CENTRAL OHIO COMMUNITY IMPROVEMENT CORPORATION
FRANKLIN COUNTY

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2006-2005

Mary Taylor, CPA
Auditor of State

CENTRAL OHIO COMMUNITY IMPROVEMENT CORPORATION
FRANKLIN COUNTY

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Mary Taylor, CPA
Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Central Ohio Community Improvement Corporation
Franklin County
919 Old Henderson Road
Columbus, Ohio 43220-3722

To the Board of Directors:

We have audited the accompanying basic financial statements of the Central Ohio Community Improvement Corporation, Franklin County, Ohio (the Corporation) as of and for the years ended December 31, 2006 and 2005, as listed in the table of contents. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Central Ohio Community Improvement Corporation, Franklin County, Ohio, as of December 31, 2006 and 2005, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 11 to the financial statements, the Corporation experienced certain financial difficulties during the year.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 30, 2008, on our consideration of the Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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The Corporation did not present Management's Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Mary Taylor

Mary Taylor, CPA
Auditor of State

April 30, 2008

CENTRAL OHIO COMMUNITY IMPROVEMENT CORPORATION
FRANKLIN COUNTY

STATEMENT OF NET ASSETS
DECEMBER 31, 2006

Assets	
Current Assets	
Cash and Cash Equivalents	$ 64,071
Prepaid items	158,863
Total Current Assets	222,934
Noncurrent Assets:	
Organization Costs	125
Capital assets:	
Land	1,031,249
Capital Assets Held for Resale	7,131,470
Total Noncurrent Assets	8,162,844
Total Assets	8,385,778
Liabilities	
Current Liabilities:	
Accounts Payable	21,752
Amounts Owed to VRG II	614,736
Real Estate Taxes Payable	55,823
Accrued Interest Payable	19,766
Landfill Closure and Post Closure Care Liability	4,181,847
Line of Credit Payable	100,000
Insurance Loan Payable	113,795
Notes Payable	5,662,500
Total Current Liabilities	10,770,219
Long-Term Liabilities	
Landfill Closure and Post Closure Care Liability	2,500,000
Total Long-Term Liabilities	2,500,000
Total Liabilities	13,270,219
Net Assets	
Invested in Capital Assets, Net of Related Debt	2,500,219
Unrestricted	(7,384,660)
Total Net Assets	$ (4,884,441)

See accompanying notes to the basic financial statements.

CENTRAL OHIO COMMUNITY IMPROVEMENT CORPORATION
FRANKLIN COUNTY

STATEMENT OF REVENUES,
EXPENSES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2006

Operating Expenses	
Advertising Expense	$ 11,109
Bank Charges	559
Income Tax Expense	750
Insurance Expense	171,326
Legal and Professional Expense	51,291
Maintenance and Repairs Expense	1,637
Meeting Expense	120
Utilities Expense	756
Real Estate Taxes Expense	53,791
Travel Expense	479
Survey Costs	39,389
Total Operating Expenses	331,207
Operating Loss	(331,207)
Non-Operating Revenue	
CORF Reimbursement	1,146,553
Total Non-Operating Revenue	1,146,553
Non-Operating Expenses	
Interest	509,894
Total Non-Operating Expenses	509,894
Gain before Contributions	305,452
Capital Contribution	6,400
Change in Net Assets	311,852
Net Assets Beginning of Year	(5,196,293)
Net Assets End of Year	$ (4,884,441)

See accompanying notes to the basic financial statements.

