AUDIT REPORT

Central Ohio Community Improvement Corporation

Franklin County

Report on Audited Financial Statements

For the Years Ended December 31, 2014 and 2013

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, 2014 through December 31, 2014. 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 4, 2015

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CENTRAL OHIO COMMUNITY IMPROVEMENT CORPORATION
FRANKLIN COUNTY

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PARMS
+ COMPANY

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, 2014 and 2013, 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 financial position of COCIC as of December 31, 2014 and 2013, and the 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 7 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 June 24, 2015, 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

June 24, 2015
Columbus, Ohio

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.

The mission of COCIC is to stabilize or increase property values in areas of Franklin County suffering from the effects of blighted, vacant, abandoned, tax-foreclosed or economically-stranded properties and to promote and facilitate rehabilitation, reutilization and return of such properties to productive, tax-generating status.

FINANCIAL HIGHLIGHTS – 2014

COCIC continued to operate its Blight Removal Program, which generally involves the demolition, environmental remediation, or both, of blighted properties, and the sale of the formerly blighted property to a responsible party for reutilization. Typically, sale proceeds are nominal and represent only a limited recovery of demolition, remediation and transaction expenditures. Properties for which there is an expectation of significant sale proceeds are discussed below under Property Inventory. This program excelled in 2014 by demolishing 904 units, using $2,305,975 of revenue from the Attorney General of Ohio and a portion of Delinquent Tax and Assessment Collection (DTAC) funds in the amount of $2,276,658. Property maintenance and other fees amounted to approximately $104,000 in 2014.

COCIC instituted new programs called the Responsible Landlord Program and the Trusted Partners Program.

The Responsible Landlord Program is a land reutilization program employing a strategic intervention for the purpose of stabilizing or improving market support, executed through a revolving loan program to responsible landlords engaged in market-based rehabilitation of blighted, distressed or substandard properties, with a view to rental at market rates. COCIC recorded a revolving note receivable of approximately $513,000 accruing interest of 1.5% compounded monthly on the outstanding balance towards the Responsible Landlord Program.

The Trusted Partners Program is also a land reutilization program, involving a strategic intervention for the purpose of stabilizing or improving market support, executed through a grant program to trusted partners engaged in the total rehabilitation of blighted properties or new construction in blighted neighborhoods, with a view to sale to owner-occupants. COCIC expensed $191,220 to its trusted partners in 2014.

The total assets of COCIC increased 25% in 2014 to $8,733,613 from $6,968,202 in 2013. The major cause for the increase in total assets was a combination of an increase in cash of approximately $630,000 and increasing property inventory from demolition costs in the amount of $959,031 for a property on Georgesville Road in Franklinton Township. Operating income increased 14% in 2014 by $375,144 mostly due to a slight increase in blighted property's demolition reimbursements over expenses. Cash flows generated by operating activities were lower in 2014 versus 2013 by $1,523,069, which was predominantly due to the increase in demolition activity of blighted properties.

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.

NET POSITION COMPARISON

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

	2014	2013	2012
Assets			
Current Assets	$ 5,220,298	$ 3,409,796	$ 273,008
Total Noncurrent Assets	3,513,315	3,558,406	3,629,420
Total Assets	8,733,613	6,968,202	3,902,428
Liabilities			
Current Liabilities	475,887	1,086,314	311,355
Long-Term Liabilities	4,595,085	5,215,334	5,432,455
Total Liabilities	5,070,972	6,301,648	5,743,810
Deferred Inflows of Resources	75,000	-	-
Total Net Position/(Deficit)	$ 3,587,641	$ 666,554	$ (1,841,382)

The 2014 increase in total assets over 2013 was due to the increase in cash of $630,584, a new note receivable for the Responsible Landlord program of $513,772 and adding to inventory demolished properties in the amount of $959,031.

The decrease in current liabilities was due to prior year's current payables of $865,364 mostly from demolition costs of blighted properties during the end of 2013 and was paid in the beginning of 2014. Also, a decrease in liabilities of approximately $486,000 in 2014 compared with 2013 was from repayments and paying off of note payables.

