Corporation:

We have audited the accompanying balance sheets of the Franklin Community Improvement Corporation (the "Company") as of and for the years ended December 31, 2008 and 2007 and the related statements of activities and of cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express opinion on the financial statements based on our audits.

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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits 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 Company as of December 31, 2008 and 2007, and its changes in its net assets and its cash flows for the year 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 May 12, 2009 on our consideration of the Company'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 audit.

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
May 12, 2009

# FRANKLIN COMMUNITY IMPROVEMENT CORPORATION

## BALANCE SHEETS
## AS OF DECEMBER 31, 2008 AND 2007

| | 2008 | 2007 |
|---|---|---|
| **ASSETS** | | |
| CURRENT ASSETS: | | |
| Cash | $ 87,414 | $ 151,897 |
| Prepaid expenses | 2,145 | 1,642 |
| Total current assets | 89,559 | 153,539 |
| PROPERTY: | | |
| Land | 640,803 | 640,803 |
| TOTAL ASSETS | $ 730,362 | $ 794,342 |
| **LIABILITIES AND NET ASSETS** | | |
| CURRENT LIABILITIES: | | |
| Accounts payable: | | |
| Trade | $ 3,373 | $ 12,639 |
| Estimated costs to complete | 229,780 | 229,780 |
| Total accounts payable | 233,153 | 242,419 |
| Accrued liabilities | 33,133 | 28,093 |
| TOTAL LIABILITIES | 266,286 | 270,512 |
| UNRESTRICTED NET ASSETS | 464,076 | 523,830 |
| TOTAL LIABILITIES AND NET ASSETS | $ 730,362 | $ 794,342 |

See notes to financial statements.

# FRANKLIN COMMUNITY IMPROVEMENT CORPORATION

## STATEMENTS OF ACTIVITIES
## FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

| | 2008 | 2007 |
|---|---|---|
| REVENUES: | | |
| Ground and building rents | $ - | $ 242,004 |
| Interest | 2,900 | 15,198 |
| Other | 8,492 | 57,811 |
| Total revenues | 11,392 | 315,013 |
| EXPENSES AND LOSSES: | | |
| Depreciation | - | 204,890 |
| Interest | - | 153,866 |
| Professional fees and charges | 32,594 | 121,962 |
| Real estate taxes | 33,133 | 36,454 |
| Repairs & maintenance | - | 81,840 |
| Insurance | 4,645 | 13,841 |
| Loss on sale of assets | - | 402,168 |
| Other | 774 | 38,594 |
| Total expenses and losses | 71,146 | 1,053,615 |
| CHANGE IN NET ASSETS | (59,754) | (738,602) |
| UNRESTRICTED—NET ASSETS—Beginning of year | 523,830 | 1,262,432 |
| UNRESTRICTED—NET ASSETS—End of year | $ 464,076 | $ 523,830 |

See notes to financial statements.

# FRANKLIN COMMUNITY IMPROVEMENT CORPORATION

## STATEMENTS OF CASH FLOWS
## FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

| | 2008 | 2007 |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Change in net assets | (59,754) | (738,602) |
| Adjustments to reconcile change in net assets to net cash used by operating activities: | | |
| Depreciation | - | 204,890 |
| Loss on sale of assets | - | 402,168 |
| Net changes in operating assets: | | |
| Accounts receivable - trade | - | 3,360 |
| Prepaids | (503) | 6,275 |
| Other assets | - | 6,646 |
| Net changes in operating liabilities: | | |
| Accounts payable - trade | (9,266) | 3,972 |
| Accrued liabilities | 5,040 | (126,910) |
| Net cash used by operating activities | (64,483) | (238,201) |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Additions to property | | (39,791) |
| Proceeds from sale of property | - | 3,915,164 |
| Cash provided by investing activities | - | 3,875,373 |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Payments on long-term debt | - | (3,975,931) |
| DECREASE IN CASH | (64,483) | (338,759) |
| CASH—Beginning of year | 151,897 | 490,656 |
| CASH—End of year | $ 87,414 | $ 151,897 |
| SUPPLEMENTAL DISCLOSURES— | | |
| Cash paid for interest | $ - | $ 156,866 |

See notes to financial statements.

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

***Organization***—Franklin Community Improvement Corporation (the "Company") is a non-profit organization incorporated in the State of Ohio in June 1993 for advancing, encouraging and promoting the industrial, economic, commercial and research development of real property in Central Ohio. Operations commenced in 1995. In addition to developing its own real estate projects, the Company can form partnerships and joint ventures with private businesses to help finance projects through private debt or invest public funds in development projects. In 1995, the Company entered into a master Project Coordination Agreement with the Rickenbacker Port Authority (the "RPA"). Under this agreement, the RPA provided the Company with administrative services. The amount charged may be adjusted annually as required based on estimated actual costs incurred.

On December 12, 2002, the Columbus Municipal Airport Authority ("CMAA"), the City of Columbus, Ohio (the "City") and the County of Franklin, Ohio (the "County") entered into the Port Authority Consolidation and Joinder Agreement (the "Agreement") with an effective date of January 1, 2003, which created a single regional authority to oversee the airports formerly managed by the CMAA and the RPA. Under the Agreement, the RPA was dissolved and the CMAA, the surviving entity, was renamed the Columbus Regional Airport Authority (the "Authority"). The Agreement provided for the ultimate transfer of all the RPA's rights, title and interests in all the assets and liabilities to the Authority. As of January 1, 2003, the Authority began providing the administrative services that were previously provided under the master Project Coordination Agreement with the RPA.

