AUDIT REPORT

Central Ohio Community Improvement Corporation

Franklin County

Report on Audited Financial Statements

For the Years Ended December 31, 2013 and 2012

PARMS + COMPANY

Dave Yost · Auditor of State

Board of Directors
Central Ohio Community Improvement Corporation
373 S. High St, 15th Fl.
Columbus, OH 43215

We have reviewed the *Independent Auditors' Report* of the Central Ohio Community Improvement Corporation, Franklin County, prepared by Parms & Company, LLC, for the audit period January 1, 2013 through December 31, 2013. 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 Central Ohio Community Improvement Corporation is responsible for compliance with these laws and regulations.

Dave Yost
Auditor of State

August 28, 2014

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CENTRAL OHIO COMMUNITY IMPROVEMENT CORPORATION
FRANKLIN COUNTY

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PARMS
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ACCOUNTANTS + CONSULTANTS

585 South Front Street
Suite 220
Columbus, Ohio 43215

INDEPENDENT AUDITORS' REPORT

Board of Directors
Central Ohio Community Improvement Corporation

We have audited the accompanying financial statements of Central Ohio Community Improvement Corporation, Franklin County (COCIC), as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the COCIC's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of COCIC as of December 31, 2013 and 2012, and the respective changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards* we have also issued our report dated July 31, 2014, on our consideration of the COCIC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants 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* in considering the COCIC's internal control over financial reporting and compliance.

Parms & Company, LLC

Columbus, Ohio
July 31, 2014

CENTRAL OHIO COMMUNITY IMPROVEMENT CORPORATION
FRANKLIN COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

This discussion and analysis, along with the accompanying financial report, of the Central Ohio Community Improvement Corporation ("COCIC") is designed to provide our Board Members, creditors and other interested parties with a general overview of COCIC and its financial activities.

FINANCIAL HIGHLIGHTS – 2013

The total assets of COCIC at the end of 2013 were $6,968,202, which is a 78.5% increase from 2012. The cash position of COCIC increased from $164,572 at the end of 2012 to $2,664,824 at the end of 2013 due to a full year of additional revenue sources in 2013 of Delinquent Tax and Assessment Collection (DTAC) from Franklin County and grant receipts from Ohio's Attorney General's office. Operating revenues increased by $6,688,351 and operating expenses increased $4,209,277 while non-operating revenues decreased by $7,298 from 2012. Operating activities yielded a net increase in cash flow of $2,632,315, which was predominantly due to the increase in DTAC funds.

FINANCIAL HIGHLIGHTS – 2012

The total assets of COCIC at the end of 2012 were $3,902,428, which is a 2% decrease from the end of 2011. The cash position of COCIC decreased from $184,521 at the end of 2011 to $164,572 at the end of 2012 because of a reduction in income from 2011. Operating activities yielded a net decrease in cash flow of $173,571, which was predominantly due to payments against related landfill closure costs during the year that totaled $187,279. Though this was offset by non-operating cash flows of $50,000 in subsidies and a net increase in capital related financing cash flows of $101,652 during the year. COCIC drew down more money on the VRG loans in FY12 and the other long-term debt items started having payments due during the year. Operating revenues increased by $63,364 while non-operating revenues decreased by $103,742 from 2011.

NET POSITION COMPARISON

Table 1 summarizes the Comparison of the net position of COCIC.

	2013	2012	2011
Assets			
Current Assets	$ 3,328,396	$ 191,608	$ 217,035
Total Noncurrent Assets	3,639,806	3,710,820	3,766,125
Total Assets	6,968,202	3,902,428	3,983,160
Liabilities			
Current Liabilities	1,086,314	311,355	270,324
Long-Term Liabilities	5,215,334	5,432,455	5,590,646
Total Liabilities	6,301,648	5,743,810	5,860,970
Total Net Position/(Deficit)	$ 666,554	$ (1,841,382)	$ (1,877,810)

The increase in current liabilities was due to current payables of $865,364 mostly from demolition costs of blighted properties during the end of 2013 and paid in the beginning of 2014. Also, the principal portion of the bond payment due to Franklin County increased 100% from a quarterly principal amount of $11,607 in 2013 to $23,214 in 2014.