STATEMENTS OF REVENUES, EXPENSES AND CHANGE IN NET POSITION

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

	2014	2013	2012
Operating Revenues			
Total Operating Revenues	$ 10,961,550	$ 6,881,409	$ 183,000
Operating Expenses			
Total Operating Expenses	8,045,533	4,340,536	131,259
Operating Income	2,916,017	2,540,873	51,741
Non-Operating Revenues			
Total Non-Operating Revenue	12,884	(20,691)	(3,335)
Non-Operating Expenses			
Total Non-Operating Expenses	7,814	12,246	11,978
Change in Net Position	2,921,087	2,507,936	36,428
Net Assets Beginning of Year	666,554	(1,841,382)	(1,877,810)
Net Assets End of Year	$ 3,587,641	$ 666,554	$ (1,841,382)

The Operating Revenues increased in 2014 due to the receipt of $4,943,000 of DTAC funds and $5,812,000 from Ohio’s Attorney General Grant which made up a total increase of a little more than $4,175,000 over 2013’s DTAC and AG Grant funds received.

Demolition and Remediation of blighted properties was the majority cause of the increase in Operating Expenses. Demolition and Remediation expenses in 2014 increased approximately $4 million over 2013.

The increase in Non-Operating Revenues was largely due to a combination of a decrease to the joint venture loss on investment which was $45,091 in 2014 compared to $71,014 in 2013 and a decrease in interest expense of approximately $4,400 due to the payoff of the only interest bearing loan.

STATEMENTS OF CASH FLOWS

Table 3 summarizes the Cash Flows of COCIC.

	2014	2013	2012
Change in Cash and cash equivalents			
Net Cash Provided by (Used for) Operating Activities	$ 1,119,304	$ 2,642,373	$ (173,571)
Net Cash Provided by Non-Capital Financing Activities	5,602	50,323	51,970
Net Cash Provided by (Used for) Capital and Related Financing Activities	(494,322)	(192,444)	101,652
Net Cash Used for Investing Activities	-	-	-
Net Change in Cash and Cash Equivalents	$ 630,584	$ 2,500,252	$ (19,949)

The Net Cash Used by Capital and Related Financing Activities in 2014 increased compared to 2013 due to net note payable pay offs and repayments of approximately $486,500.

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

CAPITAL ASSETS

Table 4 summarizes the Capital Assets of COCIC.

	2014	2013	2012
Land	$ 1,031,249	$ 1,031,249	$ 1,031,249
Golf Course Project Cost- Construction	2,350,142	2,350,142	2,350,142
Total Capital Assets	$ 3,381,391	$ 3,381,391	$ 3,381,391

DEBT

Table 5 summarizes the debt of COCIC.

	2014	2013	2012
Landfill Closure and Post Closure Care	$ 2,174,064	$ 2,277,839	$ 2,384,426
Value Recovery Group II - Loan	59,438	56,973	62,535
Franklin County	2,425,892	2,530,356	2,565,178
Economic Development Term Loan	186,607	193,751	197,322
Advance from Franklin County	-	-	120,000
Franklin County Growth Fund	-	377,365	393,608
Total Debt	$ 4,846,001	$ 5,436,284	$ 5,723,069

COCIC decreased debt in 2014 and 2013 by loan payoffs and 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.

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
AT DECEMBER 31, 2014 AND 2013

	2014	2013
ASSETS		
Current Assets		
Cash and Cash Equivalents	$ 3,295,408	$ 2,664,824
Accounts Receivable	50,000	-
Grants Receivable	307,409	646,683
Program Receivable	513,772	-
Property Inventory	1,040,431	81,400
Prepaids and Other Assets	13,278	16,889
Total Current Assets	5,220,298	3,409,796
Noncurrent Assets:		
Capital Assets:		
Land	1,031,249	1,031,249
Golf Course Project Cost - CIP	2,350,142	2,350,142
Total Capital Assets	3,381,391	3,381,391
Investment in Joint Venture	131,924	177,015
Total Noncurrent Assets	3,513,315	3,558,406
TOTAL ASSETS	**8,733,613**	**6,968,202**
LIABILITIES		
Current Liabilities:		
Accounts Payable	67,377	404,460
Accrued Liabilities	157,594	460,904
Landfill Closure and Post Closure Care Liability- Current Portion	90,586	91,114
Notes Payable- Current Portion	160,330	129,836
Total Current Liabilities	475,887	1,086,314
Long-Term Liabilities		
Landfill Closure and Post Closure Care Liability	2,083,478	2,186,725
Notes Payable- Non Current Portion	2,511,607	3,028,609
Total Long-Term Liabilities	4,595,085	5,215,334
TOTAL LIABILITIES	**5,070,972**	**6,301,648**
DEFERRED INFLOWS OF RESOURCES		
Rental Payments received in Advance	75,000	-
TOTAL DEFERRED INFLOWS OF RESOURCES	**75,000**	**-**
NET POSITION		
Net Investment in Capital Assets	709,453	222,946
Unrestricted	2,878,188	443,608
TOTAL NET POSITION	**$ 3,587,641**	**$ 666,554**

