

AUDIT REPORT

**Central Ohio Community Improvement
Corporation**

Franklin County

Report on Audited Financial Statements

For the Years Ended December 31, 2015 and 2014

**CENTRAL OHIO COMMUNITY IMPROVEMENT CORPORATION
FRANKLIN COUNTY**

TABLE OF CONTENTS

<u>Title</u>	<u>Page(s)</u>
Independent Auditor's Report	1 - 2
Management's Discussion and Analysis	3 - 7
<u>Financial Statements</u>	
Statements of Net Position	8
Statements of Revenues, Expenses and Changes in Net Position	9
Statements of Cash Flows	10 - 11
Notes to the Financial Statements	12 - 22
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 <i>Government Auditing Standards</i>	23 - 24

INDEPENDENT AUDITOR'S 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, 2015 and 2014, 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.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of COCIC as of December 31, 2015 and 2014, and the respective changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 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 May 18, 2016, on our consideration of 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.

A handwritten signature in black ink that reads "Farms & Company, LLC". The signature is cursive and fluid, with "Farms & Company" on the top line and "LLC" on the bottom line.

May 18, 2016
Columbus, Ohio

**CENTRAL OHIO COMMUNITY IMPROVEMENT CORPORATION
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

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 – 2015

COCIC’s main programs are Blight Removal Program, Responsible Landlord Program and the Trusted Partners Program.

The Blight Removal Program (BRP), 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 or recoveries are included with Property Inventory. During 2015, BRP demolished 225 units. Under a new grant this year from the Ohio Housing Finance Agency’s Neighborhood Initiative Program (OHFA NIP) demolition costs were approximately \$3 million. Delinquent Tax Assessment & Collection (DTAC) source income had demolition costs in the amount of approximately \$714,000. Property maintenance and other cost in association with those demolitions amounted to approximately \$189,000 in 2015.

The Responsible Landlord Program (RLL) 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. At the end of 2015, COCIC had a revolving note receivable of approximately \$905,000 accruing interest of 1.5% compounded monthly on the outstanding balance towards the RLL.

The Trusted Partners Program (TPP) 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 approximately \$638,000 to its trusted partners in 2015 toward 36 properties.

The total assets of COCIC increased 16% in 2015 to \$10,160,044 from \$8,733,613 in 2014. The major cause for the increase in total assets was an increase in Grant Receivables of approximately \$2.1 million for reimbursement from the OHFA NIP grant. Operating income decreased 46% in 2015 by \$1.3 million primarily due to a decrease in DTAC funds received. Similarly, Cash flows generated by operating activities decreased in 2015 by \$2 million mostly due to the lower DTAC funds.

**CENTRAL OHIO COMMUNITY IMPROVEMENT CORPORATION
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

FINANCIAL HIGHLIGHTS – 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.

NET POSITION COMPARISON

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

	2015	2014	2013
Assets			
Current Assets	\$ 6,620,119	\$ 5,220,298	\$ 3,409,796
Total Noncurrent Assets	<u>3,539,925</u>	<u>3,513,315</u>	<u>3,558,406</u>
Total Assets	<u>10,160,044</u>	<u>8,733,613</u>	<u>6,968,202</u>
Liabilities			
Current Liabilities	499,084	475,887	1,086,314
Long-Term Liabilities	<u>4,329,918</u>	<u>4,595,085</u>	<u>5,215,334</u>
Total Liabilities	<u>4,829,002</u>	<u>5,070,972</u>	<u>6,301,648</u>
Deferred Inflows of Resources	<u>75,000</u>	<u>75,000</u>	<u>-</u>
Total Net Position	<u>\$ 5,256,042</u>	<u>\$ 3,587,641</u>	<u>\$ 666,554</u>

Current Assets in 2015 increased approximately \$1.3 million due to the \$2.1 million increase in Grant Receivables from the OHFA NIP program. Long term liabilities continue to decrease due to accelerated payments toward the outstanding bond.

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 2014 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.