On July 31, 2007 the Agreement was terminated with the sale of the Company's leasehold interests in three Air Cargo Buildings to the Authority.

***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.

***Cash*** —Cash consists of amounts on deposit at one bank at December 31, 2008 and 2007.

***Investment***—The Company accounted for the investment in Note 3 using the equity method.

***Description of Land Development Project***—In June 1995, the Company purchased 244 acres of real estate located in the County. No acreage was sold in 2007 or 2008. At December 31, 2008, the Company has 16 acres remaining for sale.

***Property***—In 1999, the Company began development of a series of Air Cargo terminals on land leased from the RPA. These properties are located in close proximity to the Rickenbacker International Airport and are located in Foreign Trade Zone #138. Three air cargo buildings totaling 164,800 square feet were completed.

Property is recorded at cost less accumulated depreciation, but not in excess of the net recoverable amount.

Depreciation is provided on the straight-line basis. Buildings are depreciated over approximately 21 years and tenant improvements are depreciated over the lives of the respective leases.

Interest is capitalized during the development period and amortized over the estimated life of the buildings as buildings are completed and occupied. The Company incurred interest totaling $0 and $153,866 in 2008 and 2007, respectively. No interest was capitalized in 2008 and 2007.

On July 31, 2007, the air cargo buildings were sold to the Authority. The details of the sale are as follows:

| | |
|---|---|
| Sales proceeds | $ 3,915,164 |
| Net book value of buildings | (4,317,332) |
| Net loss on sale | ($ 402,168) |

***Revenue Recognition***—Sales of land revenue are recognized as acreage is sold based on contract price. Ground and building rent revenue is recognized as rents accrue under the terms of the leases.

***Capitalization of Land Development Costs***—Land and development costs are generally capitalized at the time development begins based on actual costs incurred. Land and development costs incurred through December 31, 2008 and 2007 are as follows:

| | |
|---|---|
| Land | $ 5,427,027 |
| Infrastructure costs | 1,571,074 |
| Exit fees | 214,610 |
| Professional fees | 403,830 |
| Interest | 492,103 |
| Real estate taxes | 27,644 |
| Amortization | 9,937 |
| Other carrying costs | 620,875 |
| Subtotal | 8,767,100 |
| Less accumulated costs of land sales | (8,126,297) |
| Land costs at the end of year | $ 640,803 |
| Estimated costs to complete land sales – included in cost of land sales above | $ 229,780 |

***Recognition of Cost of Land Sold***—The Company accumulates total land development costs, including an estimate of costs to complete the development. These total accumulated development costs are divided by saleable acreage to arrive at a total cost per acre. As land is sold, the Company recognizes cost of land sold on the basis of acres sold multiplied by the calculated total cost per acre.

***Asset Impairments*****—**Annually, in accordance with Statement of Financial Accounting Standards ("SFAS") No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets,* a determination is made by management to ascertain whether investment property and other intangibles have been impaired based on the sum of expected future undiscounted cash flows from operating activities. If the estimated net cash flows are less than the carrying amount of such assets, the Company will recognize an impairment loss in an amount necessary to write down the assets to a fair value as determined from expected future discounted cash flows. At December 31, 2008 no impairment of assets is indicated.

***Tax Status***—The Company has received a determination letter from the Internal Revenue Service that it is a 501(a) exempt organization.

## 2. RELATED PARTY TRANSACTIONS

In 2000, the Company entered into an amended services agreement with the RPA. The amended services agreement terminated the existing services agreement and project coordination agreement and all existing obligations of the Company to the RPA. Consequently, the Company recorded $1,859,283 of contributed capital associated with the termination of its obligations to RPA, effective May 2000. In consideration of the Authority making project advances, the Company shall pay all of its available net proceeds to the Authority on an annual basis. Available net proceeds are defined as all funds but not including $1,000,000 in working capital, certain project advances, reserves and other funds relating to the Authority activities. With the sale of the Air Cargo Terminal buildings on July 31, 2007, the amended services agreement from 2000 was terminated. The Authority also provided administrative services to the Company (see Note 1). Those services were provided to the Company through October 31, 2007. A total of $0 and $63,280 were accrued and expensed for these services in 2008 and 2007, respectively.

## 3. INVESTMENT IN LIMITED LIABILITY CORPORATION (LLC)

In July 2001, the Company obtained a 50 percent ownership interest in an LLC by transferring 5.11 acres of land. At December 31, 2008 and 2007, the total amount invested was zero. Since the investment is zero, no loss was recognized in 2008. The Company may be required to make additional contributions to the LLC to satisfy working capital needs.

## 4. RENTAL INCOME

The Company leased space in its building to various tenants under non-cancelable operating leases which expired on various dates through April 2011. The leases generally provided for renewal options, reimbursement of certain operating costs and real estate taxes. These leases were terminated with the effective sale of the Air Cargo Terminal buildings on July 31, 2007.

CLARK SCHAEFER HACKETT
STRENGTH IN NUMBERS

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Directors
Franklin Community Improvement Corporation:

We have audited the financial statements of the Franklin Community Improvement Corporation (the "Company") as of and for the years ended December 31, 2008 and 2007 and have issued our report thereon dated May 12, 2009. 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 audit, we considered the Company's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

**Compliance And Other Matters**

As part of obtaining reasonable assurance about whether the Company'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 instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Directors, the Company's management, the Ohio Auditor of State and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
May 12, 2009

Mary Taylor, CPA
Auditor of State

**FRANKLIN 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**
**JUNE 4, 2009**