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, 2014 AND 2013

	2014	2013
Operating Revenues		
Delinquent Tax Assessment & Collection Income	$ 4,943,000	$ 3,600,000
Grant Revenues	5,947,084	3,113,823
Demolition Reimbursement & Property Sales	71,466	10,058
Service Income	-	32,528
Rent Income	-	125,000
Total Operating Revenues	10,961,550	6,881,409
Operating Expenses		
Demolition and Remediation	7,187,414	3,844,053
Program Services	191,770	-
Payroll and Consulting Expense	449,980	303,511
Bank Charges	410	115
Insurance Expense	34,198	31,287
Legal and Professional Expense	59,661	101,579
Maintenance and Repair Expense	25,059	-
Meeting Expense	8,506	1,771
Utilities Expense	15,131	9,358
Office Expense	53,123	45,560
Postage and Freight Expense	179	101
Real Estate Taxes Expense	1,899	908
Other Expense	18,203	2,293
Total Operating Expenses	8,045,533	4,340,536
Operating Income	**2,916,017**	**2,540,873**
Non-Operating Revenue		
Loss on Investment	(45,091)	(71,014)
Subsidies	50,000	50,000
Interest	2,975	323
Other Income	5,000	-
Total Non-Operating Revenue	12,884	(20,691)
Non-Operating Expenses		
Interest	7,814	12,246
Total Non-Operating Expenses	7,814	12,246
Change in Net Position	**2,921,087**	**2,507,936**
Net Position, Beginning of Year	**666,554**	**(1,841,382)**
Net Position, End of Year	**$ 3,587,641**	**$ 666,554**

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, 2014 AND 2013

	2014	2013
Cash Flows from Operating Activities		
Delinquent Tax Assessment & Collection Income	$ 4,943,000	$ 3,600,000
Grant Receipts	6,421,359	2,467,141
Demolition Reimbursement & Property Sales	71,466	10,058
Service Income	-	32,528
Rental Proceeds and Fees	75,000	125,000
Demolition and Remediation Expense	(7,995,241)	(2,986,968)
Payment for Capital Acquisitions	(959,031)	-
Program Services	(703,169)	-
Payroll and Consulting	(456,719)	(296,839)
Bank Charges	(410)	(115)
Insurance Expense	(30,586)	(21,141)
Legal and Professional Expense	(59,572)	(102,050)
Maintenance and Repairs Expense	(2,465)	-
Meeting Expense	(8,184)	(1,771)
Utilities Expense	(15,452)	(9,360)
Office Expenses	(52,121)	(46,195)
Postage and Freight Expense	(179)	(101)
Real Estate Taxes Expense	(1,899)	(908)
Landfill Closure Expense	(88,290)	(123,063)
Other Operating Payments	(18,203)	(3,843)
Net Cash Provided by Operating Activities	1,119,304	2,642,373
Cash Flows from Non-Capital Financing Activities		
Proceeds from Subsidies	-	50,000
Interest	602	323
Other Income	5,000	-
Net Cash Provided by Non-Capital Financing Activities	5,602	50,323
Cash Flows from Capital and Related Financing Activities		
Principal Paid on Debt	(620,540)	(180,198)
Proceeds from Notes Payable	134,032	-
Interest Paid on Capital Related Debt	(7,814)	(12,246)
Net Cash (Used In) Capital and Related Financing Activities	(494,322)	(192,444)
Net Change in Cash and Cash Equivalents	**630,584**	**2,500,252**
Cash and Cash Equivalents Beginning of Year	**2,664,824**	**164,572**
Cash and Cash Equivalents End of Year	**$ 3,295,408**	**$ 2,664,824**