**CENTRAL OHIO COMMUNITY IMPROVEMENT CORPORATION
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

STATEMENTS OF REVENUES, EXPENSES AND CHANGE IN NET POSITION

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

	2015	2014	2013
Operating Revenues			
Total Operating Revenues	\$ 6,853,201	\$ 10,961,550	\$ 6,881,409
Operating Expenses			
Total Operating Expenses	<u>5,272,563</u>	<u>8,045,533</u>	<u>4,340,536</u>
Operating Income	<u>1,580,638</u>	<u>2,916,017</u>	<u>2,540,873</u>
Non-Operating Revenues			
Total Non-Operating Revenue	<u>87,763</u>	<u>12,884</u>	<u>(20,691)</u>
Non-Operating Expenses			
Total Non-Operating Expenses	<u>-</u>	<u>7,814</u>	<u>12,246</u>
Change in Net Position	1,668,401	2,921,087	2,507,936
Net Assets Beginning of Year	<u>3,587,641</u>	<u>666,554</u>	<u>(1,841,382)</u>
Net Assets End of Year	<u>\$ 5,256,042</u>	<u>\$ 3,587,641</u>	<u>\$ 666,554</u>

The 2015 Operating Income decreased approximately \$1.3 million in comparison with 2014 due to a drop of approximately \$1.5 million in DTAC funds caused from lower delinquent taxes and zero catch-up DTAC receipts. Also in 2015, the Trusted Partners program saw an increase in disbursements of almost \$450,000 over 2014.

The 2015 Non-Operating Revenues increased \$74,000 over 2014 mostly from a gain on investment of \$26,610 compared with the \$45,091 loss from 2014. COCIC also had accrued interest from the Responsible Landlord program of \$10,425.

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 in 2014 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 2014 Non-Operating Revenues over 2013 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.

**CENTRAL OHIO COMMUNITY IMPROVEMENT CORPORATION
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

STATEMENTS OF CASH FLOWS

Table 3 summarizes the Cash Flows of COCIC.

	2015	2014	2013
Change in Cash and cash equivalents			
Net Cash Provided by (Used for)			
Operating Activities	\$ (869,974)	\$ 1,119,304	\$ 2,642,373
Net Cash Provided by Non-Capital			
Financing Activities	50,728	5,602	50,323
Net Cash Provided by (Used for) Capital and			
Related Financing Activities	(379,791)	(494,322)	(192,444)
Net Cash Used for Investing Activities	-	-	-
Net Change in Cash and Cash Equivalents	<u>\$ (1,199,037)</u>	<u>\$ 630,584</u>	<u>\$ 2,500,252</u>

In 2015, Net Cash Used for Operating Activities decreased from 2014 similar to Operating Income, due to the \$1.5 million decrease in DTAC funds.

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.

CAPITAL ASSETS

Table 4 summarizes the Capital Assets of COCIC.

	2015	2014	2013
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	<u>\$ 3,381,391</u>	<u>\$ 3,381,391</u>	<u>\$ 3,381,391</u>

**CENTRAL OHIO COMMUNITY IMPROVEMENT CORPORATION
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

DEBT

Table 5 summarizes the debt of COCIC.

	2015	2014	2013
Landfill Closure and Post Closure Care	\$ 2,122,187	\$ 2,174,064	\$ 2,277,839
Value Recovery Group II - Loan	-	59,438	56,973
Franklin County	2,321,429	2,425,892	2,530,356
Economic Development Term Loan	78,571	186,607	193,751
Franklin County Growth Fund	-	-	377,365
Total Debt	<u><u>\$ 4,522,187</u></u>	<u><u>\$ 4,846,001</u></u>	<u><u>\$ 5,436,284</u></u>

COCIC decreased debt in 2015 and 2014 with 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 Floor, Columbus, Ohio 43215.