CENTRAL OHIO COMMUNITY IMPROVEMENT CORPORATION
FRANKLIN COUNTY

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2006

Increase (Decrease) in Cash and Cash Equivalents	
Operating Cash Payments	$ (1,516,072)
Net Cash Used for Operating Activities	(1,516,072)
Cash Flows from Non-Capital Financing Activities	
Proceeds from Grants	1,146,553
Insurance Premium Note Proceeds	193,051
Payment on Insurance Premium Note	(79,256)
Line of Credit Loan Proceeds	100,000
Net Cash Provided by Non-Capital Financing Activities	1,360,348
Cash Flows from Capital and Related Financing Activities	
Payments for Capital Acquisitions	(2,460,424)
Loan Proceeds for Purchase of Land	2,850,000
Interest Paid on Capital Related Debt	(492,144)
Net Cash (Used for) Capital and Related Financing Activities	(102,568)
Net Increase in Cash and Cash Equivalents	(258,292)
Cash and Cash Equivalents Beginning of Year	322,363
Cash and Cash Equivalents End of Year	$ 64,071
Reconciliation of Operating Loss to Net Cash Used for Operating Activities	
Operating Loss	$ (331,207)
(Increase) decrease in assets:	
Prepaid items	(87,310)
Organization Costs	(125)
Increase (decrease) in liabilities:	
Accounts Payable	19,762
RE Taxes Payable	29,361
Landfill Liability	(1,146,553)
Net Cash Used for Operating Activites	$ (1,516,072)

Non-Cash Transactions:

VRG paid for $614,736 of the Central Ohio Community Improvement Corporation's expenses. Of that amount, $269,584 was related to capital acquisition and project costs which were capitalized. In addition, Franklin County donated a building with a fair market value of $6,400.

See accompanying notes to the basic financial statements.

CENTRAL OHIO COMMUNITY IMPROVEMENT CORPORATION
FRANKLIN COUNTY

STATEMENT OF NET ASSETS
DECEMBER 31, 2005

Assets	
Current Assets	
Cash and Cash Equivalents	$ 322,363
Prepaid items	71,553
Total Current Assets	393,916
Noncurrent Assets:	
Deposits	85,500
Capital assets:	
Land	1,031,249
Capital Assets Held for Resale	4,395,062
Total Noncurrent Assets	5,511,811
Total Assets	5,905,727
Liabilities	
Current Liabilities:	
Accounts Payable	1,990
Amounts Owed to VRG II	426,216
Real Estate Taxes Payable	26,462
Accrued Interest Payable	6,452
Landfill Closure and Postclosure Care Liability	1,146,553
Total Current Liabilities	1,607,673
Long-Term Liabilities	
Landfill Closure and Postclosure Care Liability	6,681,847
Notes Payable	2,812,500
Total Long-Term Liabilities	9,494,347
Total Liabilities	11,102,020
Net Assets	
Invested in Capital Assets, Net of Related Debt	2,613,811
Unrestricted	(7,810,104)
Total Net Assets	$ (5,196,293)

See accompanying notes to the basic financial statements.

CENTRAL OHIO COMMUNITY IMPROVEMENT CORPORATION
FRANKLIN COUNTY

STATEMENT OF REVENUES,
EXPENSES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2005

Expenses	
Bank Charges	$ 64
Insurance Expense	35,776
Real Estate Taxes	26,462
Landfill Remediation	7,828,400
Total Operating Expenses	7,890,702
Operating Loss	(7,890,702)
Non-Operating Expenses	
Interest	52,357
Total Non-Operating Expenses	52,357
Loss before Contributions	(7,943,059)
Capital Contribution	2,746,766
Change in Net Assets	(5,196,293)
Net Assets Beginning of Year	-
Net Assets End of Year	$ (5,196,293)

See accompanying notes to the basic financial statements.

CENTRAL OHIO COMMUNITY IMPROVEMENT CORPORATION
FRANKLIN COUNTY

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2005

Increase (Decrease) in Cash and Cash Equivalents	
Operating Cash Disbursements	$ (105,403)
Net Cash Used for Operating Activities	(105,403)
Cash Flows from Capital and Related Financing Activities	
Payments for Capital Acquisitions	(2,253,329)
Loan Proceeds for Purchase of Land	5,219,750
Payments for Deposits	(85,500)
Debt Service Payments on Capital Related Debt	(2,407,250)
Interest Paid on Capital Related Debt	(45,905)
Net Cash Provided by Capital and Related Financing Activities	427,766
Net Increase in Cash and Cash Equivalents	322,363
Cash and Cash Equivalents Beginning of Year	-
Cash and Cash Equivalents End of Year	$ 322,363

Reconciliation of Operating Loss to Net Cash Used for Operating Activities	
Operating Loss	$ (7,890,702)
(Increase) decrease in assets:	
Prepaid items	(71,553)
Increase (decrease) in liabilities:	
Accounts Payable	1,990
RE Taxes Payable	26,462
Landfill Liability	7,828,400
Net Cash Used for Operating Activites	$ (105,403)

Non-Cash Transactions:

VRG paid for $462,216 of the Central Ohio Community Improvement Corporation's expenses. Of that amount, $432,616 was related to capital acquisition and project costs which were capitalized.

