

HOCKING COUNTY COMMUNITY
IMPROVEMENT CORPORATION

AUDITED FINANCIAL STATEMENTS

December 31, 2007 and 2006



Mary Taylor, CPA

Auditor of State

Board of Trustees
Hocking County Community Improvement Corporation
47 W. Main Street
P. O. Box 838
Logan, Ohio 43138

We have reviewed the *Independent Auditor's Report* of the Hocking County Community Improvement Corporation prepared by The Poling Group, Inc., for the audit period January 1, 2007 through December 31, 2007. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

June 4, 2008

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TABLE OF CONTENTS

	<u>Page No</u>
INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
Statements of Financial Position.	3
Statements of Activity.	5
Statements of Cash Flows.	6
Notes to Financial Statements	8
SUPPLEMENTAL INFORMATION	
INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTAL INFORMATION.	14
SCHEDULE OF ACTIVITY-EPA BUILDING.	15
SCHEDULE OF ACTIVITY-MEDICAL OFFICE BUILDING	16
SCHEDULE OF ADMINISTRATIVE EXPENSES.	17
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>	18



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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Hocking County Community Improvement Corporation

We have audited the accompanying statements of financial position of Hocking County Community Improvement Corporation (an Ohio corporation) as of December 31, 2007 and 2006, and the related statements of activity and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hocking County Community Improvement Corporation as of December 31, 2007 and 2006, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 30, 2008 on our consideration of Hocking County Community Improvement Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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* and important for assessing the results of our audit.

The Poling CPA Group, Inc.
Reynoldsburg Ohio
April 30, 2008

HOCKING COUNTY COMMUNITY IMPROVEMENT CORPORATION
 STATEMENTS OF FINANCIAL POSITION
 December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 438,820	\$ 100,782
Prepaid insurance	8,519	8,878
Accounts receivable (\$0 allowance for doubtful accounts)	26,920	37,417
Note receivable	125,000	0
TOTAL CURRENT ASSETS	<u>599,259</u>	<u>147,077</u>
PROPERTY AND EQUIPMENT		
Land	28,501	15,314
Buildings	5,089,125	5,290,310
TOTAL	5,117,626	5,305,624
Accumulated depreciation	<u>(1,581,195)</u>	<u>(1,462,571)</u>
TOTAL PROPERTY AND EQUIPMENT, NET	<u>3,536,431</u>	<u>3,843,053</u>
OTHER ASSETS		
Industrial park development costs	798,279	819,762
Undeveloped land	0	153,520
Loan costs	17,413	18,502
TOTAL OTHER ASSETS	<u>815,692</u>	<u>991,784</u>
TOTAL ASSETS	<u>\$4,951,382</u>	<u>\$4,981,914</u>

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

HOCKING COUNTY COMMUNITY IMPROVEMENT CORPPORATION
 STATEMENTS OF FINANCIAL POSITION
 December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	25,973	10,062
Current portion of long-term debt	51,864	117,709
Real estate taxes payable	35,228	73,403
Accrued Selkirk expenses	\$ 170,000	\$ 0
Accrued Selkirk commissions	10,000	0
Other current liabilities	13,275	16,923
TOTAL CURRENT LIABILITIES	<u>306,340</u>	<u>218,097</u>
LONG TERM LIABILITIES		
Bank loans, net of current portion	1,657,471	1,707,893
TOTAL LONG TERM LIABILITIES	<u>1,657,471</u>	<u>1,707,893</u>
TOTAL LIABILITIES	<u>1,963,811</u>	<u>1,925,990</u>
NET ASSETS		
Unrestricted	2,987,571	3,055,924
TOTAL NET ASSETS	<u>2,987,571</u>	<u>3,055,924</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$4,951,382</u>	<u>\$4,981,914</u>

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

HOCKING COUNTY COMMUNITY IMPROVEMENT CORPORATION
 STATEMENTS OF ACTIVITY
 Years Ended December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
UNRESTRICTED NET ASSETS		
INCOME		
Rent income (EPA/medical office)	\$ 697,104	\$ 697,104
Rent income (Selkirk)	39,350	7,598
Gain on sale of land	4,796	20,215
Loss on sale of building	(156,967)	0
Miscellaneous income	41,716	37,508
Interest income	4,548	136
TOTAL INCOME	<u>630,547</u>	<u>762,561</u>
EXPENSES		
Depreciation and amortization	119,712	121,207
Insurance	8,384	6,891
Real estate taxes	34,159	32,255
Utilities and security	39,949	39,908
Repairs and maintenance	93,783	103,160
Interest	136,560	118,083
Other rental expenses	743	223
Industrial park expenses	3,195	4,099
Selkirk project	82,599	83,938
Geiger Bros. project	1,744	3,316
Administrative expense unallocated	106,843	85,775
Administrative expense allocated	71,229	57,184
TOTAL EXPENSES	<u>698,900</u>	<u>656,039</u>
NET (DECREASE) INCREASE IN UNRESTRICTED ASSETS	\$(68,353)	\$ 106,522
NET ASSETS, BEGINNING OF YEAR	<u>3,055,924</u>	<u>2,949,402</u>
NET ASSETS, END OF YEAR	<u>\$2,987,571</u>	<u>\$3,055,924</u>

