Franklin Community Improvement Corporation

Financial Statements for the Years Ended December 31, 2002 and 2001 and Independent Auditors' Report

Board of Directors
Franklin Community Improvement Corporation
Columbus, Ohio

We have reviewed the Independent Auditor's Report of the Franklin Community Improvement Corporation, Franklin County, prepared by Deloitte & Touche LLP, for the audit period January 1, 2002 through December 31, 2002. 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.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

June 4, 2003

This Page is Intentionally Left Blank.

Deloitte & Touche LLP
155 East Broad Street
Columbus, Ohio 43215-3611

Tel: (614) 221-1000
Fax: (614) 229-4647
www.deloitte.com

Deloitte & Touche

INDEPENDENT AUDITORS' REPORT

The Board of Directors of
Franklin Community Improvement Corporation

We have audited the accompanying balance sheets of Franklin Community Improvement Corporation (the "Company") as of December 31, 2002 and 2001, 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 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 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 audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2002 and 2001, and the results of its operations 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 April 24, 2003, on our consideration of the Company'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.

Deloitte & Touche LLP

April 24, 2003

This Page is Intentionally Left Blank.

FRANKLIN COMMUNITY IMPROVEMENT CORPORATION

BALANCE SHEETS
DECEMBER 31, 2002 AND 2001

ASSETS	2002	2001
CURRENT ASSETS:		
Cash and equivalents	$ 521,241	$ 854,753
Accounts receivable—trade	6,630	4,211
Current portion of note receivable	10,389	
Prepaid expenses	6,970	4,479
Investment	113,462	213,153
Total current assets	658,692	1,076,596
PROPERTY:		
Land	640,803	641,347
Buildings	6,112,894	6,033,431
Tenant improvements	1,967,330	1,667,737
Total	8,721,027	8,342,515
Less accumulated depreciation	1,292,598	780,745
Property—net	7,428,429	7,561,770
NOTE RECEIVABLE	92,527	
TOTAL ASSETS	$ 8,179,648	$ 8,638,366
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable:		
Trade	$ 212,186	$ 23,924
Retentions due to contractors	5,118	169,465
Estimated costs to complete	229,780	229,765
Total accounts payable	447,084	423,154
Accrued liabilities	175,368	136,721
Current portion of long-term debt	66,836	67,305
Total current liabilities	689,288	627,180
LONG-TERM PORTION OF DEBT	4,525,455	4,592,291
UNRESTRICTED—NET ASSETS	2,964,905	3,418,895
TOTAL LIABILITIES AND NET ASSETS	$ 8,179,648	$ 8,638,366

See notes to financial statements.

FRANKLIN COMMUNITY IMPROVEMENT CORPORATION

STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2002 AND 2001

	2002	2001
REVENUES:		
Sale of land	$ 1,029	$ 2,024,049
Ground and building rents	743,233	603,031
Interest	12,179	22,821
Other	127,453	110,286
Total revenues	883,894	2,760,187
EXPENSES:		
Cost of land sold	559	1,105,479
Interest	318,156	346,893
Overhead allocation	89,236	196,924
Sales commission	200	62,286
Depreciation	511,852	436,782
Real estate taxes	83,937	114,929
Professional fees and charges	60,689	84,619
Insurance	14,658	11,747
Loss on investment	99,691	
Other	158,906	109,761
Total expenses	1,337,884	2,469,420
CHANGE IN NET ASSETS	(453,990)	290,767
UNRESTRICTED—NET ASSETS—Beginning of year	3,418,895	3,128,128
UNRESTRICTED—NET ASSETS—End of year	$ 2,964,905	$ 3,418,895

See notes to financial statements.

FRANKLIN COMMUNITY IMPROVEMENT CORPORATION

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2002 AND 2001

	2002	2001
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ (453,990)	$ 290,767
Adjustments necessary to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	511,852	436,782
Loss on investment	99,691	
Net changes in:		
Accounts receivable—trade	(2,419)	(4,211)
Accounts receivable—affiliate		362,737
Prepaid expenses	(2,491)	(17)
Land	544	1,014,191
Note receivable	(102,916)	
Accounts payable—trade	188,262	(444,324)
Estimated costs to complete (included in land cost of sales and payables)	15	(160,712)
Accrued liabilities	38,647	(9,134)
Net cash provided by operating activities	277,195	1,486,079
CASH FLOWS FROM INVESTING ACTIVITIES:		
Additions to property	(543,405)	(1,439,101)
Purchase of investment		(4,823)
Net cash used in investing activities	(543,405)	(1,443,924)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from notes payable		321,030
Payments on notes payable	(67,302)	(86,845)
Net cash (used in) provided by financing activities	(67,302)	234,185
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(333,512)	276,340
CASH AND CASH EQUIVALENTS—Beginning of year	854,753	578,413
CASH AND CASH EQUIVALENTS—End of year	$ 521,241	$ 854,753
NON-CASH ITEMS:		
Additions to property included in retentions due subcontractors	$ 5,118	$ 169,465
Non-cash investment in exchange for land		$ 208,330
SUPPLEMENTAL DISCLOSURES—		
Cash paid for interest	$ 318,156	$ 349,077

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. The Company has a master Project Coordination Agreement with the Rickenbacker Port Authority ("RPA"). Under this agreement, RPA provides the Company with administrative services. The amount charged may be adjusted annually as required based on estimated actual costs incurred.

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 and Cash Equivalents—Cash consists of amounts on deposit at one bank at December 31, 2002 and 2001. 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 accounts for the investment in Note 5 using the equity method.