**CENTRAL OHIO COMMUNITY IMPROVEMENT CORPORATION
FRANKLIN COUNTY**

**STATEMENTS OF NET POSITION
AT DECEMBER 31, 2015 AND 2014**

	2015	2014
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 2,096,371	\$ 3,295,408
Accounts Receivable	245,704	50,000
Grants Receivable	2,165,897	307,409
Program Receivable	905,051	513,772
Property Inventory	1,057,481	1,040,431
Prepays and Other Assets	149,615	13,278
Total Current Assets	<u>6,620,119</u>	<u>5,220,298</u>
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	<u>3,381,391</u>	<u>3,381,391</u>
Investment in Joint Venture	158,534	131,924
Total Noncurrent Assets	<u>3,539,925</u>	<u>3,513,315</u>
TOTAL ASSETS	<u>10,160,044</u>	<u>8,733,613</u>
LIABILITIES		
Current Liabilities:		
Accounts Payable	285,908	67,377
Accrued Liabilities	20,907	157,594
Landfill Closure and Post Closure Care Liability- Current Portion	92,269	90,586
Notes Payable- Current Portion	100,000	160,330
Total Current Liabilities	<u>499,084</u>	<u>475,887</u>
Long-Term Liabilities		
Landfill Closure and Post Closure Care Liability	2,029,918	2,083,478
Notes Payable- Non Current Portion	2,300,000	2,511,607
Total Long-Term Liabilities	<u>4,329,918</u>	<u>4,595,085</u>
TOTAL LIABILITIES	<u>4,829,002</u>	<u>5,070,972</u>
DEFERRED INFLOWS OF RESOURCES		
Rental Payments received in Advance	75,000	75,000
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>75,000</u>	<u>75,000</u>
NET POSITION		
Net Investment in Capital Assets	981,391	709,453
Unrestricted	<u>4,274,651</u>	<u>2,878,188</u>
TOTAL NET POSITION	<u>\$ 5,256,042</u>	<u>\$ 3,587,641</u>

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, 2015 AND 2014**

	2015	2014
Operating Revenues		
Delinquent Tax Assessment & Collection Income	\$ 3,367,812	\$ 4,943,000
Grant Revenues	2,884,434	5,947,084
Demolition Recovery, Reimbursement & Property Sales	595,172	71,466
Service Income	5,783	-
Total Operating Revenues	<u>6,853,201</u>	<u>10,961,550</u>
Operating Expenses		
Demolition and Remediation	3,864,514	7,187,414
Program Services	637,447	191,770
Payroll Expense	548,861	449,980
Insurance Expense	49,950	34,198
Legal and Professional Expense	74,349	59,661
Maintenance and Repair Expense	100	25,059
Meeting Expense	2,694	8,506
Utilities Expense	17,622	15,131
Office Expense	50,527	53,123
Staff Training and Travel	5,389	253
Postage and Freight Expense	564	179
Real Estate Taxes Expense	-	1,899
Other Expense	20,546	18,360
Total Operating Expenses	<u>5,272,563</u>	<u>8,045,533</u>
Operating Income	<u>1,580,638</u>	<u>2,916,017</u>
Non-Operating Revenue		
Gain/(Loss) on Investment	26,610	(45,091)
Subsidies	50,000	50,000
Interest	11,153	2,975
Other Income	-	5,000
Total Non-Operating Revenue	<u>87,763</u>	<u>12,884</u>
Non-Operating Expenses		
Interest	-	7,814
Total Non-Operating Expenses	<u>-</u>	<u>7,814</u>
Change in Net Position	<u>1,668,401</u>	<u>2,921,087</u>
Net Position, Beginning of Year	<u>3,587,641</u>	<u>666,554</u>
Net Position, End of Year	<u>\$ 5,256,042</u>	<u>\$ 3,587,641</u>