Franklin County donated land, which was valued at $975,366, to the Corporation.

City of Gahanna donated land, which was valued at $1,765,000, to the Corporation.

See accompanying notes to the basic financial statements.

NOTE 1 – DESCRIPTION OF REPORTING ENTITY

The Central Ohio Community Improvement Corporation (the 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. A seven member Board of Directors has been established for oversight of the operations. 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 the COCIC are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the COCIC. For the COCIC, there are no other boards and agencies other than the COCIC. Component units are legally separate organizations for which the COCIC is financially accountable. The COCIC is financially accountable for an organization if the COCIC appoints a voting majority of the organization's governing board and (1) the COCIC is able to significantly influence the programs or services performed or provided by the organization; or (2) the COCIC is legally entitled to or can otherwise access the organization's resources; the COCIC is legally obligated to or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the COCIC is obligated for the debt of the organization. Component units may also include organizations for which the COCIC approves the budget, the issuance of debt or levying of taxes. The Poindexter Community Renaissance LLC is a blended component unit of the COCIC. The COCIC's Board is the same as the Poindexter Community Renaissance LLC Board. The Poindexter Community Renaissance LLC had no financial activity during 2005 and 2006.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the COCIC have been prepared in conformity with generally accepted accounting principles as applied to governmental nonprofit organizations. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The COCIC also applies all FASB pronouncements issued on or before November 30, 1989 provided they do not conflict with or contradict GASB pronouncements. The more significant of the COCIC's accounting policies are described below.

1. Basis of Presentation

The COCIC's financial statements consist of the statement of net assets, statement of revenues, expenses, and changes in net assets, and a statement of cash flows.

The COCIC uses enterprise accounting to maintain its financial records during the year. Enterprise reporting focuses on the determination of operating income, changes in net assets, 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.

2. Measurement Focus and Basis of Accounting

The 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 assets. The operating statement present increases (i.e. revenues) and decreases (i.e. expenses) in net total assets.

NOTE 2 – DESCRIPTION OF REPORTING ENTITY (Continued)

2. Measurement Focus and Basis of Accounting (Continued)

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made. The COCIC uses the accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred.

3. Cash and Cash Equivalents

All monies received by the COCIC are maintained in demand deposit accounts.

4. 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.

5. Deposits

Payments made as earnest deposits on the acquisition of property are recorded as deposits until the property closing at which time they are included in the acquisition price of the capital asset.

6. 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. The COCIC has not established a capitalization threshold and currently owns no depreciable assets.

7. Accrued Liabilities and Notes Long-Term Obligations

All payables and other accrued liabilities are reported on the statement of net assets.

8. Capitalization of Land Development Costs

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

9. 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 nonoperating.

10. 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.

NOTE 3 - CASH

The COCIC maintains its cash balance in checking accounts. At December 31, 2006 and 2005, the COCIC's carrying values of cash were $64,071 and $322,363, respectively. At December 31, 2006 and 2005, the COCIC's bank balances were $166,155 and $325,899, respectively. Based on the criteria described in GASB Statement No. 40, *Deposits and Investment Risk Disclosure*, of the December 31, 2006 and 2005 bank balance $31,133 and $200,000 was exposed to custodial credit risk as discussed below, while $135,022 and $125,899 was covered by the Federal Depository Insurance Corporation.

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 – CAPITAL ASSETS

The land acquired excluding the landfill is held for development and sale. A number of projects have been planned on the site named "Central Park of Gahanna" that include infrastructure for drainage, road, lighting, common area improvements, etc. At December 31, 2006 no sales had occurred. During 2005 the COCIC was in a startup phase with the contributed land including the landfill. Additional land acquisitions were completed on January 13, 2006 which brought the total site to over 200 acres. The COCIC also acquired 32 units in the Poindexter Property from Franklin County on October 2, 2006.

