

**PIQUA IMPROVEMENT CORPORATION
AND SUBSIDIARY
MIAMI COUNTY, OHIO**

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2013 and 2012



Dave Yost • Auditor of State

Board of Directors and Stockholders
Piqua Improvement Corporation and Subsidiary
201 W Water Street
Piqua, Ohio 45356

We have reviewed the *Independent Auditor's Report* of the Piqua Improvement Corporation and Subsidiary, Miami County, prepared by Joseph Decosimo and Company, LLC, for the audit period January 1, 2012 through December 31, 2013. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Piqua Improvement Corporation and Subsidiary is responsible for compliance with these laws and regulations.

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Dave Yost
Auditor of State

December 31, 2014

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PIQUA IMPROVEMENT CORPORATION AND SUBSIDIARY
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INDEPENDENT AUDITOR'S REPORT

Board of Directors and Stockholders
Piqua Improvement Corporation
Piqua, Ohio

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Piqua Improvement Corporation and subsidiary, Miami County, Ohio (a non-profit corporation) (collectively, the Organization), which comprise the consolidated statements of financial position as of December 31, 2013 and 2012, and the related consolidated statements of activities and consolidated cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. The financial statements of the subsidiary were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

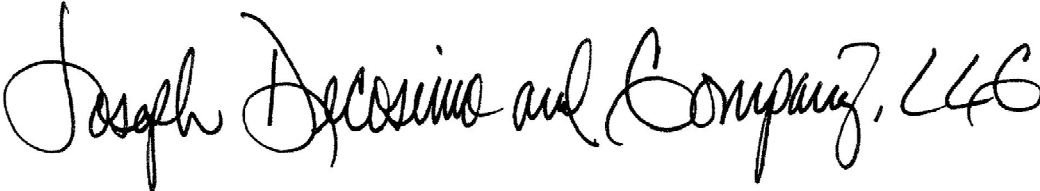
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Piqua Improvement Corporation and subsidiary as of December 31, 2013 and 2012, and the changes in their net assets and their cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 11, 2014, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Organization's internal control over financial reporting and compliance.

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Cincinnati, Ohio
November 11, 2014

PIQUA IMPROVEMENT CORPORATION AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

December 31, 2013 and 2012

	2013	2012
ASSETS		
Cash and cash equivalents	\$ 777,449	\$ 686,264
Accounts receivable	24,565	15,960
Prepaid expenses	270	270
Other assets	3,825	3,635
Investment in real estate, net	<u>17,747,048</u>	<u>18,341,383</u>
TOTAL ASSETS	\$ <u>18,553,157</u>	\$ <u>19,047,512</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 40,357	\$ 28,840
Accrued interest	3,595	3,595
Notes payable	<u>15,674,043</u>	<u>15,674,043</u>
Total liabilities	<u>15,717,995</u>	<u>15,706,478</u>
NET ASSETS		
Unrestricted	3,710	6,226
Temporarily restricted	<u>2,831,452</u>	<u>3,334,808</u>
Total net assets	<u>2,835,162</u>	<u>3,341,034</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>18,553,157</u>	\$ <u>19,047,512</u>

The accompanying notes are an integral part of the consolidated financial statements.

PIQUA IMPROVEMENT CORPORATION AND SUBSIDIARY

CONSOLIDATED STATEMENT OF ACTIVITIES

Year Ended December 31, 2013

	Unrestricted	Temporarily Restricted	Total
REVENUES AND SUPPORT			
Rental income	\$ -	\$ 254,982	\$ 254,982
Other income	-	257,757	257,757
Net assets released from restriction	<u>1,016,095</u>	<u>(1,016,095)</u>	<u>-</u>
Total revenues and support	<u>1,016,095</u>	<u>(503,356)</u>	<u>512,739</u>
EXPENSES			
Program expenses -			
Asset management fee	85,000	-	85,000
Management fee	5,000	-	5,000
Interest expense	79,369	-	79,369
Insurance	30,694	-	30,694
Repairs and maintenance	33,311	-	33,311
Utilities	118,019	-	118,019
Professional fees	29,480	-	29,480
Depreciation expense	594,335	-	594,335
Property taxes	8,502	-	8,502
Cleaning	28,096	-	28,096
Miscellaneous	<u>6,805</u>	<u>-</u>	<u>6,805</u>
Total expenses	<u>1,018,611</u>	<u>-</u>	<u>1,018,611</u>
CHANGE IN NET ASSETS	(2,516)	(503,356)	(505,872)
NET ASSETS - beginning of year	<u>6,226</u>	<u>3,334,808</u>	<u>3,341,034</u>
NET ASSETS - end of year	<u>\$ 3,710</u>	<u>\$ 2,831,452</u>	<u>\$ 2,835,162</u>

The accompanying notes are an integral part of the consolidated financial statements.

