



Dave Yost • Auditor of State



**COMMUNITY IMPROVEMENT CORPORATION  
HOCKING COUNTY  
DECEMBER 31, 2016 AND 2015**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Community Improvement Corporation  
Hocking County  
140 East Main Street  
Logan, Ohio 43138

To the Board of Trustees:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the Community Improvement Corporation, Hocking County, Ohio (the CIC) (a not-for-profit corporation), which comprise the statements of financial position, the related statements of activities and cash flows, as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing those risks of financial statement material misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the CIC's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the CIC's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our opinion.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Community Improvement Corporation, Hocking County, Ohio, as of December 31, 2016 and 2015, and the changes in its financial position and its cash flows for the years then ended in accordance with the 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 6, 2017, on our consideration of the CIC's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine 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 CIC's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State  
Columbus, Ohio

November 6, 2017

**Community Improvement Corporation**

**Hocking County**

*Statement of Net Position*

*As of December 31, 2016*

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<b>Assets</b>	
Current Assets:	
Cash and Cash Equivaents, Unrestricted	\$564,847
Cash, Restricted	138,702
Prepaid Expenses	15,676
Notes Receivable - Current	64,543
Accounts Receivable	2,835
<i>Total Current Assets</i>	<u>786,603</u>
Non-Current Assets:	
Property and Equipment	
Buildings	6,224,750
Land	197,553
Office Equipment	31,166
Less: Accumulated Depreciation	(2,824,494)
<i>Total Non-Current Assets</i>	<u>3,628,975</u>
Other Assets:	
Certificates of Deposit	389,340
Industrial Park Development Costs	684,560
Notes Receivable, Noncurrent	94,724
Loan Cost, net of accum. depreciation	6,446
<i>Total Other Assets</i>	<u>1,175,070</u>
<i>Total Assets</i>	<u><u>\$5,590,648</u></u>
<b>Liabilities</b>	
Current Liabilities	
Accounts Payable	\$24,841
Accrued Expense	59,433
Advanced Rent	6,300
Customer Deposits	1,900
Current Portion of Long Term Debt	144,052
<i>Total Current Liabilities</i>	<u>236,526</u>
Long-Term Liabilities	
Bank Loan	997,632
<i>Total Long-Term Liabilities</i>	<u>997,632</u>
<i>Total Liabilities</i>	<u>1,234,158</u>
<b>Net Position</b>	
Permanently Restricted	260,136
Unrestricted	4,096,354
<i>Total Net Position</i>	<u><u>\$4,356,490</u></u>

*The notes to the financial statements are an integral part of this statement.*

**Community Improvement Corporation**  
**Hocking County**  
*Statement of Activities and Changes in Net Position*  
*For the Year Ended December 31, 2016*

	Unrestricted	Permanently Restricted	Total
<b>Operating Revenues</b>			
Rent	\$809,130	\$0	\$809,130
Grant and Contributions	5,413	425	5,838
Revolving Loan Interest	0	5,242	5,242
Investment Interest	3,554	0	3,554
Sale of Land	25,919	0	25,919
<i>Total Operating Revenues</i>	<u>844,016</u>	<u>5,667</u>	<u>849,683</u>
<b>Operating Expenses</b>			
Administrative Expense	226,763	0	226,763
Interest	47,331	0	47,331
Real Estate Taxes	45,715	0	45,715
Depreciation and Amortization	162,105	0	162,105
Repairs and Maintenance	122,297	0	122,297
Industrial Park Expenses	32,322	0	32,322
Rent, Utilities and Security	98,041	0	98,041
Insurance	10,439	0	10,439
Professional Fees	14,852	0	14,852
Grants and Incentives	15,484	0	15,484
Other	4,492	0	4,492
<i>Total Operating Expenses</i>	<u>779,841</u>	<u>0</u>	<u>779,841</u>
<i>Operating Loss</i>	<u>64,175</u>	<u>5,667</u>	<u>69,842</u>
<b>Non-Operating Revenues (Expenses)</b>			
Interest Income	964	0	964
<i>Total Non-Operating Revenues (Expenses)</i>	<u>964</u>	<u>0</u>	<u>964</u>
<i>Net Change in Net Position</i>	65,139	5,667	70,806
<i>Net Position (Deficit) Beginning of Year</i>	<u>4,031,215</u>	<u>254,469</u>	<u>4,285,684</u>
<i>Net Position (Deficit) End of Year</i>	<u><u>\$4,096,354</u></u>	<u><u>\$260,136</u></u>	<u><u>\$4,356,490</u></u>