Capital asset activity for the year ended December 31, 2005, was as follows:

	Balance 12/31/04	Additions	Deductions	Balance 12/31/05
Capital Assets, not being depreciated:				
Land (Landfill)	$ -	$ 1,031,249	$ -	$ 1,031,249
Land Held for Resale	-	4,395,062	-	4,395,062
Total Capital Assets, not being Depreciated	$ -	$ 5,426,311	$ -	$ 5,426,311
Total Capital Assets	$ -	$ 5,426,311	$ -	$ 5,426,311

Capital Asset activity for the year ended December 31, 2006, was as follows:

	Balance 12/31/05	Additions	Deductions	Balance 12/31/06
Capital Assets, not being depreciated:				
Land (Landfill)	$ 1,031,249	$ -	$ -	$ 1,031,249
Land Held for Resale	4,395,062	2,730,008	-	7,125,070
Buildings Held for Resale	-	6,400	-	6,400
Total Capital Assets, not being Depreciated	$ 5,426,311	$ 2,736,408	$ -	$ 8,162,719
Total Capital Assets	$ 5,426,311	$ 2,736,408	$ -	$ 8,162,719

The Community Improvement Corporation owned no depreciable assets in 2006 and 2005.

NOTE 5 – NOTES PAYABLE

Notes payable for the year ended December 31, 2005 are summarized below.

	Amount Outstanding 12/31/04	Additions	Deletions	Amount Outstanding 12/31/2005	Amounts Due in One Year
Commercial Notes					
CF Bank (Prime Rate + 0.75%)	$ -	$ 757,250	$ (757,250)	$ -	$ -
Eaton National Bank (Prime Rate + 1.00%)	-	2,812,500	-	2,812,500	-
Total Commercial Notes	$ -	$ 3,569,750	$ (757,250)	$ 2,812,500	$ -
Private Notes					
Value Recovery Group II (Prime Rate + 0.50%)	$ -	$ 1,650,000	$ (1,650,000)	$ -	$ -
Total Private Notes	$ -	$ 1,650,000	$ (1,650,000)	$ -	$ -
Total Notes Payable	$ -	$ 5,219,750	$ (2,407,250)	$ 2,812,500	$ -

The CF Bank note was signed on September 14, 2005 as a mortgage of COCIC property. The proceeds of the note were used to purchase land surrounding the landfill. Assets of VRG II, as well as personal assets of VRG II's managing member, have guaranteed the COCIC's debt payments to CF Bank.

The Eaton National Bank note was issued on December 21, 2005 and matures on June 21, 2007 as a mortgage of COCIC property. The proceeds of the loan paid the principle of the CF Bank Note and the Value Recovery Group Note as well as acquired some additional property.

The Value Recovery Group II note was signed on September 9, 2005 collateralized by a mortgage of COCIC property. The proceeds of the note were used to purchase land surrounding the landfill.

Notes payable for the year ended December 31, 2006 are summarized below.

	Amount Outstanding 12/31/05	Additions	Deletions	Amount Outstanding 12/31/2006	Amounts Due in One Year
Commercial Notes					
Eaton National Bank (Prime Rate + 1.00%)	$ 2,812,500	$ -	$ -	$ 2,812,500	$ 2,812,500
Eaton National Bank (Prime Rate + 1.00%)	-	2,850,000	-	2,850,000	2,850,000
Insurance Premium Note (8.695%)	-	193,051	(79,256)	113,795	113,795
Total Commercial Notes	$ 2,812,500	$ 3,043,051	$ (79,256)	$ 5,776,295	$ 5,776,295
Lines of Credit					
Huntington National Bank (6.100%)	$ -	$ 100,000	$ -	$ 100,000	$ 100,000
Total Lines of Credit	$ -	$ 100,000	$ -	$ 100,000	$ 100,000
Total Notes Payable	$ 2,812,500	$ 3,143,051	$ (79,256)	$ 5,876,295	$ 5,876,295

The new Eaton National Bank note was signed on January 13, 2006 as part of a mortgage on acquired properties and matures on June 13, 2007. The proceeds from the mortgage were to purchase additional land around the landfill.