STATEMENTS OF REVENUES, EXPENSES AND CHANGE IN NET POSITION

Table 2 summarizes the Statements of Revenues, Expenses and Change in Net Position.

	2013	2012	2011
Operating Revenues			
Total Operating Revenues	$ 6,871,351	$ 183,000	$ 119,636
Operating Expenses			
Total Operating Expenses	4,340,536	131,259	225,116
Operating Income/(Loss)	2,530,815	51,741	(105,480)
Non-Operating Revenues			
Total Non-Operating Revenues	(10,633)	(3,335)	100,407
Non-Operating Expenses			
Total Non-Operating Expenses	12,246	11,978	12,454
Change in Net Position	2,507,936	36,428	(17,527)
Net Assets Beginning of Year	(1,841,382)	(1,877,810)	(1,860,283)
Net Assets End of Year	$ 666,554	$ (1,841,382)	$ (1,877,810)

The Operating Revenues increased in 2013 due to the receipt of $3,600,000 of DTAC funds and $2,979,792 from Ohio's Attorney General Grant.

Because of the new line of business as the Franklin County's land reutilization corporation, operating expenses all changed with demolition and remediation expenses incurred of $3,844,053 and employment related expenses, insurance expenses, legal and professional expenses and office expenses increasing significantly.

The decrease in Non-Operating Revenues was largely due to the joint venture loss on investment which was a loss of $71,014 in 2013 and $55,305 in 2012.

STATEMENTS OF CASH FLOWS

Table 3 summarizes the Cash Flows of COCIC.

	2013	2012	2011
Change in Cash and cash equivalents			
Net Cash Provided by (Used for) Operating Activities	$ 2,632,315	$ (173,571)	$ (157,261)
Net Cash Provided by Non-Capital Financing Activities	60,381	51,970	153,073
Net Cash Provided by (Used for) Capital and Related Financing Activities	(192,444)	101,652	125,405
Net Cash Used for Investing Activities	-	-	(356,000)
Net Change in Cash and Cash Equivalents	$ 2,500,252	$ (19,949)	$ (234,783)

In 2013, the Net Cash Provided by Operating Activities increased mostly due to the substantial inflow dollars of DTAC funds.

In 2012, the Net Cash Used for Operating Activities was achieved mostly by an operating gain offset by larger decreases in prepaid items, real estate taxes payable, accounts payable and the decrease in landfill liabilities.

CAPITAL ASSETS

Table 4 summarizes the Capital Assets of COCIC.

	2013	2012	2011
Land	$ 1,031,249	$ 1,031,249	$ 1,031,249
Building	81,400	81,400	81,400
Golf Course Project Cost- Construction	2,350,142	2,350,142	2,350,142
Total Capital Assets	$ 3,462,791	$ 3,462,791	$ 3,462,791

DEBT

Table 5 summarizes the debt of COCIC.

	2013	2012	2011
Landfill Closure and Post Closure Care	$ 2,277,839	$ 2,384,426	$ 2,525,585
Value Recovery Group II - Loan	56,973	62,535	15,000
Franklin County	2,530,356	2,565,178	2,600,000
Economic Development Term Loan	193,751	197,322	200,000
Advance from Franklin County	-	120,000	-
Franklin County Growth Fund	377,365	393,608	410,013
Total Debt	$ 5,436,284	$ 5,723,069	$ 5,750,598

COCIC decreased debt in 2013 by loan repayments and reductions for landfill closure and post closure care expenditures incurred.

BUDGET

Pursuant to the Board financial policies, COCIC prepares and adopts an annual budget which includes estimated revenues and expenditures for the fiscal year and a forecast of revenues and expenditures. COCIC will from time to time adopt budget revisions as necessary but required by law.

CONTACT INFORMATION

Questions regarding this report and requests for additional information should be forwarded to President, Central Ohio Community Improvement Corporation, 373 South High Street, 15th Fl., Columbus, Ohio 43215.