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, 2015 AND 2014**

	2015	2014
Cash Flows from Operating Activities		
Delinquent Tax Assessment & Collection Income	\$ 3,367,812	\$ 4,943,000
Grant Receipts	1,046,119	6,421,359
Demolition Recovery, Reimbursement & Property Sales	431,371	71,466
Service Income	5,783	-
Rental Proceeds and Fees	-	75,000
Demolition and Remediation Expense	(3,920,721)	(7,995,241)
Payment for Capital Acquisitions	(23,450)	(959,031)
Program Services	(948,301)	(703,169)
Payroll Expense	(529,954)	(456,719)
Insurance Expense	(78,408)	(30,586)
Legal and Professional Expense	(74,189)	(59,572)
Maintenance and Repairs Expense	(100)	(2,465)
Meeting Expense	(2,590)	(8,184)
Utilities Expense	(16,451)	(15,452)
Office Expenses	(47,625)	(52,121)
Staff Training and Travel	(5,389)	(253)
Postage and Freight Expense	(539)	(179)
Real Estate Taxes Expense	-	(1,899)
Landfill Closure Expense	(53,198)	(88,290)
Other Operating Payments	(20,144)	(18,360)
Net Cash (Used In) Provided by Operating Activities	<hr/> <hr/> (869,974)	<hr/> <hr/> 1,119,304
Cash Flows from Non-Capital Financing Activities		
Proceeds from Subsidies	50,000	-
Interest	728	602
Other Income	-	5,000
Net Cash Provided by Non-Capital Financing Activities	<hr/> <hr/> 50,728	<hr/> <hr/> 5,602
Cash Flows from Capital and Related Financing Activities		
Principal Paid on Debt	(271,937)	(620,540)
Proceeds from Notes Payable	-	134,032
Interest Paid on Capital Related Debt	-	(7,814)
Deposit paid on new location	(107,854)	
Net Cash Used In Capital and Related Financing Activities	<hr/> <hr/> (379,791)	<hr/> <hr/> (494,322)
Net Change in Cash and Cash Equivalents	(1,199,037)	630,584
Cash and Cash Equivalents Beginning of Year	<u>3,295,408</u>	<u>2,664,824</u>
Cash and Cash Equivalents End of Year	<u>\$ 2,096,371</u>	<u>\$ 3,295,408</u>

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, 2015 AND 2014**
(continued)

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

	2015	2014
Operating Income	\$ 1,580,638	\$ 2,916,017
(Increase) decrease in assets:		
Accounts Receivable	(195,704)	
Grant receivables	(1,858,488)	339,274
Responsible Landlord - Note Receivable	(380,854)	(511,398)
Property Inventory	(17,050)	(959,031)
Prepaid items	(28,482)	3,612
Increase (decrease) in liabilities:		
Accounts Payable	218,532	(337,084)
Accrued liabilities	(136,687)	(303,311)
Deferred Revenue	-	75,000
Landfill Closure and Post Closure Care Liability	(51,879)	(103,775)
Net Cash (Used In) Provided by Operating Activities	\$ (869,974)	\$ 1,119,304

See accompanying notes to the basic financial statements.

**CENTRAL OHIO COMMUNITY IMPROVEMENT CORPORATION
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

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.

**CENTRAL OHIO COMMUNITY IMPROVEMENT CORPORATION
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

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

GASB issued Statement No. 68, Accounting and Financial Reporting for Pensions - an amendment to GASB Statement No. 27 and GASB Statement No. 71 Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68, became effective during fiscal year 2015. COCIC determined those statements had no material impact on its financial statements as of December 31, 2015 and 2014. During 2015, GASB issued Statements No. 72, Fair Value Measurement and Application, GASB Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and 68, GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, GASB Statement No. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments, GASB Statement No. 77, Tax Abatement Disclosures, GASB Statement No. 78, Certain External Investment Pools and Pool Participants, and GASB Statement No. 80, Blending Requirements for Certain Component Units—an amendment to GASB Statement No. 14. Those statements have effective dates subsequent to COCIC's fiscal year ended December 31, 2015, although earlier application is allowed. COCIC has not determined the impact those statements will have on its financial statements.

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.

**CENTRAL OHIO COMMUNITY IMPROVEMENT CORPORATION
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

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, 2015 and 2014.