See accompanying notes to the basic financial statements



**Community Improvement Corporation**  
**Hocking County**  
*Statement of Cash Flows*  
*For the Year Ended December 31, 2016*

<b>Cash Flows from Operating Activities</b>	
Increase in Net Position	\$70,806
Adjustments to reconcile change in net position to net cash provided by operating activities:	
Depreciation and Amortization	162,105
Bad Debt Expense	4,492
(Increase) Decrease in Operating Assets:	
Accounts Receivable	(6,783)
Prepaid Expenses	(6,397)
Increase (Decrease) in Operating Liabilities:	
Accounts Payable	15,683
Accrued Expenses	2,683
Advanced Rent	6,300
	248,889
Net Cash Used for Operating Activities	248,889
<b>Cash Flows from Investing Activities</b>	
Notes Receivable Repayments	78,656
Property and Equipment Acquisitions	(51,425)
Certificates of Deposit	(3,554)
Industrial Park Development Cost Disposals	34,081
	57,758
Net Cash Used for Investing Activities	57,758
<b>Cash Flows from Capital and Related Financing Activities</b>	
Principal Payments	(218,669)
	(218,669)
Net Cash Used for Capital and Related Financing Activities	(218,669)
<i>Net Increase in Cash and Cash Equivalents</i>	87,978
<i>Cash and Cash Equivalents at Beginning of Year</i>	615,571
	\$703,549
	\$703,549
<b>Cash Represented by:</b>	
Cash and Cash Equivalents, unrestricted	\$564,847
Cash and Cash Equivalents, restricted	138,702
	\$703,549
	\$703,549

See accompanying notes to the basic financial statements.

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**COMMUNITY IMPROVEMENT CORPORATION  
HOCKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

**NOTE 1 - NATURE AND SCOPE OF BUSINESS**

Hocking County Community Improvement Corporation (CIC) is a nonprofit corporation organized under the provisions of Section 501(c)(4) of the Internal Revenue Code for the purpose of providing land and building facilities in an effort to attract industry to the Logan-Hocking County area. The corporation owns several industrial development tracts and three commercial buildings which are under lease.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Accounting**

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

**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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Financial Statement Presentation**

The CIC follows the recommendations of the Financial Accounting Standards Board ASC 958, *Financial Statements of Not-For-Profit Organizations*. Under ASC 958, the CIC is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The CIC has no temporarily restricted net assets as of December 31, 2016.

**Trade Receivables**

The CIC accounts for their receivables on an accrual basis. They use a direct write-off method for their accounts receivable. The CIC keeps a low balance of receivables, thus the allowance for doubtful accounts is not material to their receivables presentation.

**Notes Receivable**

The CIC maintains a revolving loan fund which makes loans to local businesses and is primarily funded with federal grants. Payments of principal and interest are due monthly and are secured. The loans are for terms of up to 10 years. The carrying amount of the loans is reduced by an allowance that reflects management's best estimate of the amounts that will not be collected. The loans outstanding at December 31, 2016 were all deemed collectible; therefore, no allowance for doubtful accounts was necessary.

**Property and Equipment**

Property and equipment are carried at cost. Depreciation of property and equipment is provided using the straight-line method for financial reporting purposes at rates based on the following estimated useful lives:

**COMMUNITY IMPROVEMENT CORPORATION  
HOCKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(Continued)**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Property and Equipment (Continued)**

	<u>Years</u>
Buildings	40-50
Improvements and additions	5-25
Office equipment	3-7

For 2016, depreciation expense was \$161,718. Expenditures for maintenance and repairs are charged to expense as incurred.

**Advertising**

The CIC follows the policy of charging the costs of marketing and advertising to expense as incurred. The total advertising expense was \$15,562 at December 31, 2016.

**Income Taxes**

The Internal Revenue Service has determined that Hocking County Community Improvement Corporation is exempt from taxation under Code Section 501(c)(4); therefore, no provision for income taxes is shown in the financial statements. Even though the CIC is exempt from taxes, it is required to file an annual tax return and therefore is subject to possible U.S. Federal income tax examinations for open tax years.

**Cash and Cash Equivalents**

For purposes of the statements of cash flows, the CIC considers all checking accounts, savings accounts, money market accounts and certificates of deposit with maturities of 3 months or less to be cash equivalents.