PIQUA IMPROVEMENT CORPORATION AND SUBSIDIARY

CONSOLIDATED STATEMENT OF ACTIVITIES

Year Ended December 31, 2012

	Unrestricted	Temporarily Restricted	Total
REVENUES AND SUPPORT			
Rental income	\$ -	\$ 254,982	\$ 254,982
Other income	-	258,408	258,408
Net assets released from restriction	<u>963,972</u>	<u>(963,972)</u>	<u>-</u>
Total revenues and support	<u>963,972</u>	<u>(450,582)</u>	<u>513,390</u>
EXPENSES			
Program expenses -			
Asset management fee	85,000	-	85,000
Management fee	5,000	-	5,000
Interest expense	79,569	-	79,569
Insurance	29,951	-	29,951
Repairs and maintenance	20,054	-	20,054
Utilities	100,445	-	100,445
Professional fees	24,700	-	24,700
Depreciation expense	594,335	-	594,335
Property taxes	4,917	-	4,917
Cleaning	17,055	-	17,055
Miscellaneous	<u>6,962</u>	<u>-</u>	<u>6,962</u>
Total expenses	<u>967,988</u>	<u>-</u>	<u>967,988</u>
CHANGE IN NET ASSETS	(4,016)	(450,582)	(454,598)
NET ASSETS - beginning of year	<u>10,242</u>	<u>3,785,390</u>	<u>3,795,632</u>
NET ASSETS - end of year	<u>\$ 6,226</u>	<u>\$ 3,334,808</u>	<u>\$ 3,341,034</u>

The accompanying notes are an integral part of the consolidated financial statements.

PIQUA IMPROVEMENT CORPORATION AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended December 31, 2013 and 2012

	2013	2012
OPERATING ACTIVITIES		
Change in net assets	\$ (505,872)	\$ (454,598)
Adjustments to reconcile change in net assets to net cash flows from operating activities -		
Depreciation	594,335	594,335
Changes in operating assets and liabilities -		
Accounts receivable	(8,605)	1,919
Other assets	(190)	(31)
Accounts payable and accrued expenses	<u>11,517</u>	<u>7,797</u>
Net cash flows from operating activities	91,185	149,422
CASH AND CASH EQUIVALENTS - beginning of year	<u>686,264</u>	<u>536,842</u>
CASH AND CASH EQUIVALENTS - end of year	<u>\$ 777,449</u>	<u>\$ 686,264</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for interest	\$ 79,369	\$ 79,569

The accompanying notes are an integral part of the consolidated financial statements.

PIQUA IMPROVEMENT CORPORATION AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies and practices followed by the Organization are as follows:

ORGANIZATION DESCRIPTION - Piqua Improvement Corporation, through its wholly-owned subsidiary, Fort Piqua Redevelopment Corporation (collectively, the Organization), is incorporated as a not-for-profit corporation under the laws of the State of Ohio for the purpose of furthering economic development in the City of Piqua. The Organization's mission is to promote and encourage economic and civic welfare for the purpose of advancing the quality of life of the citizens of Piqua, Ohio. This is accomplished by attracting new and retaining/expanding existing businesses, working through a private/public cooperative, addressing quality of life issues within the community, and maintaining consistent communication with its stockholders.

Piqua Improvement Corporation owns 100% of the assets and capital stock of the Fort Piqua Redevelopment Corporation (the Corporation) which, in turn, owns 51% of the assets and equity of The City of Piqua Downtown Redevelopment Project, L.P. (the Landlord and Partnership).

Fort Piqua Redevelopment Corporation was organized on November 9, 2006, as a corporation under the laws of the State of Ohio. The Corporation was formed to invest in The City of Piqua Downtown Redevelopment Project, L.P. (the Landlord and Partnership) and finance the renovation of the Fort Piqua Hotel (the Project) through its investment. The sole stockholder of the Corporation is Piqua Improvement Corporation. The Landlord and Partnership was formed on February 24, 2005, under the laws of the State of Ohio. The general partner of the Landlord and Partnership is the Corporation and the limited partner, Fort Piqua Hotel Master Tenant, LLC (the Master Tenant), was formed on November 9, 2006, under the laws of the State of Ohio, and is wholly owned by Consortium America VIII, LLC (CA VIII).