Description of Land Development Project—In June 1995, the Company purchased 244 acres of real estate located in Franklin County, Ohio. 0.01 acres were sold in 2002 and approximately 29 acres were sold in 2001. At December 31, 2002 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 Rickenbacker Port Authority. These properties are located in close proximity to the Rickenbacker International Airport and are located in Foreign Trade Zone #138. Through December 31, 2002 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 over the estimated useful lives of the assets. Buildings are depreciated over 40 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 $318,156 and $349,077 in 2002 and 2001, respectively, of which $0 and $2,184, respectively, were capitalized.

Retention Due to Subcontractors—Retentions due to subcontractors primarily include amounts due under construction contracts, totaling $5,118 and $169,465, at December 31, 2002 and 2001, respectively, which have been retained pending completion and acceptance of the work.

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, 2002 and 2001 are as follows:

	2002	2001
Land	$ 5,427,027	$ 5,427,027
Infrastructure costs	1,571,074	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	8,767,100	8,767,100
Less accumulated costs of land sales	(8,126,297)	(8,125,753)
Land costs at the end of year	$ 640,803	$ 641,347
Estimated costs to complete land sales—included in cost of land sales above	$ 229,780	$ 229,765

Recognition of Cost of Land Sold—The Company estimates total land development costs. These total estimated costs are divided by salable acreage to arrive at an estimated 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 estimated 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, 2002 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. NOTE RECEIVABLE

The Company provided tenant improvements and the lessee will pay additional base rent of $1,660 monthly beginning January 2003 until the improvements are paid in December 2009.

3. NOTES PAYABLE

Notes payable outstanding at December 31, 2002 and 2001 consist of the following:

	2002	2001
Mortgage loan with a bank bearing interest at 8.0% during the initial five years, which began May 1, 2000. Thereafter interest is adjusted to the weekly average of treasury securities plus 2-1/2%. The loan allows borrowing up to $2,800,000. Principal and interest are paid monthly with maturity in 2019, which is secured by real estate.	$2,628,204	$2,695,509
Construction mortgage loan with a bank for construction and development of an Air Cargo Terminal, bearing interest at prime during construction. Upon conversion at April 1, 2003, the loan bears interest at the one year LIBOR rate plus 2.25%. The loan allows borrowings up to $2,800,000 and matures in 60 months from the conversion date. Interest only is payable monthly during the construction loan period.	1,964,087	1,964,087
Total	$4,592,291	$4,659,596

Long-term debt matures as follows:

Year ending December 31	
2003	$ 66,836
2004	121,244
2005	152,279
2006	162,180
2007	172,795
Thereafter	3,916,957
Total	$4,592,291

4. 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 RPA. Consequently, the Company recorded $1,859,283 of contributed capital associated with this termination of obligations to RPA, effective May 2000. In consideration of RPA making project advances, the Company shall pay all of its available net proceeds to RPA 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 RPA activities. RPA also provides administrative services to the Company (see Note 1). A total of $120,818 and $170,089 were accrued and expensed for these services in 2002 and 2001, respectively.

5. INVESTMENT IN LIMITED LIABILITY CORPORATION (LLC)

In July 2001, the Company obtained a 50% ownership interest in an LLC by transferring 5.11 acres of land. At December 31, 2002, the total amount invested was $113,462. A loss of $99,691 was recognized for 2002 due to a net loss during the year by the LLC because of a decrease in rental activities.

6. RENTAL INCOME

The Company leases space in its building to various tenants under non-cancelable operating leases which expire on various dates through December 2007. The leases generally provide for renewal options, reimbursement of certain operating costs and real estate taxes.

Future minimum rentals to be received under existing noncancelable operating leases in effect as of December 31, 2002 are as follows:

Year Ending December 31	**Amount**
2003	$ 857,850
2004	850,547
2005	552,464
2006	333,380
2007	199,893
Total	$ 2,794,134

7. SUBSEQUENT EVENT

The County of Franklin, Ohio (the “County”) Board of Commissioners approached the Mayor and officials of the City of Columbus, Ohio (the “City”) with the idea of creating one port authority, in the summer of 2001 to oversee the airports currently managed by the Columbus Municipal Airport Authority (“CMAA”) and the Rickenbacker Port Authority (“RPA”). The County and the City formed a Regional Port Authority Study Committee (“RPASC”) to evaluate the structure of the current central Ohio port authorities and explore the possibilities of creating a single, regional authority.

On December 12, 2002 the City, the CMAA and the County entered into a Port Authority Consolidation and Joinder Agreement (“Agreement”) with an effective date of January 1, 2003. The surviving authority was renamed the Columbus Regional Airport Authority (“CRAA”). The Agreement provided for the ultimate transfer of all RPA’s rights, title and interest in all assets and liabilities to the CRAA.

The administrative services that were previously provided under the master project coordination agreement with the RPA will be provided by the CRAA as the surviving entity beginning on January 1, 2003.

* * * * * *

Deloitte & Touche LLP
155 East Broad Street
Columbus, Ohio 43215-3611

Tel: (614) 221-1000
Fax: (614) 229-4647
www.deloitte.com

Deloitte & Touche

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors of
Franklin Community Improvement Corporation
Columbus, Ohio

We have audited the financial statements of the Franklin Community Improvement Corporation (the "Company") as of and for the year ended December 31, 2002 and 2001, and have issued our report thereon dated April 24, 2003. 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 Company'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 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*.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered the Company'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 and its operation that we have reported to management of the Company in a separate letter dated April 24, 2003.

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

Deloitte & Touche LLP

April 24, 2003

Auditor of State
Betty Montgomery

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

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 17, 2003