Net cash flows from operating activities include cash payments for interest was as follows:

	<u>2016</u>
Interest	\$47,331

The CIC is a nonprofit corporation. As such, there were no payments for income taxes.

**Concentration of Credit Risk**

The CIC maintains cash balances at one financial institution. Accounts at this institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The CIC's uninsured cash balances totaled \$866,947 at December 31, 2016.

**Certificates of Deposit**

In August, 2012, the CIC invested \$125,314 in a certificate of deposit (CD). The CD has renewed twice and currently has an interest rate of 1.25%, with a maturity date of June, 2019.

**COMMUNITY IMPROVEMENT CORPORATION  
HOCKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(Continued)**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Certificates of Deposit (Continued)**

In October, 2014, the CIC invested \$254,293 in a second CD. This CD was renewed in 2016 and currently has an interest rate of .75%, with a maturity date of October, 2018.

The total investment interest on the CD's was \$3,554 at December 31, 2016.

**NOTE 3 - LONG-TERM DEBT**

A summary of long-term debt payable at December 31, 2016 is as follows:

A commercial mortgage of \$1,918,000 with The Citizens Bank of Logan obtained June 2, 2003 for the construction of a medical office building. Re-financed with Vinton County Bank for 20 years at 3.75% in 2013, maturing in 2033; the interest rate was adjusted to 3.25% in 2016. Payments are currently \$6,252 per month, though additional principal payments are being made. The loan is secured by real estate, furniture and fixtures. \$941,684

A commercial mortgage of \$400,000 with the Frederick L. and Sally A. Weghorst Living Trust obtained September 16, 2015 for the purchase of commercial property, maturing in 2018. Payments included \$100,000 at closing and \$100,000 plus accrued interest at a rate of 4% payable on each consecutive anniversary of the closing date, until paid in full. 200,000

Total Debt 1,141,684

Less: Current Maturities (144,052)

Long-Term Debt \$997,632

Current maturities of long-term debt for the five years subsequent to December 31, 2016 are as follows:

2017	\$144,052
2018	146,545
2019	48,080
2020	49,667
2021	51,305
Thereafter	<u>702,035</u>
Total	<u><u>\$1,141,684</u></u>

**COMMUNITY IMPROVEMENT CORPORATION  
HOCKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(Continued)**

**NOTE 4 - BUILDINGS**

The CIC owns several commercial buildings that currently have space being rented or available for rent.

EPA Building

The EPA leases the entire building for \$453,480 annually, payable in quarterly installments through June 30, 2017 with the option to renew for two (2) additional two-year periods. The Ohio Environmental Protection Agency has no option to purchase this property and the lease is considered an operating lease. The capitalized cost of this building at December 31, 2016 is \$3,404,860 and the accumulated depreciation at December 31, 2016 was \$2,008,334.

Medical Office Building

The CIC completed the construction of the medical office building at 541 State Route 664 North during 2004. The total capitalized cost of this building at December 31, 2016 is \$2,533,054, and the accumulated depreciation at December 31, 2016 was \$783,745.

Hocking Valley Community Hospital has occupied a portion of the building since September, 2004. The initial lease was for a ten year period and was extended in 2014 through March 2017 at a base annual rate of \$120,920 with the option to renew for (1) additional two-year period. Hocking Valley Community Hospital has no option to purchase this property and the lease is considered an operating lease.

Hopewell Health Centers, Inc., formerly Tri-County Mental Health and Counseling Services, Inc., has occupied a portion of the building since August, 2004. The initial lease was for a ten year period and was extended in 2014 through March 2024 at a base annual rent of \$166,680. Hopewell Health Centers, Inc. has no option to purchase this property and the lease is considered an operating lease.

Weghorst Building

The CIC acquired the building at 70-98 West Main Street in 2015. The total capitalized cost of this building at December 31, 2016 is \$286,836, and the accumulated depreciation at December 31, 2016 was \$7,999.

Dan VanWormer has occupied space since June, 2014. The lease payment is \$700 per month for a five year period, with the option to renew for one (1) additional five-year period. Dan VanWormer has no option to purchase this property and the lease is considered an operating lease.

Flowers by Darlene has occupied space since June, 2005. The lease was extended in 2015 through June, 2020. The lease payment is \$1,500 per month for the current five year period. Flowers by Darlene has no option to purchase this property and the lease is considered an operating lease.