The Insurance Premium Note was entered into September of 2006 and matures on July 31, 2007. This note is being used to finance General Liability and Environmental Insurance.

NOTE 5 – NOTES PAYABLE (Continued)

The Huntington National Bank Line of Credit was opened on December 16, 2006 in the amount of $150,000 and matures on March 15, 2007. As of December 31, 2006, the Corporation has used $100,000 of this line of credit to pay for general operations of the Corporation.

NOTE 6 – LANDFILL

State and federal laws and regulations require the 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. During 2006, the COCIC began the closure of the landfill. The $6,681,847 and $7,828,400 reported as landfill closure and postclosure care liability at December 31, 2006 and 2005 respectively, represents the remaining estimated cost of closure and postclosure care. The COCIC was the sub-recipient of a grant from the Central Ohio Remediation Fund (CORF) for $2,999,990. During 2006, the COCIC was reimbursed for $1,146,553 from this award. The remaining balance of the liability will be obtained from revenue from the sale of methane gas and the lease of the golf facility.

The COCIC is required by state and federal laws and regulations to maintain a trust to finance closure and postclosure care. Although the COCIC did not establish a trust, they performed alternative actions approved by the Ohio EPA Director to satisfy the requirements.

NOTE 7 – TRANSACTIONS WITH OTHER GOVERNMENTS AND ASSET MANAGER

On June 23, 2005, Franklin County donated 88.78 acres of land, known as the Bedford Landfill, to the COCIC which was valued at $975,366. In addition, on October 2, 2006, Franklin County sold to the COCIC 32 units of the Poindexter Property for $1. This property was valued at $6,400.

On August 31, 2005, the City of Gahanna donated 59.84 acres of land to the COCIC which was valued at $1,765,000.

The COCIC has an agreement with Value Recovery Group II (VRG II) for asset management services. During 2006 and 2005, VRG II paid many of the COCIC's expenses resulting in a related party loan payable of $614,736 and $426,216 at December 31, 2006 and 2005, respectively. In addition, the following entities and individuals related to VRG II were included as Guarantors and Individual Guarantors on various COCIC debt issues: VRG II, Value Recovery Group, P&L Investments, BJAAM Land Management, P&P Land Development, Barry H. Fromm and Gary J. Silversmith.

Two entities related to VRG II were awarded contracts for parts of the landfill remediation project. Performance Site Companies (P&P Land Development LLC related entity) is the General Contractor for closure of the Bedford I Landfill and installation of the methane gas system (earth moving, grading of landfill and construction of gas system). The total contract for CORF closure is $5.3 million; methane gas system not included in the CORF at $633,754. BJAAM Environmental, Inc. (Property Regenesis LLC related entity) is the subcontractor of closure and abandonment of gas wells on 44 acres of landfill. Total charge was $71,650.

NOTE 8 – RISK MANAGEMENT

Commercial Insurance

The COCIC has obtained commercial insurance for the following risks:

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

The COCIC is uninsured for the following risks:

- Errors and omissions.

NOTE 9 – CONTINGENT LIABILITIES

Pending Litigation

The COCIC is a defendant in a lawsuit regarding the termination of a purchase agreement and return of earnest money. Although the outcome of this dispute is not presently determinable, the COCIC could be required to return up to $450,000 in earnest money held in escrow.

On January 5, 2007, the CIC entered into a settlement agreement with SBM, Inc. regarding their legal challenge of the landfill foreclosure case.

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.

Other Contingencies

Several of the COCIC's debt issues are mortgages of the COCIC's property. At December 31, 2006 and 2005 the debt totaling $5,662,500 and $2,812,500 respectively was backed by COCIC property

The COCIC agreed to pay the City of Gahanna $1,275,000, five years from November 21, 2005 in consideration of the transfer of title of land to the COCIC if the certain contingencies were not met.

The COCIC entered into an 18 month Put, Option and Right of First Refusal with the Solid Waste Authority of Central Ohio (SWACO) granting SWACO an irrevocable right of first refusal and option on three properties COCIC owns for the purpose of locating, constructing and operating a solid waste facility including without limitation a solid waste transfer station. The sales price SWACO will pay will not exceed $2,596,720.