See accompanying notes to the basic financial statements.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013
(continued)

Reconciliation of Operating Income/(Loss) to Net Cash Provided by Operating Activities

	2014	2013
Operating Income/(Loss)	$ 2,916,017	$ 2,540,873
(Increase) decrease in assets:		
Grant receivables	339,274	(646,683)
Responsible Landlord - Note Receivable	(511,398)	-
Property Inventory	(959,031)	-
Prepaid items	3,612	10,147
Increase (decrease) in liabilities:		
Accounts Payable	(337,084)	383,719
Accrued liabilities	(303,311)	460,904
Deferred Revenue	75,000	-
Landfill Closure and Post Closure Care Liability	(103,775)	(106,587)
Net Cash Provided by Operating Activities	**$ 1,119,304**	**$ 2,642,373**

See accompanying notes to the basic financial statements.

NOTE 1 – DESCRIPTION OF REPORTING ENTITY

The Central Ohio Community Improvement Corporation (COCIC) was formed as 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, 2014 and 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, 2014 and 2013.

Reclassifications

Certain reclassifications have been made to the 2013 financial statement presentations to conform to the 2014 financial statement presentations.

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.

Property Inventory

COCIC's land reutilization activities often require that it hold title to real property, typically until reutilization activities can be completed and the property sold and sometimes to satisfy a holding period prescribed by the terms of grant funding. Properties that are held as of the end of the fiscal year, with a view to sale in the near or intermediate term and with an expectation of significant sale proceeds, are carried in Property Inventory. Other properties are of nominal value and, in the aggregate, not material to the financial statements.

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.

Deferred Outflows and Deferred Inflows

In addition to assets, the statement of net position may report a separate category of deferred outflows of resources. Deferred outflows represent consumption of net position that applies to future periods and will not be recognized as an outflow of resources (expense) until then. At December 31, 2014, COCIC reported no deferred outflows of resources.

Deferred Outflows and Deferred Inflows – (Continued)
In addition to liabilities, the statement of net position may report a separate category of deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenues) until then. At December 31, 2014, COCIC reported deferred inflows of resources in the amount of $75,000, related to fiscal year 2017 rental payments received in advance.

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. In 2012 when COCIC was reconstituted as the Franklin County land reutilization corporation, it became exempt under Section 115(1) of the Internal Revenue Code. COCIC no longer files Form 990 after 2011.

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 banking accounts. At December 31, 2014 and 2013, the COCIC's carrying values of cash were $3,295,408 and $2,664,824, respectively. At December 31, 2014 and 2013, the COCIC's bank balances, which were held by two different financial institutions, were $3,295,135 and $3,030,060, respectively. Based on the criteria described in GASB Statement No. 40, *Deposits and Investment Risk Disclosure*, of the December 31, 2014 and 2013 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 – RESPONSIBLE LANDLORD RECEIVABLES

Starting in 2014, the Responsible Landlord Receivables is a revolving loan program to assist in rehabilitation of rental residential properties. An open line of credit is issued to residential rental owners to rehab and remodel blighted, distressed or substandard properties. A mortgage is recorded on the property as collateral against the loan. As of December 31, 2014, there was $511,399 in principal distributions accruing interest of 1.5%.

Interest accrued during 2014 was $2,373.

NOTE 5 – PROPERTY INVENTORY

Property inventoried as of December 31, 2014 and 2013 is summarized as follows:

	2014	2013
Property Inventory	$ 1,040,431	$ 81,400

COCIC inventoried $959,031 in 2014 from acquisition and demolition costs of the Georgesville Road Property. COCIC has entered into a purchase option with a buyer at a purchase price equal to the aggregate demolition and maintenance costs at the Property but not more than $1,200,000.

NOTE 6 – INVESTMENTS

The fair value of investments as of December 31, 2014 and 2013 are summarized as follows:

	2014	2013
Investment in Joint Venture	$ 131,924	$ 177,015

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, 2014 and 2013 were $45,091 and $71,014.