CENTRAL OHIO COMMUNITY IMPROVEMENT CORPORATION
FRANKLIN COUNTY

STATEMENTS OF NET POSITION
AS OF DECEMBER 31, 2013 AND 2012

	2013	2012
ASSETS		
Current Assets		
Cash and Cash Equivalents	$ 2,664,824	$ 164,572
Grant Receivables	646,683	-
Prepaids and Other Assets	16,889	27,036
Total Current Assets	3,328,396	191,608
Noncurrent Assets:		
Capital Assets:		
Land	1,031,249	1,031,249
Building	81,400	81,400
Golf Course Project Cost - CIP	2,350,142	2,350,142
Total Capital Assets	3,462,791	3,462,791
Investment in Joint Venture	177,015	248,029
Total Noncurrent Assets	3,639,806	3,710,820
TOTAL ASSETS	**6,968,202**	**3,902,428**
LIABILITIES		
Current Liabilities:		
Accounts Payable	404,460	20,741
Accrued Liabilities	460,904	-
Advance from Franklin County	-	120,000
Landfill Closure and Post Closure Care Liability- Current Portion	91,114	91,709
Notes Payable- Current Portion	129,836	78,905
Total Current Liabilities	1,086,314	311,355
Long-Term Liabilities		
Landfill Closure and Post Closure Care Liability	2,186,725	2,292,717
Notes Payable- Non Current Portion	3,028,609	3,139,738
Total Long-Term Liabilities	5,215,334	5,432,455
TOTAL LIABILITIES	**6,301,648**	**5,743,810**
NET POSITION		
Net Investment in Capital Assets	481,361	492,177
Unrestricted (Deficit)	185,193	(2,333,559)
TOTAL NET POSITION/(DEFICIT)	**$ 666,554**	**$ (1,841,382)**

See accompanying notes to the basic financial statements.

CENTRAL OHIO COMMUNITY IMPROVEMENT CORPORATION
FRANKLIN COUNTY

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	2013	2012
Operating Revenues		
Service Income	$ 32,528	$ 33,000
Rent Income	125,000	100,000
Delinquent Tax Assessment & Collection Income	3,600,000	50,000
Grant Revenues	3,113,823	-
Total Operating Revenues	6,871,351	183,000
Operating Expenses		
Payroll and Consulting Expense	303,511	67,535
Demolition and Remediation	3,844,053	-
Bank Charges	115	115
Insurance Expense	31,287	12,108
Legal and Professional Expense	101,579	15,580
Maintenance and Repairs Expense	-	700
Meeting Expense	1,771	746
Utilities Expense	9,358	9,895
Office Expenses	45,560	21,437
Postage and Freight Expense	101	113
Real Estate Taxes Expense	908	837
Other Expense	2,293	2,193
Total Operating Expenses	4,340,536	131,259
Operating Income	**2,530,815**	**51,741**
Non-Operating Revenue		
Loss on Investment	(71,014)	(55,305)
Subsidies	50,000	50,000
Interest	323	244
Other Income	10,058	1,726
Total Non-Operating Revenue	(10,633)	(3,335)
Non-Operating Expenses		
Interest	12,246	11,978
Total Non-Operating Expenses	12,246	11,978
Change in Net Position	**2,507,936**	**36,428**
Net Position, Beginning of Year	**(1,841,382)**	**(1,877,810)**
Net Position, End of Year	**$ 666,554**	**$ (1,841,382)**

See accompanying notes to the basic financial statements.

CENTRAL OHIO COMMUNITY IMPROVEMENT CORPORATION
FRANKLIN COUNTY

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	2013	2012
Cash Flows from Operating Activities		
Service Income	$ 32,528	$ 33,000
Rental Proceeds and Fees	125,000	100,000
Delinquent Tax Assessment & Collection Income	3,600,000	50,000
Grant Receipts	2,467,141	-
Payroll and Consulting	(296,839)	(71,968)
Demolition and Remediation Expense	(2,986,968)	-
Bank Charges	(115)	(115)
Insurance Expense	(21,141)	(6,085)
Legal and Professional Expense	(102,050)	(14,256)
Maintenance and Repairs Expense	-	(700)
Meeting Expense	(1,771)	(746)
Settlement Costs	-	(13,750)
Utilities Expense	(9,360)	(11,043)
Office Expenses	(46,195)	(21,437)
Postage and Freight Expense	(101)	(113)
Real Estate Taxes Expense	(908)	(28,540)
Landfill Closure Expense	(123,063)	(187,279)
Other Operating Payments	(3,842)	(539)
Net Cash Provided By/(Used In) Operating Activities	2,632,315	(173,571)
Cash Flows from Non-Capital Financing Activities		
Proceeds from Subsidies	50,000	50,000
Interest	323	244
Other Income	10,058	1,726
Net Cash Provided By Non-Capital Financing Activities	60,381	51,970
Cash Flows from Capital and Related Financing Activities		
Principal Paid on Debt	(180,198)	(53,905)
Proceeds from Notes Payable	-	167,535
Interest Paid on Capital Related Debt	(12,246)	(11,978)
Net Cash (Used In)/Provided By Capital and Related Financing Activities	(192,444)	101,652
Net Change in Cash and Cash Equivalents	**2,500,252**	**(19,949)**
Cash and Cash Equivalents Beginning of Year	**164,572**	**184,521**
Cash and Cash Equivalents End of Year	**$ 2,664,824**	**$ 164,572**