AAA has occupied space since August, 1981. The most recent lease addendum extends the lease through May, 2017. The lease payment is \$800 per month for the one year period. AAA has no option to purchase this property and the lease is considered an operating lease.

**COMMUNITY IMPROVEMENT CORPORATION  
HOCKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(Continued)**

**NOTE 5 - FUTURE MINIMUM RENT INCOME**

Future minimum lease payments under non-cancelable operating leases due to the CIC as of December 31, 2016 are as follows:

2017	\$454,051
2018	193,080
2019	188,880
2020	175,680
2021	166,680
Thereafter	<u>375,030</u>
Total	<u>\$1,553,401</u>

**NOTE 6 - CURRENT VULNERABILITY DUE TO CONCENTRATIONS**

The CIC derives all of its lease income from lessees who are located in the Logan-Hocking County area.

**NOTE 7 - INDUSTRIAL PARK**

The CIC completed this land development project during 2004. Since then, there have been several tracts of land sold. The industrial park offers opportunities for mixed-use development, and has just over 40 acres remaining. During 2016, there was no additional development.

**NOTE 8 - OPERATING LEASE**

The CIC leases office space that is classified as an operating lease, for use in its operations. Annual base rent is \$22,500. The current five year lease was entered into in 2012 and expires December, 2017. The CIC has an option to renew the lease for (2) additional five-year periods. Following is a schedule by years of future minimum payments required under operating leases that have initial or remaining non-cancelable lease terms:

2017	\$22,500
Thereafter	<u>0</u>
Total	<u>\$22,500</u>

**NOTE 9 - SUBSEQUENT EVENTS**

In April 2017, the CIC approved a new \$50,000 revolving loan for Hocking Hills Winery.

Also during April 2017, the CIC approved to purchase parcels of 5.47 acres and 1.641 acres located at 30260 Industrial Park Drive. As of September 2017, the purchase has not been finalized.

In May 2017, the CIC purchased another building located at 11 W. Main St, Logan, Ohio for \$165,000, plus closing costs. The building is currently occupied by PNC Bank; and the CIC is considering moving their office operations into this space as well.

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**Community Improvement Corporation**

**Hocking County**

*Statement of Net Position*

*As of December 31, 2015*

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**Assets**

Current Assets:

Cash and Cash Equivaents, Unrestricted	\$542,760
Cash, Restricted	72,811
Prepaid Expenses	9,279
Notes Receivable - Current	74,327
Accounts Receivable	544

*Total Current Assets* 699,721

Non-Current Assets:

Property and Equipment	
Buildings	6,173,325
Land	197,553
Office Equipment	31,166
Less: Accumulated Depreciation	<u>(2,662,776)</u>

*Total Non-Current Assets* 3,739,268

Other Assets:

Certificates of Deposit	385,786
Industrial Park Development Costs	718,641
Notes Receivable, Noncurrent	163,596
Loan Cost, net of accum. depreciation	<u>6,833</u>

*Total Other Assets* 1,274,856

*Total Assets* \$5,713,845

**Liabilities**

Current Liabilities

Accounts Payable	\$9,158
Accrued Expense	56,750
Customer Deposits	1,900
Current Portion of Long Term Debt	<u>150,618</u>

*Total Current Liabilities* 218,426

Long-Term Liabilities

Bank Loan	<u>1,209,735</u>
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*Total Long-Term Liabilities* 1,209,735

*Total Liabilities* 1,428,161

**Net Position**

Permanently Restricted	254,469
Unrestricted	<u>4,031,215</u>

*Total Net Position* \$4,285,684

*The notes to the financial statements are an integral part of this statement.*

**Community Improvement Corporation**  
**Hocking County**  
*Statement of Activities*  
For the Year Ended December 31, 2015