The Corporation's principal business objective is to provide investment capital to the Landlord to be used to renovate the Project. Therefore, the Corporation's principal business consists of investing as a general partner in the Landlord.

The entities were formed to rehabilitate and operate the Project located in Piqua, Ohio. The property includes approximately 60,000 square feet of commercial space for lease to the Flesh Public Library (the Library), 8,693 square feet of commercial space for lease to the City of Piqua (the City and Lender) as a banquet facility, and 11,304 square feet to lease to the City as retail and commercial space (collectively, the Property). The Project is owned by the Landlord and is fully leased to the Master Tenant. The building is a certified historic structure that is eligible for investment tax credits for qualifying rehabilitation expenditures pursuant to Section 47 of the Internal Revenue Code (IRC). The Partnership is a Qualified Active Low-Income Community Business (QALICB) in accordance with the terms under the New Markets Tax Credit (NMTC) program, pursuant to Section 45D of the IRC. The Partnership is required to comply with various rules and regulations and failure to comply with these or other requirements could result in the recapture of NMTC already taken by the investor member of CA VIII. In accordance with the partnership agreement of the Landlord, profits, losses and cash flows (subject to certain allocations) are allocated 51% to the Corporation and 49% to CA VIII.

PRINCIPLES OF CONSOLIDATION - The consolidated financial statements include the accounts of Piqua Improvement Corporation and its wholly-owned subsidiary, Fort Piqua Redevelopment Corporation. All significant intercompany balances and transactions have been eliminated in consolidation.

PIQUA IMPROVEMENT CORPORATION AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

BASIS OF ACCOUNTING - The Organization follows the accrual basis of accounting, whereby revenues and expenses are recognized in the period earned or incurred. The measurement focus is on determination of change in net assets, financial position and cash flows.

FINANCIAL STATEMENT PRESENTATION - The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States. Under this guidance, the Organization reports information regarding its consolidated financial position and activities according to three classes of net assets based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to stipulations and may be utilized at the discretion of the Board of Directors and stockholders to support the Organization's purposes and operations.

Temporarily restricted net assets - Net assets subject to stipulations that will be met either by actions of the Organization satisfying the purpose or the passage of time.

Permanently restricted net assets - Net assets for which there is a stipulation that the principal be maintained in perpetuity and that only the income from the investment thereof be expended either for the general purpose of the Organization or for a specific purpose. The Organization had no permanently restricted net assets for the years ended December 31, 2013 and 2012.

CASH AND CASH EQUIVALENTS - The Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The Organization maintains at various financial institutions cash and cash equivalent accounts that may exceed federally insured amounts and which may at times significantly exceed consolidated statements of financial position amounts due to outstanding checks.

As of December 31, 2013 and 2012, the Organization's cash and cash equivalents balances consisted of approximately \$177,000 and \$179,000 in excess of federally insured limits, respectively.

ACCOUNTS RECEIVABLE AND BAD DEBTS - Tenant receivables are charged to bad debt expense when they are determined to be uncollectible based on a periodic review of the accounts by management. Accounting principles generally accepted in the United States of America require that the allowance method be used to recognize bad debts; however, the effects of using the direct write-off method is not materially different from the results that would have been obtained under the allowance method.

INVESTMENT IN REAL ESTATE - The investment in real estate is carried at cost, and includes all direct costs of acquisition and construction as well as interest incurred during the rehabilitation period. Depreciation is provided for in amounts sufficient to relate the costs of depreciable assets to operations over their estimated service lives. Useful lives are estimated as follows:

Building and improvements	39 years
Furniture, fixtures and equipment	5 - 10 years

PIQUA IMPROVEMENT CORPORATION AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

IMPAIRMENT OF LONG-LIVED ASSETS - In accordance with current accounting guidance, the Organization reviews its investment in real estate for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. If the fair value is less than the carrying amount of the asset, an impairment loss is recognized for the difference. No impairment loss has been recognized during the years ended December 31, 2013 and 2012.

REVENUES - The Organization is funded primarily by pledges from local businesses and contributions from the City of Piqua. The Organization also receives rental income and other revenues, including bank interest on assets.

RENTAL INCOME AND DEFERRED RENT - Rental income is recognized over the lease terms as it becomes receivable according to the provisions of the respective leases. However, if the rents due vary from a straight-line basis, future rents including scheduled and specific rent increases and/or rent concessions are recognized on a straight line basis over the lease terms.

CONTRIBUTED SERVICES - The Organization receives management and financial services from the City of Piqua. The value of these services is considered immaterial and is not recognized in the consolidated financial statements.