See accompanying notes to the basic financial statements.

CENTRAL OHIO COMMUNITY IMPROVEMENT CORPORATION
FRANKLIN COUNTY

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(continued)

Reconciliation of Operating Income/(Loss) to Net Cash Used for Operating Activities

	2013	2012
Operating Income	$ 2,530,815	$ 51,741
(Increase) decrease in assets:		
Grant receivables	(646,683)	-
Prepaid items	10,147	5,478
Increase (decrease) in liabilities:		
RE Taxes Payable	-	(27,703)
Accounts Payable	383,719	(48,074)
Accrued liabilities	460,904	(13,854)
Landfill Closure and Post Closure Care Liability	(106,587)	(141,159)
Net Cash Used for Operating Activities	**$ 2,632,315**	**$ (173,571)**

See accompanying notes to the basic financial statements.

NOTE 1 – DESCRIPTION OF REPORTING ENTITY

The Central Ohio Community Improvement Corporation (COCIC) is a nonprofit corporation established on May 9, 2005 pursuant to Ohio Revised Code Chapter 1724 to assist in economic development of nonproductive and distressed properties in Franklin County. It was reconstituted on March 25, 2012 as the land reutilization corporation for Franklin County under Ohio Revised Code Chapters 1724 and 5722. A nine member Board of Directors has been established for oversight of the operations. The Franklin County Commissioners and the Franklin County Treasurer are members of the Board, as well as five other members appointed by the Commissioners and Treasurer. The COCIC's management believes the financial statements present all activities for which the COCIC is financially accountable.

Reporting Entity

The reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements of COCIC are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from COCIC. For COCIC, there are no other boards and agencies other than COCIC. Component units are legally separate organizations for which COCIC is financially accountable. COCIC is financially accountable for an organization if COCIC appoints a voting majority of the organization's governing board and (1) COCIC is able to significantly influence the programs or services performed or provided by the organization; or (2)(a) COCIC is legally entitled to or can otherwise access the organization's resources; (b) COCIC is legally obligated to or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (c) COCIC is obligated for the debt of the organization. Component units may also include organizations for which COCIC approves the budget, the issuance of debt or levying of taxes. The Poindexter Community Renaissance LLC is a blended component unit of COCIC. It is dormant.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

COCIC's basic financial statements consist of a statement of net position, a statement of revenues, expenses, and changes in net position, and a statement of cash flows. The financial statements of COCIC have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB). COCIC uses enterprise fund accounting to maintain its financial records during the fiscal year. Enterprise fund accounting focuses on the determination of operating income, changes in net position, financial position and cash flows. Net Position is comprised of unrestricted components. Operating statements present increases (e.g. revenues) and decreases (e.g. expenses) in net position.

Basis of Presentation

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements and measurement focus relates to the timing of the measurements made.

COCIC uses enterprise accounting to maintain its financial records during the year. Enterprise reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows. Enterprise accounting is used to account for any activity for which a fee is charged to external users for goods or services.

Measurement Focus and Basis of Accounting

COCIC's operations are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation are included on the statement of net position. The operating statement presents increases (i.e. revenues) and decreases (i.e. expenses) in net position.