	Unrestricted	Permanently Restricted	Total
<b>Operating Revenues</b>			
Rent	\$789,170	\$0	\$789,170
Grant and Contributions	45,154	1,100	46,254
Revolving Loan Interest	0	5,642	5,642
Investment Interest	3,194	0	3,194
Sale of Land	196,982	0	196,982
Miscellaneous	8,126	0	8,126
<i>Total Operating Revenues</i>	<u>1,042,626</u>	<u>6,742</u>	<u>1,049,368</u>
<b>Operating Expenses</b>			
Administrative Expense	188,178	852	189,030
Interest	45,450	0	45,450
Real Estate Taxes	48,346	0	48,346
Depreciation and Amortization	156,440	0	156,440
Repairs and Maintenance	128,593	0	128,593
Industrial Park Expenses	11,518	0	11,518
Rent, Utilities and Security	101,019	0	101,019
Insurance	12,940	0	12,940
Professional Fees	19,022	0	19,022
Grants and Incentives	25,492	0	25,492
<i>Total Operating Expenses</i>	<u>736,998</u>	<u>852</u>	<u>737,850</u>
<i>Operating Loss</i>	<u>305,628</u>	<u>5,890</u>	<u>311,518</u>
<b>Non-Operating Revenues (Expenses)</b>			
Interest Income	304	0	304
<i>Total Non-Operating Revenues (Expenses)</i>	<u>304</u>	<u>0</u>	<u>304</u>
<i>Net Change in Net Position</i>	305,932	5,890	311,822
<i>Net Position (Deficit) Beginning of Year</i>	<u>3,725,283</u>	<u>248,579</u>	<u>3,973,862</u>
<i>Net Position (Deficit) End of Year</i>	<u><u>\$4,031,215</u></u>	<u><u>\$254,469</u></u>	<u><u>\$4,285,684</u></u>

See accompanying notes to the basic financial statements

**Community Improvement Corporation**  
**Hocking County**  
*Statement of Cash Flows*  
For the Year Ended December 31, 2015

<b>Cash Flows from Operating Activities</b>	
Increase in Net Position	\$311,822
Adjustments to reconcile change in net position to net cash provided by operating activities:	
Depreciation and Amortization	156,440
(Increase) Decrease in Operating Assets:	
Accounts Receivable	(544)
Prepaid Expenses	1,915
Increase (Decrease) in Operating Liabilities:	
Accounts Payable	(4,119)
Accrued Expenses	17,921
Customer Deposits	1,900
	485,335
<b>Cash Flows from Investing Activities</b>	
Notes Receivable Awards	(97,500)
Notes Receivable Repayments	62,064
Property and Equipment Acquisitions	(469,347)
Property and Equipment Disposals	13,187
Certificates of Deposit	(3,194)
Industrial Park Development Cost Disposals	250,670
	(244,120)
<b>Cash Flows from Capital and Related Financing Activities</b>	
Note Proceeds	400,000
Principal Payments	(212,561)
	187,439
<i>Net Increase in Cash and Cash Equivalents</i>	428,654
<i>Cash and Cash Equivalents at Beginning of Year</i>	186,917
<i>Cash and Cash Equivalents at End of Year</i>	\$615,571
<b>Cash Represented by:</b>	
Cash and Cash Equivalents, unrestricted	\$542,760
Cash and Cash Equivalents, restricted	72,811
	\$615,571

See accompanying notes to the basic financial statements.

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**COMMUNITY IMPROVEMENT CORPORATION  
HOCKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015**

**NOTE 1 - NATURE AND SCOPE OF BUSINESS**

Hocking County Community Improvement Corporation (CIC) is a nonprofit corporation organized under the provisions of Section 501(c)(4) of the Internal Revenue Code for the purpose of providing land and building facilities in an effort to attract industry to the Logan-Hocking County area. The corporation owns several industrial development tracts and three commercial buildings which are under lease.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Accounting**

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

**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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Financial Statement Presentation**

The CIC follows the recommendations of the Financial Accounting Standards Board ASC 958, *Financial Statements of Not-For-Profit Organizations*. Under ASC 958, the CIC is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The CIC has no temporarily restricted net assets as of December 31, 2015.

**Trade Receivables**

The CIC accounts for their receivables on an accrual basis. They use a direct write-off method for their accounts receivable. The CIC keeps a low balance of receivables, thus the allowance for doubtful accounts is not material to their receivables presentation.

**Notes Receivable**

The CIC maintains a revolving loan fund which makes loans to local businesses and is primarily funded with federal grants. Payments of principal and interest are due monthly and are secured. The loans are for terms of up to 10 years. The carrying amount of the loans is reduced by an allowance that reflects management's best estimate of the amounts that will not be collected. The loans outstanding at December 31, 2015 were all deemed collectible; therefore, no allowance for doubtful accounts was necessary.

