Big Walnut Area Community Improvement Corporation

Franklin County

Regular Audit

January 1, 2002 through December 31, 2003

Years Audited Under GAGAS: 2003 and 2002

BALESTRA, HARR & SCHERER CPAs, INC.
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Auditor of State
Betty Montgomery

Board of Trustees
Big Walnut Area Community Improvement Corporation
1611 Chillicothe Street
Obetz, Ohio 43207

We have reviewed the *Independent Auditor's Report* of the Big Walnut Area Community Improvement Corporation, Franklin County, prepared by Balestra, Harr & Scherer CPAs, Inc., for the audit period January 1, 2002 through December 31, 2003. 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 Area Community Improvement Corporation is responsible for compliance with these laws and regulations.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

June 21, 2005

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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, (the Organization), as of and for the years ended December 31, 2003 and 2002. These financial statements are the responsibility of the Organization'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 Organization, as of December 31, 2003 and 2002, 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 7, 2005, on our consideration of the Organization'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

Balestra, Harr & Scherer, CPAs, Inc.
June 7, 2005

Big Walnut Area Community Improvement Corporation

Statements of Financial Position

As of December 31, 2003 and 2002

	2003	2002
Assets:		
Cash	$38,818	$60,689
Accounts Receivable	12,090	16,120
Fixed Assets:		
Land	7,601,770	7,601,770
Land Improvement	28,975	28,975
Building	431,051	431,051
Total Fixed Assets	8,061,796	8,061,796
Less: Accumulated Depreciation	(262,859)	(217,822)
Total Fixed Assets, net	7,798,937	7,843,974
Total Assets	$7,849,845	$7,920,783
Liabilities		
Deferred Revenue	$704,445	$704,445
Notes Payable to Bank	6,296,344	6,296,344
Total Liabilities	7,000,789	7,000,789
Net Assets, Unrestricted	849,056	919,994
Total Liabilities and Net Assets	$7,849,845	$7,920,783

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, 2003 and 2002

	2003	2002
Unrestricted Net Assets		
Revenues:		
Rent Building	$28,210	$24,180
Rent Farmland	7,560	7,560
Interest Income	0	630
Program Fees	500	0
Total Revenues	36,270	32,370
Expenses:		
Professional Fees	36,547	33,197
Insurance	2,268	1,890
Management and General	23,356	28,636
Depreciation	45,037	45,037
Total Expenses	107,208	108,760
Total Decrease in Net Assets	(70,938)	(76,390)
Net Assets, Beginning Year (Restated - See Note 12)	919,994	996,384
Net Assets, End of Year	$849,056	$919,994

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, 2003 and 2002

	2003	2002
Cash Flows From Operating Activities		
Change in net assets	($70,938)	($76,390)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	45,037	45,037
Net changes in:		
Accounts receivable	4,030	1,524
Net cash provided by (used in) operating activities	(21,871)	(29,829)
Cash, Beginning of year	60,689	90,518
Cash, End of year	$38,818	$60,689

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

NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization and Activities

The Big Walnut Area Community Improvement Corporation (the Organization) 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 Organization 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 Organization 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 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. 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 Organization does not use fund accounting.

Credit Risk

The Organization maintains its cash balances in several types of financial accounts including checking, savings and money market accounts in one financial institution during 2003 and 2002. At December 31, 2003, and 2002, the Organization's carrying value of cash was $38,818 and $60,689, respectively. At December 31, 2003 and 2002, the Organization's bank balances were $43,863 and $62,150, respectively. The bank balances at December 31, 2003 and 2002, 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 life of the property.

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

Contributions

The Organization 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 released from restrictions.

The Organization did not receive any contributions in 2003 or 2002.

Income Tax Status

The Organization 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 Organization 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 Organization, 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 Organization did not sell any land during 2003 or 2002. The total number of acres available for sale (net of non-salable land) at December 31, 2003 and 2002, were approximately 202 and 202, respectively.

NOTE 3 – LAND LEASE

On April 30, 1997, the Organization 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 Organization 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.

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 Organization 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 Organization.

NOTE 4 – DEFERRED REVENUE

The initial rental fee on the land, funded by the developer, of $1,400,970 was reduced by the selling price of the first parcel of land $434,075. The rental fee on the lease is being recognized over the life of the lease as land is sold based on the number of acres of land being sold to the total number of acres of land available for sale. The Organization did not sell any land during 2003 and 2002 and, thus, no rental fee income or related reduction of deferred revenue was recognized for either of the years ended December 31, 2003 and 2002.