Accounting Pronouncements

In 2013, GASB issued Statement No. 69, Government Combinations and Disposals of Government Operations, Statement No. 70 Accounting and Financial Reporting for Nonexchange Financial Guarantees and Statement No. 71 Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68, which are effective no earlier than reporting periods beginning after June 15, 2013. COCIC has determined that GASB Statements No. 69, 70 and 71 have no material impact on its financial statements as of December 31, 2013.

Use of Estimates

The preparation of financial statements in conformity 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 reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Net Position

Net position represents the difference between assets and liabilities. Net position is reported as restricted when there are limitations imposed on their use either through enabling legislation adopted by the Organization or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. COCIC first applies restricted resources when an expense is incurred for which both restricted and unrestricted net position are available. There was no restricted net position for the years ended December 31, 2013 and 2012.

Cash and Cash Equivalents
Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Grants Receivable
Expenses incurred during the year that will be reimbursed in future years are recognized as revenue and receivables in the year the expense is incurred.

Prepaid Expenses
Payments made to vendors for services that will benefit periods beyond the current fiscal year, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed.

Capital Assets
Capital assets are capitalized at cost and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market value as of the date received. COCIC has not established a capitalization threshold and currently owns no depreciable assets.

Accrued Liabilities and Notes Long-Term Obligations
All payables and other accrued liabilities are reported on the statement of net position.

Capitalization of Land Development Costs
Land and development costs are generally capitalized at the time development begins based on actual costs incurred.

Operating Revenues and Expenses
Operating revenues are those revenues that are generated directly from the primary activity of the COCIC. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the COCIC. All revenues and expenses not meeting this definition are reported as non-operating.

Capital Contributions
Contributions of capital in proprietary fund financial statements arise from outside contributions of capital assets or from grants or outside contributions of resources restricted to capital acquisition and construction.

Income Taxes
COCIC was formed as a nonprofit organization and was then determined by the IRS as exempt from federal income taxes under Section 501(c)(4) of the Internal Revenue Code. When COCIC was reconstituted as the Franklin County land reutilization corporation, it became exempt under Section 115(1) of the Internal Revenue Code.

Uncertain Tax Positions

COCIC adopted the provisions of Accounting for Uncertainty in Income Taxes on January 1, 2009. Those provisions clarify the accounting and recognition for income tax positions taken or expected to be taken in COCIC's income tax returns. COCIC's income tax filings are subject to audit by various taxing authorities. In evaluating COCIC's tax provisions and accruals, future taxable income, and the reversal of temporary differences, interpretations and tax planning strategists are considered. COCIC has analyzed the tax positions taken and believes there are no uncertain positions taken or expected to be taken that would require recognition of a liability or an asset. COCIC believes it is no longer subject to income tax examinations for years prior to 2010.

NOTE 3 - CASH

The COCIC maintains its cash balance in checking accounts. At December 31, 2013 and 2012, the COCIC's carrying values of cash were $2,664,824 and $164,572, respectively. At December 31, 2013 and 2012, the COCIC's bank balances, which were held by two different financial institutions, were $3,030,060 and $164,572, respectively. Based on the criteria described in GASB Statement No. 40, *Deposits and Investment Risk Disclosure*, of the December 31, 2013 and 2012 bank balances, no cash balances were exposed to custodial credit risk as discussed below, while $250,000 per bank was covered by the Federal Depository Insurance Corporation, remaining balances were collateralized with government securities.

Custodial Credit Risk is the risk that in the event of bank failure, the COCIC's deposits may not be returned. The COCIC has no policy regarding custodial credit risk. In addition, state law does not require security for public deposits and investments to be maintained in the COCIC's name.

NOTE 4 – INVESTMENTS

The fair value of investments as of December 31, 2013 and 2012 are summarized as follows:

	2013	2012
Investment in Joint Venture	$ 177,015	$ 248,029

In March 2011, COCIC entered into an agreement with Depot Golf Center, LLC to place $356,000 on deposit for Depot Golf Center's construction of the clubhouse. In return, COCIC obtained an 11% equity interest in Depot Golf Center. COCIC would classify this as a long-term asset given its nature and intent. Total realized and unrealized losses for the year ended December 31, 2013 and 2012 were $71,014 and $55,305.