Reclassifications

Certain reclassifications have been made to the 2014 financial statement presentations to conform to the 2015 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.

Grant and Account Receivables

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.

**CENTRAL OHIO COMMUNITY IMPROVEMENT CORPORATION
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

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, 2015 and 2014, COCIC reported no deferred outflows of resources. 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, 2015 and 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 2012.

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.

**CENTRAL OHIO COMMUNITY IMPROVEMENT CORPORATION
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE 3 - CASH

The COCIC maintains its cash balance in banking accounts. At December 31, 2015 and 2014, the COCIC's carrying values of cash were \$2,096,371 and \$3,295,408, respectively. At December 31, 2015 and 2014, the COCIC's bank balances, held by two different financial institutions, were \$2,290,330 and \$3,295,135, respectively. Of the bank balances as of December 31, 2015 and 2014, \$884,153 and \$627,355, respectively, were covered by FDIC insurance, and \$1,406,177 and \$2,667,780, respectively, were covered by government securities collateralizing public deposits.

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, 2015 and 2014, respectively, there was \$380,854 and \$511,399 in principal distributions accruing interest of 1.5%. The outstanding balance of principal and accrued interest at December 31, 2015 was \$905,051 and \$513,772 at December 31, 2014. The principal and interest was paid off in April 2016.

Interest accrued during 2015 was \$10,657 and \$2,373 in 2014.

NOTE 5 – PROPERTY INVENTORY

Property inventoried as of December 31, 2015 and 2014 is summarized as follows:

Property Inventory	<u>2015</u>	<u>2014</u>
	\$ <u>1,057,481</u>	\$ <u>1,040,431</u>

COCIC sold a property for a net amount of \$91,100 with a book value of \$6,400 and accumulating expenses of \$45,115. Another property was added to the inventory during 2015 in the amount of \$23,450. This property will have additional demolition costs during 2016 and will be sold for any and all costs incurred.

In 2014, COCIC inventoried \$959,031 from acquisition and demolition costs of the Georgesville Road Property. COCIC has a 3 year purchase option agreement with a buyer for a price equal to the aggregate demolition and maintenance costs at the Property but not more than \$1,200,000. The purchase option will expire in January 2018.

**CENTRAL OHIO COMMUNITY IMPROVEMENT CORPORATION
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE 6 – INVESTMENTS

The fair value of investments as of December 31, 2015 and 2014 are summarized as follows:

	<u>2015</u>	<u>2014</u>
Investment in Joint Venture	\$ <u>158,534</u>	\$ <u>131,924</u>

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 gains for the year ended December 31, 2015 were \$26,610 and 2014 losses were \$45,091.

NOTE 7 – CAPITAL ASSETS

Capital asset activity for the years ended December 31, 2015 and 2014 was as follows:

	<u>1/1/2015</u>	<u>Additions</u>	<u>Deductions</u>	<u>12/31/2015</u>
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	<u>\$ 3,381,391</u>	<u>-</u>	<u>-</u>	<u>\$ 3,381,391</u>

	<u>1/1/2014</u>	<u>Additions</u>	<u>Deductions</u>	<u>12/31/2014</u>
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	<u>\$ 3,381,391</u>	<u>-</u>	<u>-</u>	<u>\$ 3,381,391</u>

Capital assets held by COCIC as of December 31, 2015 and 2014, were all related to nondepreciable costs of land and development costs related to the landfill and golf course.

COCIC entered into a real estate contract to purchase a building which will be used as the new location. The sale is scheduled to close mid-year 2016. There was a \$100,000 refundable deposit to hold the contract plus additional legal and professional due diligence fees of \$7,854 as future capitalize costs.

