Franklin Community Improvement Corporation

Financial Statements

Years Ended December 31, 2010 and 2009

with Independent Auditors' Report

CLARK SCHAEFER HACKETT
STRENGTH IN NUMBERS

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, 2009 through December 31, 2010. 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.

Dave Yost

Dave Yost
Auditor of State

May 23, 2011

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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, 2010 and 2009 and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express opinions on the 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 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 provide a reasonable basis for our opinions.

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, 2010 and 2009, 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.

As described in Note 3, the Company has approved a plan to dissolve on April 30, 2011. The financial statements do not include any adjustments that might result from the outcome from this dissolution.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 27, 2011 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
April 27, 2011

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FRANKLIN COMMUNITY IMPROVEMENT CORPORATION

BALANCE SHEETS
AS OF DECEMBER 31, 2010 AND 2009

	2010	2009
ASSETS		
CURRENT ASSETS:		
Cash	$ 169,069	$ 6,230
Escrow deposit	19,747	-
Prepaid expenses	2,008	2,008
Total current assets	190,824	8,238
PROPERTY:		
Land	-	640,803
TOTAL ASSETS	$ 190,824	$ 649,041
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable:		
Trade	$ 4,052	$ 4,054
Estimated costs to complete	50,000	229,780
Total accounts payable	54,052	233,834
Accrued liabilities	19,746	6,874
TOTAL LIABILITIES	73,798	240,708
UNRESTRICTED NET ASSETS	117,026	408,333
TOTAL LIABILITIES AND NET ASSETS	$ 190,824	$ 649,041

See notes to financial statements.

FRANKLIN COMMUNITY IMPROVEMENT CORPORATION

STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	2010	2009
REVENUES:		
Interest	15	98
Gain on sale of investment	70,000	-
Total revenues	70,015	98
EXPENSES:		
Loss on sale of land	261,023	-
Professional fees and charges	68,581	41,038
Real estate taxes	24,358	6,874
Repairs & maintenance	1,513	2,030
Insurance	4,816	4,954
Other	1,031	945
Total expenses	361,322	55,841
CHANGE IN NET ASSETS	(291,307)	(55,743)
UNRESTRICTED—NET ASSETS—Beginning of year	408,333	464,076
UNRESTRICTED—NET ASSETS—End of year	$ 117,026	$ 408,333

See notes to financial statements.

FRANKLIN COMMUNITY IMPROVEMENT CORPORATION

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	(291,307)	(55,743)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Gain on sale of investment	(70,000)	-
Loss on sale of land	261,023	-
Decrease in operating assets:		
Prepaids	-	137
Increase(Decrease) in operating liabilities:		
Accounts payable - trade	(2)	681
Accrued liabilities	12,872	(26,259)
Net cash used by operating activities	(87,414)	(81,184)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of land	200,000	-
Proceeds from sale of investments	70,000	-
Cash provided by investing activities	270,000	-
INCREASE/(DECREASE) IN CASH	182,586	(81,184)
CASH—Beginning of year	6,230	87,414
CASH—End of year	$ 188,816	$ 6,230

See notes to financial statements.

FRANKLIN COMMUNITY IMPROVEMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2010 AND 2009

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.

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, 2010 and 2009. For purposes of the statement of cash flows, cash and cash equivalents include time and demand deposits with maturities of three months or less.

Investment—The Company accounted for the investment in Note 2 using the equity method.

Description of Land Development Project—In June 1995, the Company purchased 244 acres of real estate located in the County. All but 16 acres were sold prior to 2009. No acreage was sold in 2009.

On September 22, 2010, the remaining 16 acres were sold. The details of the sale are as follows:

Sales proceeds	$ 200,000
Cost of Sale	(461,023)
Net loss on sale	($ 261,023)

Revenue Recognition—Sales of land revenue are recognized as acreage is sold based on contract price.

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, 2010 and 2009 are as follows:

	2010	2009
Land	$ 5,427,027	$ 5,427,027
Infrastructure costs	1,621,074	1,571,074
Exit fees	214,610	214,610
Professional fees	403,830	403,830
Interest	492,103	492,103
Real estate taxes	27,644	27,644
Amortization	9,937	9,937
Other carrying costs	620,875	620,875
Subtotal	8,817,100	8,767,100
Less accumulated costs of land sales	$ (8,817,100)	(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	$ 50,000	$ 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. The remaining $50,000 in estimated costs to complete represents the remaining costs to decommission a lift station.

Tax Status—The Company has received a determination letter from the Internal Revenue Service that it is a 501(c)(6) exempt organization.

2. 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. The total amount invested was zero. On May 4, 2010, the Company's ownership interest was sold back to the LLC for $70,000 and resulted in a gain on the sale of investment of $70,000.

3. EVALUATION OF SUBSEQUENT EVENTS

The Company discontinued operations as of April 30, 2011 and intends to file papers to dissolve in May 2011. The Company is anticipating that it will incur no revenues and approximately $41,000 in additional expenses from January through May 2011.

The Company plans to use the December 31, 2010 cash balance of $188,816 to pay off $73,798 in December 31, 2010 liabilities and $41,000 in additional fiscal year 2011 expenses. The estimated remaining cash ($74,018) will be distributed to Franklin County to be used for economic development activities in accordance with the Company's Articles of Incorporation.

CLARK SCHAEFER HACKETT
STRENGTH IN NUMBERS

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*

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, 2010 and 2009 and have issued our report thereon dated April 27, 2011 wherein we noted that the Company intends to dissolve the entity on April 30, 2011. 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.

<u>Internal Control Over Financial Reporting</u>

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 opinions 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 deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

<u>Compliance And Other Matters</u>

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 or other matters 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, and the Ohio Auditor of State and is not intended to be and should not be used by anyone other than these specified parties.

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
April 27, 2011

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 2, 2011