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the years ended December 31, 2013 and 2012, was as follows:

	1/1/2013	Additions	Deductions	12/31/2013
Capital assets:				
Land (Landfill)	$ 1,031,249	-	-	$ 1,031,249
Other Land	81,400	-	-	81,400
Projects Costs- Landfill	606,785	-	-	606,785
Golf Course Project Cost- Construction	1,743,357	-	-	1,743,357
Total Capital Assets	$ 3,462,791	-	-	$ 3,462,791

	1/1/2012	Additions	Deductions	12/31/2012
Capital assets:				
Land (Landfill)	$ 1,031,249	-	-	$ 1,031,249
Other Land	81,400	-	-	81,400
Projects Costs- Landfill	606,785	-	-	606,785
Golf Course Project Cost- Construction	1,743,357	-	-	1,743,357
Total Capital Assets	$ 3,462,791	-	-	$ 3,462,791

NOTE 6 – TRANSACTIONS WITH OTHER ENTITIES

On June 28, 2007, COCIC entered into a 20 year ground lease with Tartan Fields Golf Club LLC for the purposes of managing the construction of a golf facility and operating the golf facility for a twenty year period. The ground lease was revised in September 2009 with purchase option and terms being changed. A second revision was made in March 2011 with the lease terms and base rent terms being adjusted.

On December 27, 2007, COCIC sold 126.8218 acres to Value Recovery Group II for $403,053 in cash, an assumption by VRG II of outstanding COCIC debts of $7,787,846 and 5% of the net proceeds from VRG's subsequent sale of any of that acreage. COCIC received $22,250 in 2013 from a property sale under this agreement and there were zero property sales in 2012. COCIC is working with VRG II to restructure current agreements and contracts.

NOTE 7 – NOTES PAYABLE

Notes payable for the year ended December 31, 2013 and 2012, are summarized below.

2013	Amount Outstanding 12/31/2012	Additions	Deletions	Amount Outstanding 12/31/2013	Amounts Due in One Year
Franklin County	$ 2,565,178	-	(34,822)	$ 2,530,356	$ 104,464
Development Term Loan	197,322	-	(3,571)	193,751	8,036
VRG II Loan	62,535	-	(5,562)	56,973	-
FC Growth Fund	393,608	-	(16,243)	377,365	17,336
Total Notes Payable	$ 3,218,643	-	(60,198)	$ 3,158,445	$ 129,836

2012	Amount Outstanding 12/31/2011	Additions	Deletions	Amount Outstanding 12/31/2012	Amounts Due in One Year
Franklin County	$ 2,600,000	-	(34,822)	$ 2,565,178	$ 58,036
Development Term Loan	200,000	-	(2,678)	197,322	4,464
VRG II Loan	15,000	47,535	-	62,535	-
FC Growth Fund	410,013	-	(16,405)	393,608	16,405
Total Notes Payable	$ 3,225,013	47,535	(53,905)	$ 3,218,643	$ 78,905

In September 2009, COCIC received a loan from the Franklin County Growth Fund of $420,000 for 6 years at 3% with an amortization of 20 years for the construction of a Clubhouse for the Central Park golf course. All $420,000 of that loan has been funded to date plus an additional $8,814 in interest was added to principal. The balance at December 31, 2013, was $377,365.

In December 2009, COCIC received additional working capital from the sale of a $2,600,000, 30 year, 0%, Ohio Air Quality Development Authority Bond which was purchased by the Community Improvement Corporation of Gahanna and immediately assigned to Franklin County. $150,000 of the proceeds was deposited in an account at Heartland Bank to secure the repayment of the Bond. COCIC is responsible for the debt service on this Bond. The balance at December 31, 2013 was $2,530,356.

In the same transaction, COCIC received a loan from Franklin County of $200,000 for working capital, also for 30 years at 0% interest. In April 2011, COCIC signed amendments for both the bond and loan to extend the first payment date to March 2012, thus increasing the maturity date one year to 2040. The balance at December 31, 2013 was $193,751.