**CENTRAL OHIO COMMUNITY IMPROVEMENT CORPORATION
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE 8 – NOTES PAYABLE

	Amount			Amount Outstanding 12/31/2015	Amounts Due in One Year
	Outstanding 12/31/2014	Additions	Deletions		
<u>2015</u>					
Franklin County	\$ 2,425,892	-	(104,463)	\$ 2,321,429	\$ 92,857
Development Term Loan	186,607	-	(108,036)	78,571	7,143
VRG II Loan	<u>59,438</u>	-	<u>(59,438)</u>	-	-
Total Notes Payable	<u>\$ 2,671,937</u>	<u>-</u>	<u>(271,937)</u>	<u>\$ 2,400,000</u>	<u>\$ 100,000</u>

	Amount			Amount Outstanding 12/31/2014	Amounts Due in One Year
	Outstanding 12/31/2013	Additions	Deletions		
<u>2014</u>					
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	<u>56,973</u>	<u>2,465</u>	-	<u>59,438</u>	<u>59,438</u>
EPA Loan	-	134,032	(134,032)	-	-
FC Growth Fund	<u>377,365</u>	<u>-</u>	<u>(377,365)</u>	-	-
Total Notes Payable	<u>\$ 3,158,445</u>	<u>136,497</u>	<u>(623,005)</u>	<u>\$ 2,671,937</u>	<u>\$ 160,330</u>

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.

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, 2015 was \$2,321,429.

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, 2015 was \$78,571 and was paid off in March of 2016.

**CENTRAL OHIO COMMUNITY IMPROVEMENT CORPORATION
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE 8 – NOTES PAYABLE – (Continued)

On January 1, 2011 COCIC entered into a promissory note agreement in the amount of \$125,000 with Value Recovery Group II, LLC. The maturity date for the loan is December 31, 2020. Any amount unpaid as of the due date shall bear interest at the Wall Street Journal Prime Rate. The amount of drawdowns may not exceed the sum of \$45,000 through January 31, 2012, \$40,000 from February 1, 2012 through December 31, 2012 and \$40,000 in 2013. 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.

The following is the scheduled maturities of the debt agreement as of December 31, 2015:

2016	\$ 100,000
2017	100,000
2018	100,000
2019	100,000
2020	100,000
2021 and after	1,900,000
Total	<u><u>\$ 2,400,000</u></u>

NOTE 9 – 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.

**CENTRAL OHIO COMMUNITY IMPROVEMENT CORPORATION
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE 9 – 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 that acreage. There were sales in 2014 of \$5,000 and no sales in 2015 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 10 – 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, 2015 and 2014, the book value of the landfill, excluding the related closure and post closure liability is \$1,031,249.

The \$2,122,187 and \$2,174,064 reported as landfill closure and postclosure care liability at December 31, 2015 and 2014, 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 2015 and 2014 for this liability were \$51,877 and \$103,775, 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.

**CENTRAL OHIO COMMUNITY IMPROVEMENT CORPORATION
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE 11 – 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 12 – RISK MANAGEMENT

Commercial Insurance

COCIC has obtained commercial insurance for the following risks:

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

NOTE 13 – EMPLOYEE BENEFIT 401(k) PLAN

In December 2015, COCIC offered a defined contribution 401(k) plan to its employees. Eligible employees are those who have reached 12 months of service by December of any year, the plan entry date, plus at least 21 years of age. COCIC may make an employer discretionary contribution which is vested 100% at time of contribution. The plan allows employees to contribute 1% up to 90% of their salary and wages. The employer and employee contributions are not to exceed Internal Revenue Service limits.

COCIC's contribution expense at the end of December 31, 2015 was \$18,520.

**CENTRAL OHIO COMMUNITY IMPROVEMENT CORPORATION
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE 14 – LEASE AGREEMENTS

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 was \$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.

The COCIC currently leases office space on a month to month basis. Office rental expense in connection with the leased facilities was \$26,099 and \$22,599, for the year ended December 31, 2015 and 2014, respectively.

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.

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

To Board of Trustees
Central Ohio Community Improvement Corporation

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Central Ohio Community Improvement Corporation, Franklin County Ohio (COCIC), which comprise the statements of net position as of December 31, 2015 and 2014, 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 May 18, 2016.

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.

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
May 18, 2016