**Property and Equipment**

Property and equipment are carried at cost. Depreciation of property and equipment is provided using the straight-line method for financial reporting purposes at rates based on the following estimated useful lives:

**COMMUNITY IMPROVEMENT CORPORATION  
HOCKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015  
(Continued)**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Property and Equipment (Continued)**

	<u>Years</u>
Buildings	40-50
Improvements and additions	5-25
Office equipment	3-7

For 2015, depreciation expense was \$156,054. Expenditures for maintenance and repairs are charged to expense as incurred.

**Advertising**

The CIC follows the policy of charging the costs of marketing and advertising to expense as incurred. The total advertising expense was \$1,035 at December 31, 2015.

**Income Taxes**

The Internal Revenue Service has determined that Hocking County Community Improvement Corporation is exempt from taxation under Code Section 501(c)(4); therefore, no provision for income taxes is shown in the financial statements. Even though the CIC is exempt from taxes, it is required to file an annual tax return and therefore is subject to possible U.S. Federal income tax examinations for open tax years.

**Cash and Cash Equivalents**

For purposes of the statements of cash flows, the CIC considers all checking accounts, savings accounts, money market accounts and certificates of deposit with maturities of 3 months or less to be cash equivalents.

Net cash flows from operating activities include cash payments for interest was as follows:

	<u>2015</u>
Interest	\$45,450

The CIC is a nonprofit corporation. As such, there were no payments for income taxes.

**Concentration of Credit Risk**

The CIC maintains cash balances at one financial institution. Accounts at this institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The CIC's uninsured cash balances totaled \$752,786 at December 31, 2015.

**Certificates of Deposit**

In August, 2012, the CIC invested \$125,314 in a certificate of deposit (CD). The CD has renewed twice and currently has an interest rate of 1.25%, with a maturity date of June, 2019.

**COMMUNITY IMPROVEMENT CORPORATION  
HOCKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015  
(Continued)**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Certificates of Deposit (Continued)**

In October, 2014, the CIC invested \$254,293 in a second CD. This CD was renewed in 2016 and currently has an interest rate of .75%, with a maturity date of October, 2018.

The total investment interest on the CD's was \$3,194 at December 31, 2015.

**NOTE 3 - LONG-TERM DEBT**

A summary of long-term debt payable at December 31, 2015 is as follows:

A commercial mortgage of \$1,918,000 with The Citizens Bank of Logan obtained June 2, 2003 for the construction of a medical office building. Re-financed with Vinton County Bank for 20 years at 3.75% in 2013, maturing in 2033. Payments are currently \$7,885 per month, though additional principal payments are being made. The loan is secured by real estate, furniture and fixtures.	\$1,060,353
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A commercial mortgage of \$400,000 with the Frederick L. and Sally A. Weghorst Living Trust obtained September 16, 2015 for the purchase of commercial property, maturing in 2018. Payments included \$100,000 at closing and \$100,000 plus accrued interest at a rate of 4% payable on each consecutive anniversary of the closing date, until paid in full.	<u>300,000</u>
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Total Debt	1,360,353
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Less: Current Maturities	<u>(150,618)</u>
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Long-Term Debt	<u><u>\$1,209,735</u></u>
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Current maturities of long-term debt for the five years subsequent to December 31, 2015 are as follows:

2016	\$150,618
2017	142,847
2018	144,260
2019	45,720
2020	47,229
Thereafter	<u>829,680</u>
Total	<u><u>\$1,360,354</u></u>

**COMMUNITY IMPROVEMENT CORPORATION  
HOCKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015  
(Continued)**

**NOTE 4 - BUILDINGS**

The CIC owns several commercial buildings that currently have space being rented or available for rent.

EPA Building

The EPA leases the entire building for \$453,480 annually, payable in quarterly installments through June 30, 2017 with the option to renew for two (2) additional two-year periods. The Ohio Environmental Protection Agency has no option to purchase this property and the lease is considered an operating lease. The capitalized cost of this building at December 31, 2015 is \$3,404,860 and the accumulated depreciation at December 31, 2016 was \$1,926,976.

Medical Office Building

The CIC completed the construction of the medical office building at 541 State Route 664 North during 2004. The total capitalized cost of this building at December 31, 2015 is \$2,533,054, and the accumulated depreciation at December 31, 2015 was \$715,449.

Hocking Valley Community Hospital has occupied a portion of the building since September, 2004. The initial lease was for a ten year period and was extended in 2014 through March 2017 at a base annual rate of \$120,920 with the option to renew for (1) additional two-year period. Hocking Valley Community Hospital has no option to purchase this property and the lease is considered an operating lease.