NOTE 7 – NOTES PAYABLE - (Continued)

On January 1, 2011 COCIC entered into a promissory note agreement in the amount of $125,000 with Value Recovery Group II, LLC. The maturity date for the loan is December 31, 2020. Any amount unpaid as of the due date shall bear interest at the Wall Street Journal Prime Rate. The amount of drawdowns may not exceed the sum of $45,000 through January 31, 2012, $40,000 from February 1, 2012 through December 31, 2012 and $40,000 in 2013. As of December 31, 2013 and 2012, COCIC had drawn $62,535, of which $5,562 in payments were made in 2013 leaving a balance of $56,973.

In a subsequent agreement on February 24, 2012, COCIC agreed to execute a Note memorializing this transaction which provided for repayment on the same terms except that repayment will be 25% of the 5% that COCIC receives from any VRG II sales through December 31, 2014 and 50% on sales thereafter. COCIC is working with VRG II to restructure the terms of the outstanding note.

NOTE 8 – ADVANCE FROM FRANKLIN COUNTY

On May 22, 2012, COCIC received a short-term loan of $120,000, with no interest, from Franklin County's DTAC fund to assist with its start-up expenses as a county reutilization corporation. As of December 31, 2012, COCIC's balance on the loan was $120,000. The balance was paid in full on January 18, 2013.

NOTE 9 – LANDFILL CLOSURE COSTS AND CHANGE IN ESTIMATE

State and federal laws and regulations require COCIC to place a final cover on its Bedford Landfill and to perform certain maintenance and monitoring functions at the site for thirty years after closure. The Bedford Landfill was officially closed June 13, 2008. As of December 31, 2013 and 2012, the book value of the landfill, excluding the related closure and post closure liability is $1,031,249.

The $2,277,839 and $2,384,426 reported as landfill closure and postclosure care liability at December 31, 2013 and 2012, respectively, represents the remaining estimated cost of closure and postclosure care. The remaining balance of the liability will be obtained from revenue from the sale of methane gas, the lease of the golf facility, including percentage rent from any income earned by Tartan on the course or clubhouse, the 5% payments on the sale of VRG real estate and deed restrictions which provide annual assessments on all property sold by VRG to be paid to COCIC. Total expenditures in 2013 and 2012 for this liability were $123,063 and $187,279, respectively.

NOTE 9 – LANDFILL CLOSURE COSTS AND CHANGE IN ESTIMATE – (Continued)

COCIC is required by state and federal laws and regulations to maintain a trust to finance closure and postclosure care. Although COCIC did not establish a trust, they performed alternative actions approved by the Ohio EPA Director to satisfy the requirements. The city of Gahanna is required to pay up to $50,000 per year to COCIC to cover any shortfall.

NOTE 10 – CANAL WINCHESTER/PARKER MARATHON REMEDIATION

On October 21, 2013, COCIC entered into an agreement with the United States Environmental Protection Agency (EPA) and the Ohio Development Services Agency (DSA) for the petroleum remediation cleanup of the Canal Winchester Parker Marathon property. The cleanup work was performed in the fourth quarter of 2013 with costs for the remediation of $268,064. The EPA agreed to provide COCIC with a grant in the amount of $134,032 to cover one half of the expense. The DSA agreed to provide a loan in the amount of $134,032 to cover the remaining costs. The terms of the loan was zero percent interest rate with semi-annual payments of $22,339 beginning March 2015. The grant and loan proceeds were received in April 2014 with the liability for the remediation costs paid in the same month.

NOTE 11 – RISK MANAGEMENT

Commercial Insurance
COCIC has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Vehicles
- Environmental Insurance
- Directors and Officers Insurance

NOTE 12 – SETTLEMENT EXPENSES

On January 5, 2007, COCIC entered into a settlement agreement with SBM, Inc. regarding their legal challenge of the landfill foreclosure sale. As of November 4, 2009, the dispute was settled for $275,000. Accordingly, in 2009, COCIC recorded $275,000 in settlement costs. In 2009, COCIC made a $250,000 payment to SBM, Inc. toward the settlement of this liability. Additionally, COCIC agreed to make two $12,500 payments in November 2011 and 2012 including interest at a rate of 5%. In October 2012, COCIC paid off the liability in full.