NOTE 5 – NOTES PAYABLE TO BANK

The Organization is obligated under a note payable to National City Bank for $7,500,000. The note requires payments of interest monthly during the term of the loan, which accrues at the bank's prime rate. The release price for parcels of land sold is 85% of the sales price or $37,500 per acre for industrial use, whichever is greater. The note matures in October 2006, under an extension from the financial institution in November 2003. The note is secured by a first mortgage lien on 331 acres of real property (Creekside) and a second mortgage on 100 acres of real property (Southpark). The loan is guaranteed by the land developer. The balances outstanding on this note payable at December 31, 2003 and 2002, were $4,340,438 and $4,340,438, respectively.

The Organization is obligated under a note payable to National City Bank for $2,500,000. The note requires payments of interest monthly during the term of the loan, which accrues at the bank's prime rate. The release price of parcels of land sold is $7,203 per acre for industrial use. The note matures in October 2006, under an extension from the financial institution in November 2003. The note is secured by a second mortgage on 277.5 acres of real property (Creekside). The loan is guaranteed by the developer and the State of Ohio. The balances outstanding on this note payable at December 31, 2003 and 2002, were $1,955,906 and $1,955,906, respectively.

NOTE 6 – CONTRIBUTED BUILDING

During 1998, as part of the lease with option to purchase agreement with the developer of the land, the Organization received a training facility building with a donated fair market value of $431,051. The Organization is responsible for paying for all utilities and other costs. The building is stated at cost. The Organization 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, 2003 and 2002, respectively.

NOTE 7 – LEASE COMMITMENT

The Organization 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 Organization to the Village of Obetz for $1.

NOTE 8 – BUILDING LEASE INCOME

On September 1, 1997, the Organization 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 Organization is required to pay for all maintenance, taxes, and certain insurance coverages. The lease provides for a fee to be paid to the Organization 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 $28,210 and $24,180 for the years ended December 31, 2003 and 2002, respectively.

NOTE 9 – FIXED ASSETS

During 2001, the Organization purchased a sign for its business park in the amount of $19,850 and installed an irrigation system for the soccer filed in the amount of $9,125. These assets are being depreciated over 15 years using the straight-line method. Depreciation expense was $1,932 and $1,932 for years ended December 31, 2003 and 2002, respectively.

NOTE 10 – LITIGATION

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

NOTE 11 – SUBSEQUENT EVENTS

In July 2004, the Organization conveyed approximately 218 acres of real property to Pizzuti Land LLC. In exchange for the conveyance of the real property, the Organization was granted the payoff of notes payable discussed in Note 5.

NOTE 12 – RESTATEMENT OF BALANCES

A restatement of net assets is necessary due to an error in the accounts receivable balance in the prior year. The restatement adjustment affects balances as follows:

Account Balances	As Reported, December 31, 2001	Restatement	As Restated, January 1, 2002
Accounts Receivable	$8,060	$9,584	$17,644
Net Assets	986,800	9,584	996,384

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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, (the Organization), as of and for the years ended December 31, 2003 and 2002, and have issued our report thereon dated June 7, 2005. 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 Organization'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 Organization'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 2003.01 and 2003.02.

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, we believe that none of the reportable conditions described above is a material weakness.

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*
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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization'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 Organization in a separate letter dated June 7, 2005.

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.

Balestra, Harr & Scherer

Balestra, Harr & Scherer, CPAs, Inc.
June 7, 2005

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

Finding Number 2003.01

Maintenance of Accounting System:
The Organization's accounting system has not been reconciled to prior year's audit report and therefore, ending balances are inaccurate and/or incomplete. By failing to maintain an accurate and complete accounting system, the Organization's officials are relying on misinformation for decision-making. The Organization 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 Organization 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.

Finding Number 2003.02

Maintenance of Financial Information:
The Organization failed to provide financial information upon request in several instances. The Organization's records should be made available with a reasonable period of time after a request is made. Failure to maintain records in a readily available fashion may result in lost information and is an inadequate audit trail. The Organization should review its procedures for preparing and maintaining financial information and make adjustments where necessary in order to provide both internal and external users with complete and timely access to records as needed.

Corrective Action Plan

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2003.01	The Treasurer shall reconcile accounting records with the audit report and ensure all balances are accurately reflected.	12/31/05	Donna Hubner, Treasurer
2003.02	The Treasurer will implement procedures for proper maintenance of records.	12/31/05	Donna Hubner, Treasurer

Auditor of State
Betty Montgomery

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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
JULY 5, 2005