NOTE 7 – CAPITAL ASSETS

Capital asset activity for the years ended December 31, 2014 and 2013 was as follows:

	1/1/2014	Additions	Deductions	12/31/2014
Capital assets:				
Land (Landfill)	$ 1,031,249	-	-	$ 1,031,249
Projects Costs- Landfill	606,785	-	-	606,785
Golf Course Project Cost- Construction	1,743,357	-	-	1,743,357
Total Capital Assets	$ 3,381,391	-	-	$ 3,381,391

	1/1/2013	Additions	Deductions	12/31/2013
Capital assets:				
Land (Landfill)	$ 1,031,249		-	$ 1,031,249
Projects Costs- Landfill	606,785	-	-	606,785
Golf Course Project Cost- Construction	1,743,357	-	-	1,743,357
Total Capital Assets	$ 3,381,391	-	-	$ 3,381,391

NOTE 8 – 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 ground lease terms and base rent terms being adjusted. The ground lease agreement with Tartan Fields Golf Club was mutually terminated effective April 1, 2014. A new ground lease effective dated the same day was entered into with The Depot Golf Center, LLC containing new lease terms and base rent amounts expiring December 31, 2017 with an automatic annual renewal extension through December 31, 2030.

NOTE 8 – TRANSACTIONS WITH OTHER ENTITIES - (Continued)

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 an agreement to pay COCIC a 5% participation fee of the net proceeds from VRG's subsequent sale of any of that acreage. There were sales in 2014 of $5,000 and $22,250 in 2013 as the participation fee from a property sale under this agreement. Effective January 2015 the terms of payment changed, COCIC will receive a participation fee of 9.5% of the net proceeds from VRG's subsequent sales after gross property sales exceed $5.5 million.

NOTE 9 – NOTES PAYABLE

2014	Amount Outstanding 12/31/2013	Additions	Deletions	Amount Outstanding 12/31/2014	Amounts Due in One Year
Franklin County	$ 2,530,356	-	(104,464)	$ 2,425,892	$ 92,857
Development Term Loan	193,751	-	(7,144)	186,607	8,035
VRG II Loan	56,973	2,465	-	59,438	59,438
EPA Loan	-	134,032	(134,032)	-	-
FC Growth Fund	377,365	-	(377,365)	-	-
Total Notes Payable	$ 3,158,445	136,497	(623,005)	$ 2,671,937	$ 160,330

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

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 loan was paid off in September 2014.

NOTE 9 – NOTES PAYABLE – (Continued)

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, 2014 was $2,425,892.

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, 2014 was $186,607.

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. 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 would be 25% of the 5% that COCIC receives from any VRG II sales through December 31, 2014 and 50% on sales thereafter. As of December 31, 2014 and 2013, COCIC had drawn $65,000, of which $5,562 in payments were made in 2013 leaving a balance of $59,438 at December 31, 2014. The note was paid off in February 2015.

NOTE 10 – 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 11 – 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, 2014 and 2013, the book value of the landfill, excluding the related closure and post closure liability is $1,031,249.

NOTE 11 – LANDFILL CLOSURE COSTS AND CHANGE IN ESTIMATE – (Continued)

The $2,174,064 and $2,277,839 reported as landfill closure and postclosure care liability at December 31, 2014 and 2013, respectively, represents the remaining estimated cost of closure and postclosure care. The remaining balance of the liability will be obtained through revenue from the sale of methane gas, the lease of the golf facility, including percentage rent from any income earned by the golf 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. New agreements were issued in 2014 and 2015 postponing the lease income from the golf facility until 2017, changing the 5% participation fee on property sales to a 9.5% participation fee after gross sales of $5.5 million and a closing assessment plus an annual assessment on those properties sold. Total expenditures in 2014 and 2013 for this liability were $103,775 and $123,063, respectively

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 12 – 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 were 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. The outstanding loan of $134,032 was paid off in December 2014.

NOTE 13 – RISK MANAGEMENT

<u>Commercial Insurance</u>
COCIC has obtained commercial insurance for the following risks:

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

NOTE 14 – 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 15 – 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.

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INDEPENDENT AUDITORS' 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, 2014 and 2013, 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 June 25, 2015.

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 first paragraph of this section 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.

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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
June 25, 2015

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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
AUGUST 18, 2015

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