NOTE 13 – LEASE-PURCHASE AGREEMENT

In October 2011, COCIC entered into a 20-month flare lease-purchase agreement for operating and maintenance expenses, installation costs, and general rent of the flare system installed. The monthly rental rate is $4,842 for the utility flare system that maintains a purchase price of $77,470. The 20-month lease agreement is effective from the date of shipment. The flare was ultimately shipped in March 2012. During 2013, the majority of payments had been made by COCIC in regards to the agreement. In January 2014, a final partial payment was made to finish the lease. COCIC applied the payments to reduce the landfill closure and post closure care liability.

NOTE 14 – CONTINGENT LIABILITIES

Grants

Amounts grantor agencies pay to the COCIC are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow.

NOTE 15 – SUBSEQUENT EVENTS

Management has performed an analysis of the activities and transactions subsequent to December 31, 2013 to determine the need for any adjustments to or disclosures within the audited financial statements for the year ended December 31, 2013. Management has performed this analysis through July 31, 2014, the date the financial statements were available to be issued.

PARMS + COMPANY

ACCOUNTANTS + CONSULTANTS

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INDEPENDENT AUDITOR'S 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 Board of Trustees
Central Ohio Community Improvement Corporation

We have audited, in accordance with the 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, the financial statements of Central Ohio Community Improvement Corporation, Franklin County Ohio (COCIC), which comprise the statements of net position as of December 31, 2013 and 2012, and the related statements of revenues, expenses and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements which collectively comprise COCIC's basic financial statements, and have issued our report thereon dated July 31, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered COCIC's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of COCIC's internal control. Accordingly, we do not express an opinion on the effectiveness of COCIC's internal control.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs, number 2013-1, that we consider to be a significant deficiency.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether COCIC's financial statements are free from 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Parms & Company, LLC

Columbus, Ohio
July 31, 2014

INTERNAL CONTROL FINDINGS

Findings Reference Number: 2013-1

SIGNIFICANT AUDIT ADJUSTMENTS – SIGNIFICANT DEFICIENCY

Criteria

Internal control is a process affected by those charged with governance, management, and other personnel designed to provide reasonable assurance about the achievement of the entity's objectives. These objectives fall into three categories: financial reporting, operations and compliance with laws and regulation.

A key objective of the internal control relates to insuring an effective accounting and financial reporting system exist which would result in the preparation of reliable financial statements.

The Statements on Auditing Standards has determined that the identification by the auditor of a material misstatement in the financial statements for the period under audit that is not initially identified by the entity's internal control represents at least a significant deficiency and possibly a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Condition

We noted that COCIC's internal controls over accounting were not effective enough during 2013 to prevent the need for significant audit adjustments for accruals relating primarily to exchange transactions.

Cause

The central cause for the accounting and report problems experienced by COCIC is that COCIC did not have proper cut-off procedures in place to record accruals at the correct and complete gross amount program-related grants. While there could have been other contributing factors, the fiscal department was unable to capture the accurate amount of accruals relating to exchange transactions. Consequently, our audit procedures revealed the need for adjustments to the financial statements.

Effects

The effect of the inadequate controls in the finance department prevented COCIC from avoiding the need to make accounting adjustments during the audit process that resulted in a material errors or misstatements.

Recommendation

Management needs to improve its review and accounting of exchange transactions to ensure all amounts are accounted for and at the proper gross amount. The audit adjustments were needed as a result of management not capturing the full effect of the transaction during the fiscal year. To help prevent this from occurring in the future, the fiscal office may want to conduct additional review and management oversight of more complex exchange transactions during the fiscal year in order to mitigate the need of adjustments made during the audit process.

Management Response

As reported in the financial statements above, during 2013 the function of COCIC has taken on a new role in remedying blighted properties in Franklin County. With this change, the amount of revenues and expenses grew exponentially, again, as represented in the reports above. Management recognized that COCIC's accounting needs had out-grown its accounting infrastructure, which relied on out-side professionals and off-site systems. COCIC began the re-engineering of its fiscal operations and engaged a certified public accountant, who was charged with maintaining an on-site presence and with integrating herself into COCIC's business affairs on a continuous basis. As of January, 2014, COCIC went live with its own on-site systems. The subject finding illustrates to COCIC the importance of giving pointed attention to COCIC's somewhat complicated exchange-transactions, which because of their size and irregular nature can present important accruals that are material to the accuracy of COCIC's financial statements.

CENTRAL OHIO 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
SEPTEMBER 16, 2014

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