The COCIC is the "Optionee" in two Option to Purchase Agreements with L&P Properties for land surrounding the landfill which COCIC owns.

NOTE 10 – SUBSEQUENT EVENTS

On January 3, 2007, the CIC borrowed the remaining available balance of $50,000 on their line of credit at Huntington National Bank. In addition, on May 18, 2007, the Board passed a resolution extending the terms of the line of credit by 90 days with the understanding that VRG II would guarantee the repayment of the loan.

On March 23, 2007, Franklin County donated the Parker Marathon to the COCIC. The property is valued at $75,000.

In May 2007, the CIC closed on the acquisition of two parcels totaling 2.2 acres for $325,000. This acquisition was funded by VRG II.

On June 28, 2007 the CIC 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.

On November 21, 2007 the COCIC entered into an “Option to Purchase Agreement” granting VRG II the right and option to purchase any portion of or all of the landfill (88.7789 acres) within 10 years following the effective date of the agreement for ten dollars ($10) and “permitted encumbrances” including delinquent taxes of $25,819. The book value of the landfill, excluding the related closure and post closure liability is $1,031,249.

On December 20, 2007 the COCIC sold 126.8218 acres to Value Recovery Group II (VRG II) for $400,000 in cash, along with VRG II assuming outstanding COCIC debt and the COCIC will receive 5% of the net proceeds from VRG’s subsequent the sale of any properties. In addition, VRG II was assigned COCIC agreements including the Development Agreement with the City of Gahanna and Option Agreements with L&P Properties. The book value of these properties was $7,125,070.

NOTE 11 – FINANCIAL DIFFICULTIES

The Corporation had operating losses and deficit net assets of $4,884,441 at December 31, 2006.

The Corporation had no management plan in place for fiscal year ended December 31, 2006. Projected revenues and expenditures for fiscal year end 2007 indicate these financial difficulties will not be eliminated during 2007.

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INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Central Ohio Community Improvement Corporation
Franklin County
919 Old Henderson Road
Columbus, Ohio 43220-3722

To the Board of Directors:

We have audited the basic financial statements of the Community Improvement Corporation, Franklin County, Ohio, (the Corporation) as of and for the years ended December 31, 2006 and 2005 and have issued our report thereon dated April 30, 2008, wherein we noted the Corporation was experiencing certain financial difficulties and did not present management's discussion and analysis. 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Corporation's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Corporation's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Corporation's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Corporation's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Corporation's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2006-001 through 2006-005.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Corporation's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, of the significant deficiencies described above, we believe findings number 2006-001 through 2006-004 are also material weaknesses.

We also noted certain internal control matters that we reported to the Corporation's management in a separate letter dated April 30, 2008.

Compliance and Other Matters

As part of reasonably assuring whether the Corporation's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect 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 an opinion. The results of our tests did not disclose any instances of noncompliance or other matters that we must report under *Government Auditing Standards.*

We noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the Corporation's management in a separate letter dated April 30, 2008.

The Corporation's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Corporation's responses and, accordingly, we express no opinion on them.

We intend this report solely for the information and use of management and the Board of Directors. We intend it for no one other than these specified parties.

Mary Taylor

Mary Taylor, CPA
Auditor of State

April 30, 2008

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

FINDING NUMBER 2006-001

Material Weakness

Landfill Closure and Post-Closure Care Costs

Once the owner of a landfill is required to incur closure and post-closure costs the owner should calculate an estimate of the future cost, in current dollars, of the closure and post-closure care. Then, on an annual basis, the owner of the landfill should evaluate the amount of the liability and adjust it for the effects of inflation or deflation. In addition, current cost should be adjusted when changes in the closure or post-closure plan or operating conditions increase or decrease estimated costs.

The Corporation did not perform the required calculation and did not record a liability on the financial statements for closure or post-closure care. This resulted in an adjustment to the financial statements to increase accrued liabilities by $7,828,400 in 2005 and could lead to material adjustments in the future.