INCOME TAXES - The Organization is exempt from federal and state income taxes under the provisions of the Internal Revenue Code. While no tax returns are currently being examined by the Internal Revenue Services, tax years since 2010 remain open.

Fort Piqua Redevelopment Corporation, the wholly-owned subsidiary, is identified as a taxable C-corporation for federal and state income taxes under the provisions of the Internal Revenue Code. While no tax returns are currently being examined by the Internal Revenue Services, tax years since 2010 remain open.

Income taxes are provided for the tax effects of transactions reported in the financial statements. Deferred tax assets and liabilities, if significant, are recognized for the estimated future tax effects attributed to temporary differences between the book and tax basis of assets and liabilities and for carryforward items. The measurement of current and deferred tax assets and liabilities is based on enacted law. Deferred tax assets are reduced, if necessary, by a valuation allowance for the amount of tax benefits that may not be realized. As of December 31, 2013 and 2012, the Organization determined that a valuation allowance was required and was established to substantially eliminate all effective deferred tax assets.

The benefit of a tax position is recognized in the financial statements in the period during which, based on all available evidence, management believes it is more likely than not that the positions will be sustained upon examination, including the resolution of appeals or litigation processes, if any. Tax positions that meet the more-likely-than-not recognition threshold are measured as the largest amount of tax benefit that is more than 50% likely of being realized upon settlement with the applicable taxing authority. As of December 31, 2013 and 2012, the Organization has not recognized liabilities for uncertain tax positions or associated interest and penalties.

FUNCTIONAL ALLOCATION OF EXPENSES - The costs of providing various programs and other activities has been summarized on a functional basis. Accordingly, 100% of these costs have been allocated to program services based upon the actual direct expenditures of these related activities.

PIQUA IMPROVEMENT CORPORATION AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

ESTIMATES AND UNCERTAINTIES - The preparation of consolidated financial statements in conformity with generally accepted accounting principles 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

SUBSEQUENT EVENTS - The Organization has evaluated subsequent events for potential recognition and disclosure through November 11, 2014, the date the consolidated financial statements were available to be issued.

NOTE 2 - INVESTMENT IN REAL ESTATE

The investment in real estate as of December 31, 2013 and 2012, consists of the following:

	2013	2012
Buildings and improvements	\$ 20,166,572	\$ 20,166,572
Furniture and fixtures	540,856	540,856
Land	<u>62,400</u>	<u>62,400</u>
	20,769,828	20,769,828
Accumulated depreciation	<u>(3,022,780)</u>	<u>(2,428,445)</u>
Net investment in real estate	<u>\$ 17,747,048</u>	<u>\$ 18,341,383</u>

NOTE 3 - NOTES PAYABLE

Consortium America VIII, LLC

The Organization executed a mortgage payable with CA VIII on December 11, 2006, in the amount of \$14,380,846. The note bears interest at the rate of 0.50% per annum. The note is secured by a mortgage on real property and an assignment of rents and leases, as defined in the loan agreement. Semiannual payments of interest only are due on June 12th and December 12th of each year through maturity on December 10, 2036, at which time all unpaid principal and accrued interest shall be due.

The City of Piqua

The Organization executed a note payable with the Lender on October 16, 2007, in the amount of \$1,733,303. The note bears interest at the rate of 0.5% per annum and is secured by collateral as defined in the loan agreement. Payments of interest are due until the outstanding principal balance is demanded by the Lender. The outstanding principal balance on the note was \$1,293,197 as of December 31, 2013 and 2012.

Accrued interest payable on the notes totaled \$3,595 as of December 31, 2013 and 2012.

PIQUA IMPROVEMENT CORPORATION AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of December 31, 2013 and 2012, were available for the following purposes or periods:

	2013	2012
For the purpose of rehabilitating and operating the Old Fort Piqua Hotel	\$ <u>2,831,452</u>	\$ <u>3,334,808</u>

NOTE 5 - NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from restrictions by incurring expenses satisfying the restricted purpose as follows:

	2013	2012
For the purpose of rehabilitating and operating the Old Fort Piqua Hotel	\$ <u>1,016,095</u>	\$ <u>963,972</u>

NOTE 6 - INCOME TAXES

Income tax expense for the years ended December 31, 2013 and 2012, consisted of the following:

	2013	2012
Current provision	\$ <u>-</u>	\$ <u>(62,940)</u>

As of December 31, 2013, the Organization has a net operating loss (NOL) carryforward of \$234,955, with a related tax benefit of \$79,885. A corresponding valuation allowance has been established against the NOL carryforward for the entire balance.