Hopewell Health Centers, Inc., formerly Tri-County Mental Health and Counseling Services, Inc., has occupied a portion of the building since August, 2004. The initial lease was for a ten year period and was extended in 2014 through March 2024 at a base annual rent of \$166,680. Hopewell Health Centers, Inc. has no option to purchase this property and the lease is considered an operating lease.

Weghorst Building

The CIC acquired the building at 70-98 West Main Street in 2015. The total capitalized cost of this building at December 31, 2015 is \$235,411, and the accumulated depreciation at December 31, 2015 was \$1,471.

Dan VanWormer has occupied space since June, 2014. The lease payment is \$700 per month for a five year period, with the option to renew for one (1) additional five-year period. Dan VanWormer has no option to purchase this property and the lease is considered an operating lease.

Flowers by Darlene has occupied space since June, 2005. The lease was extended in 2015 through June, 2020. The lease payment is \$1,500 per month for the current five year period. Flowers by Darlene has no option to purchase this property and the lease is considered an operating lease.

AAA has occupied space since August, 1981. The most recent lease addendum extends the lease through May, 2017. The lease payment is \$800 per month for the one year period. AAA has no option to purchase this property and the lease is considered an operating lease.



**COMMUNITY IMPROVEMENT CORPORATION  
HOCKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015  
(Continued)**

**NOTE 5 - FUTURE MINIMUM RENT INCOME**

Future minimum lease payments under non-cancelable operating leases due to the CIC as of December 31, 2016 are as follows:

2016	\$777,080
2017	\$454,051
2018	193,080
2019	188,880
2020	175,680
Thereafter	<u>541,710</u>
Total	<u>\$2,330,481</u>

**NOTE 6 - CURRENT VULNERABILITY DUE TO CONCENTRATIONS**

The CIC derives all of its lease income from lessees who are located in the Logan-Hocking County area.

**NOTE 7 - INDUSTRIAL PARK**

The CIC completed this land development project during 2004. Since then, there have been several tracts of land sold. The industrial park offers opportunities for mixed-use development, and has just over 42 acres remaining. During 2015, there was no additional development.

**NOTE 8 - OPERATING LEASE**

The CIC leases office space that is classified as an operating lease, for use in its operations. Annual base rent is \$22,500. The current five year lease was entered into in 2012 and expires December, 2017. The CIC has an option to renew the lease for (2) additional five-year periods. Following is a schedule by years of future minimum payments required under operating leases that have initial or remaining non-cancelable lease terms:

2016	\$22,500
2017	<u>22,500</u>
Total	<u>\$45,000</u>

**NOTE 9 - TRANSACTIONS WITH RELATED PARTIES**

Until early 2015, the CIC shared office space and personnel with the Chamber of Commerce, for which it reimbursed the Chamber on a monthly basis. After that, the CIC separated from the Chamber and no longer shared office space or personnel. The CIC reimbursed the Chamber \$20,000 in 2015 for shared expenses.

**COMMUNITY IMPROVEMENT CORPORATION  
HOCKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015  
(Continued)**

**NOTE 10 - SUBSEQUENT EVENTS**

In April 2017, the CIC approved a new \$50,000 revolving loan for Hocking Hills Winery.

Also during April 2017, the CIC approved to purchase parcels of 5.47 acres and 1.641 acres located at 30260 Industrial Park Drive. As of September 2017, the purchase has not been finalized.

In May 2017, the CIC purchased another building located at 11 W. Main St, Logan, Ohio for \$165,000, plus closing costs. The building is currently occupied by PNC Bank; and the CIC is considering moving their office operations into this space as well.



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Community Improvement Corporation  
Meigs County  
140 East Main Street  
Logan, Ohio 43138

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Community Improvement Corporation, Hocking County, Ohio (the CIC), as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements, and have issued our report thereon dated November 6, 2017.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the CIC's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the CIC's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the CIC's financial statements. 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 internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

### ***Compliance and Other Matters***

As part of reasonably assuring whether the CIC's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the CIC's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the CIC's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State  
Columbus, Ohio

November 6, 2017



# Dave Yost • Auditor of State

**HOCKING COUNTY COMMUNITY IMPROVEMENT CORPORATION**

**HOCKING COUNTY**

## **CLERK'S CERTIFICATION**

**This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.**

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
NOVEMBER 21, 2017**