We recommend the Corporation require its Asset Management Company to estimate this liability and reevaluate the liability on at least an annual basis. The Corporation should establish control procedures to monitor this valuation, such as requiring the Asset Management Company to submit detailed estimates to the Board.

Officials' Response: The Asset Management Company has made the adjustments to the Corporation's Financial Statements in the amounts that the State Auditor recommended for the accrued liabilities for closure and post-closure care. The Corporation has retained an Executive Director, who, as part of his duties, will develop with the Treasurer, a financial procedure manual for the Board's approval. That manual will include control procedures to assure that the Asset Management Company reevaluates these liabilities at least annually and provides the Board with detailed estimates showing how the reevaluations were calculated. The reports to the Board will be noted in the Minutes. While the Officials agree with the State Auditor's recommendations and intend to implement them, we are satisfied that the Corporation's errors did not result in any financial loss to the Corporation.

FINDING NUMBER 2006-002

Material Weakness

Capital Asset Tracking and Valuation

When land and other capital assets are purchased or donated to the Corporation, these assets should be recorded and tracked in a Capital Asset Journal. The assets should be recorded at the proper value and should be depreciated if required. GASB 34, paragraph 18 requires capital assets to be recorded at historical cost, if purchased, and at their estimated fair value, if donated. Whether the asset is booked at historical cost or estimated fair value, the book value should include any ancillary charges.

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

FINDING NUMBER 2006-002 (Continued)

Capital Asset Tracking and Valuation (Continued)

The Corporation received eight properties during 2005 and 2006 that were made up of forty-five parcels. The Corporation did not track any of the properties in a Capital Asset Journal; instead they were booked as additions to land in the General Ledger. Two of the donated properties were not recorded on the books of the Corporation and the other six properties were not booked at the correct value. Lack of a Capital Asset Journal and proper valuation methods has led to the Corporation incorrectly posting or not posting properties that were purchased and donated resulting in audit adjustments and reclassifications ranging from $10,071 to $4,143,126.

We recommend the Corporation review the requirements for valuing capital assets on the books of the Corporation. We also recommend the Corporation establish procedures for creating and maintaining a Capital Asset Journal to track all capital asset acquisitions.

Officials' Response: The Asset Management Company has corrected the Corporation's Financial Statements by booking the two donated properties that were not recorded and correcting the valuation on the other six properties. The financial procedures manual will include instructions for creating and maintaining a Capital Asset Journal and for valuating capital assets of the Corporation and, in particular, valuing donated properties. The manual will also require regular reports to the Board on the Capital Assets which will be noted in the Minutes of the Board. While the Officials agree with the State Auditor's recommendations and intend to implement them, we are satisfied that the Corporation's errors did not result in any financial loss to the Corporation.

FINDING NUMBER 2006-003

Material Weakness

Financial Reporting

The Corporation contracts with Value Recovery Group II for asset management services, including some treasury services. At year-end the accrual basis information from the accounting system is converted into financial statements reported under Generally Accepted Accounting Principles. The Corporation utilizes their asset management firm to prepare basic financial statements and footnotes.

Twenty-two modifications and reclassifications were necessary to the Corporation's basic financial statements to accurately reflect account balances. These modifications ranged in dollar amount from $4,436 to $7,828,400. Errors include capital asset valuation, unrecorded landfill remediation liability, incorrectly recorded revenue, incorrectly recorded liabilities and incorrectly recorded assets. In addition, footnote disclosures required modifications. Footnote disclosures were not originally presented for cash, prepaid expenses, related party transactions, risk management, contingent liabilities, or subsequent events. Footnote disclosures did not provide all of the required elements for capital assets, liabilities and landfill.

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

FINDING NUMBER 2006-003 (Continued)

Financial Reporting (Continued)

We recommend the Corporation implement additional procedures to provided assurance over the completeness and accuracy of information reported within the financial statements and footnotes to the financial statements. Such procedures may include additional reviews of the financial statements including the notes to the financial statements by a member of management and an analytical comparison of the current year annual report to the prior year annual report for obvious errors or omissions.