The related income tax benefit is currently presented in other income on the statement of activities.

NOTE 7 - MASTER LEASE

The Organization entered into the Master Lease with the Landlord to lease the Property through December 11, 2025. For reporting purposes, rental income and expense have been eliminated in the consolidated statements of activities. Future minimum payments under the Master Lease are as follows:

Years ending	
December 31, 2014	\$ 175,000
December 31, 2015	175,000
December 31, 2016	175,000
December 31, 2017	175,000
December 31, 2018	175,000
Thereafter	<u>1,225,000</u>
	<u>\$ 2,100,000</u>

PIQUA IMPROVEMENT CORPORATION AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 8 - SUBLEASES

The Organization executed noncancelable commercial leases with the City and the Library to rent and occupy space in the Property. The leases expire on various dates through October 20, 2027.

A schedule of future minimum rental income from the noncancelable leases for the years subsequent to December 31, 2013, are as follows:

Years ending	
December 31, 2014	\$ 254,982
December 31, 2015	254,982
December 31, 2016	254,982
December 31, 2017	254,982
December 31, 2018	254,982
Thereafter	<u>2,043,624</u>
	<u>\$ 3,318,534</u>

NOTE 9 - RELATED PARTY TRANSACTIONS

The Executive Director of the Organization is the Economic Development Director and full-time employee of the City of Piqua. The Organization's Treasurer is the Finance Director for the City of Piqua. A value for the contributions of their time has not been recognized since it has been determined that they devote an immaterial number of hours to the Organization.

Asset Management Fee - The Organization, in accordance with the partnership agreement of the Landlord, earns an annual asset management fee in the amount of \$85,000 for its services in managing the Landlord's investments and other administrative matters. Such fees paid and charged to operations totaled \$85,000 for both of the years ended December 31, 2013 and 2012.

Management Fee - The Organization, in accordance with the operating agreement of the Master Tenant, earns an annual management fee in the amount of \$5,000 for the services it provides to the Master Tenant. Such fees paid and charged to operations totaled \$5,000 for both of the years ended December 31, 2013 and 2012.

NOTE 10 - COMMITMENTS AND CONTINGENCIES

The Organization's historic rehabilitation tax credits passed through to the Master Tenant are contingent on the Master Tenant's ability to maintain compliance with applicable sections (Section 47 and Section 50) of the IRC and the Tax Code of Ohio. The Organization's new markets tax credits are contingent on CA VIII's ability to comply with Section 45D of the IRC. Failure to maintain compliance or to correct noncompliance within a specific time period could result in the recapture of previously taken tax credits plus interest.

INTERNAL CONTROL AND COMPLIANCE

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

To the Board of Directors
Piqua Improvement Corporation
Piqua, Ohio

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 consolidated financial statements of Piqua Improvement Corporation and subsidiary, Miami County, Ohio (a non-profit corporation) (collectively, the Organization), which comprise the consolidated statements of financial position as of December 31, 2013 and 2012, and the related consolidated statements of activities and consolidated cash flows for the years then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated November 11, 2014. The financial statements of the subsidiary were not audited in accordance with *Government Auditing Standards* and accordingly this report does not include reporting on internal control over financial report or instances of reportable noncompliance associated with the subsidiary.

Internal Control Over Financial Reporting

In planning and performing our audits of the consolidated financial statements, we considered the Organization'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 opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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.

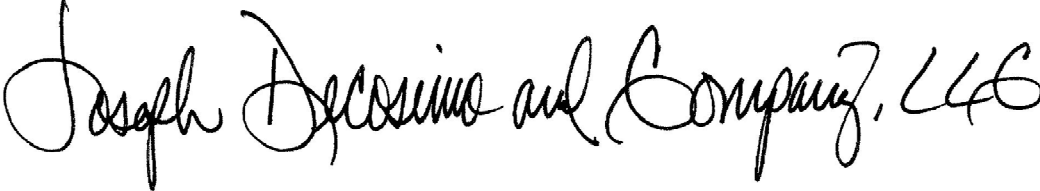
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audits, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's consolidated 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 audits, 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 Organization'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 Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Joseph Decasimo and Company, LLC". The signature is written in a cursive, flowing style.

Cincinnati, Ohio
November 11, 2014

PIQUA IMPROVEMENT CORPORATION AND SUBSIDIARY
SCHEDULE OF PRIOR AUDIT FINDINGS
Years Ended December 31, 2013 and 2012

No prior audit findings noted.



Dave Yost • Auditor of State

PIQUA IMPROVEMENT CORPORATION

MIAMI 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
JANUARY 08, 2015**