Officials' Response: The Asset Management Company has made the modifications and reclassifications on the Financial Statements of the Corporation which the State Auditor determined were necessary. The manual being created will establish procedures to assure the completeness and accuracy of information and footnotes in the Financial Statements. The Treasurer and the Executive Director will be required to review the statements and footnotes and analytically compare the current year's report with the prior year report, which the State Auditor assisted the Corporation in creating. This will assure that obvious errors and omissions are caught and corrected. These activities will be reported to the Board and those reports will be noted in the Minutes. While the Officials agree with the State Auditor's recommendations and intend to implement them, we are satisfied that the Corporation's errors did not result in any financial loss to the Corporation.

FINDING NUMBER 2006-004

Material Weakness

Schedule of Debt

An entity that has received debt proceeds should maintain a schedule of all debt outstanding. At the least, this schedule should include a description of the debt, interest rate, original principal amount, and terms of the debt. The schedule should show principal amounts at the beginning of the period, amounts of additions, payments, and renewals during the period, and current, non-current, and total amounts due at the balance sheet date. At the end of each year, the debt schedule can also be used to compute accrued interest payable and to create a proper note to the financial statements.

The Corporation's debt schedule did not include the necessary information for proper debt monitoring. Due to not creating a proper schedule of debt, the Corporation did not calculate accrued interest payable, did not create a note to the financial statements in compliance with GASB 34, and did not report the current portion of long-term debt separate from the non-current portion.

We recommend the Corporation work with its Asset Management Company to review all debt issuances outstanding and generate a debt schedule that includes all of the information described above.

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

FINDING NUMBER 2006-004 (Continued)

Schedule of Debt (Continued)

Officials' Response: The Treasurer and Executive Director will work with the Asset Management Company to review all outstanding debt issuances and generate a Debt Schedule that includes all of the information which the State Auditor has recommended. The manual will establish a procedure for the Treasurer and Executive Director to maintain a Debt Schedule and enter each debt transaction in it at the time the debt is incurred. The manual will also have the procedure for proper debt monitoring, and, in particular, the requirement to update the accrued interest payable. It will also require the separate calculation of current and non-current portions of the long-term debt and full compliance with GASB 34. These activities will be reported to the Board and included in the Minutes. While the Officials agree with the State Auditor's recommendations and intend to implement them, we are satisfied that the Corporation's errors did not result in any financial loss to the Corporation.

FINDING NUMBER 2006-005

Significant Deficiency

Monitoring Financial Activity

The Board should regularly monitor financial activity. The Board should review monthly bank reconciliations, detailed receipt and expenditure reports, budget to actual reports and year-to-date financial reports. This review should be appropriately documented in the minutes.

Monitoring comprises regular management activities established to oversee whether management's financial objectives are being achieved. Data from such reports may indirectly provide assurance as to the reliability of financial reporting information if it conforms to the users' expectations.

The Board reviewed a list of expenditures that included the vendor name and the amount of the expenditure. However, this list was not compared to bank statements, reconciliations, or system generated financial reports for accuracy. Lack of effective Board monitoring could contribute to the following circumstances occurring and going undetected by Corporation management:

- Posting errors, and
- Bank reconciliations not being properly and timely prepared

We recommend the Board request monthly bank reconciliations, bank statements, and reports printed from the accounting system monthly. These reports should be reviewed by the Board and appropriate follow-up should be made regarding any unusual balances or transactions.

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

FINDING NUMBER 2006-005 (Continued)

Monitoring Financial Activity (Continued)

Officials' Response: The manual will spell out all of the following. The Treasurer will receive the bank statements and reconcile, or cause to be reconciled, the bank account monthly. The Treasurer and the Executive Director will received the Financial Reports monthly. They will compare them with the list of expenditures that includes vendor names which the Treasurer and Executive Director will be maintaining. They will report the results of their activities to the Board monthly pointing out any unusual balances or transactions. The Board will then review the recommendations of the Treasurer and Executive Director as to follow-up that is necessary and approve the actions which they think are appropriate. These activities will be documented in the Minutes of the Corporation. While the Officials agree with the State Auditor's recommendations and intend to implement them, we are satisfied that the Corporation's errors did not result in any financial loss to the Corporation.

Mary Taylor, CPA
Auditor of State

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
NOVEMBER 13, 2008