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

HOCKING COUNTY COMMUNITY IMPROVEMENT CORPORATION
 STATEMENTS OF CASH FLOWS
 Years Ended December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Cash Flows From Operating Activities:		
(Decrease) increase in net assets	\$(68,353)	\$ 106,522
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	119,712	121,207
Gain/loss on sale of real estate	152,171	(20,215)
(Increase) decrease in operating assets:		
Accounts receivable	10,497	(23,910)
Prepaid expenses	359	(1,990)
Increase (decrease) in operating liabilities:		
Real estate taxes payable	(38,175)	(1,390)
Accounts payable	15,911	(7,080)
Other liabilities	(3,648)	1,485
Net cash provided (used) by operating activities	<u>188,474</u>	<u>174,629</u>
Cash Flows From Investing Activities:		
Note receivable	(125,000)	0
Property/development	(12,481)	0
Proceeds from property sales	<u>403,312</u>	<u>73,905</u>
Net cash provided (used) by investing activities	<u>265,831</u>	<u>73,905</u>
Cash Flows From Financing Activities:		
Loan proceeds	0	110,000
Loan repayments	(116,267)	(311,162)
Net cash provided (used) by financing activities	<u>(116,267)</u>	<u>(201,162)</u>
Net increase (decrease) in cash and cash equivalents	338,038	47,372
Cash and cash equivalents at beginning of period	<u>100,782</u>	<u>53,410</u>
Cash and cash equivalents at end of period	<u>\$ 438,820</u>	<u>\$ 100,782</u>

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

HOCKING COUNTY COMMUNITY IMPROVEMENT CORPORATION
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Supplemental Information		
Cash paid during the year for:		
Interest	\$ 139,885	\$ 124,384
Income taxes	<u>\$ 0</u>	<u>\$ 0</u>

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

HOCKING COUNTY COMMUNITY IMPROVEMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2007 and 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business Activity

Hocking County Community Improvement Corporation is a non-profit 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 two commercial business buildings which are under lease.

Basis of Presentation

The Corporation prepares its financial statements on the accrual basis of accounting. Revenue is recorded when it is earned and expenses are recorded when incurred. Therefore, the accompanying statements are intended to present financial position in accordance with generally accepted accounting principles.

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:

	<u>Years</u>
Buildings	40-50
Improvements and additions	05-25
Office equipment	10

Expenditures for maintenance and repairs are charged to expense as incurred.

There were \$213,667 of buildings being held for sale and not being depreciated. These fixed assets were sold during 2007.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

HOCKING COUNTY COMMUNITY IMPROVEMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS (continued)
December 31, 2007 and 2006

Accounts/Notes Receivable

Receivables are shown at their net realizable value. The allowance method is used to record bad debts. Bad debt expense for the periods ending December 31, 2007 and 2006 was \$0 respectively. The note receivable of \$125,000 with 0% interest is due and payable on or before December 27, 2008. The note is secured by a mortgage on real estate.

Reclassifications

Certain minor reclassifications have been made to prior year amounts to conform to the current-year presentation.

Advertising Expenses

Advertising or marketing costs are expensed in the year in which they are incurred.

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.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers all checking accounts, savings accounts, certificates of deposit and money market accounts to be cash equivalents.

NOTE B-LONG-TERM DEBT

Long-term debt consists of the following at December 31, 2007 and 2006:

A commercial mortgage of \$1,918,000 with The Citizens Bank of Logan was obtained on June 2, 2003 for the construction of a medical office building. The interest rate is a variable rate of 6.75%. Monthly payments of principal and interest of \$14,233.17 are due with a maturity date of June 2, 2024. This loan is secured by real estate and furniture and fixtures. The balance at December 31, 2007 and 2006 was \$1,709,335 and \$1,755,210.

HOCKING COUNTY COMMUNITY IMPROVEMENT CORPORATION
 NOTES TO FINANCIAL STATEMENTS (continued)
 December 31, 2007 and 2006

Current maturities of long-term debt are as follows:

<u>Year ended</u> <u>December 31</u>	
2008	\$ 51,864
2009	60,861
2010	65,096
2011	69,625
2012	74,187
Thereafter	<u>1,387,702</u>
TOTAL	<u>\$1,709,335</u>

NOTE C-LINE OF CREDIT

A \$500,000 line of credit was established with Century National Bank as of June 2, 2005. The line was renewed on June 2, 2007 with an interest rate of 4.50% and a new maturity date of June 2, 2009 and is collateralized by real estate. The balance at December 31, 2007 and 2006 was \$0 and \$70,392.

NOTE D-BUILDINGS

EPA BUILDING

Starting on October 1, 2004, the EPA began leasing the entire building for \$425,376 per year through June 30, 2005, payable in quarterly installments. Beginning July 1, 2005 the annual rent increased to \$440,268. The present lease agreement ends June 30, 2009. The Ohio Environmental Protection Agency has no option to purchase this property and the lease is considered an operating lease.

MEDICAL OFFICE BUILDING

The Organization completed the construction of the new medical office building at 541 State Route 664 North during 2004. The total capitalized cost of the building is \$2,373,716 which includes capitalized interest of \$29,146 during 2004.

Hocking Valley Community Hospital moved into 12,092 square feet of the building during September, 2004. The lease payment is \$10,076.67 per month for a ten year period. Hocking Valley Community Hospital has no option to purchase this property and the lease is considered an operating lease.

HOCKING COUNTY COMMUNITY IMPROVEMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS (continued)
December 31, 2007 and 2006

Tri-County Mental Health and Counseling Services, Inc. moved into 12,356 square feet of the building during August, 2004. The lease payment is \$11,326.33 per month for a ten year period. Tri-County Mental Health and Counseling Services, Inc. has no option to purchase this property and the lease is considered an operating lease.

INDUSTRIAL BUILDING

The Organization purchased an industrial building with 24.86 acres for \$200,000 on November 2, 2005. The former owner retained the right to continue to occupy a portion of the property for a maximum of twelve months while paying for a portion of the utility expenses during this period. The former owner during 2007 paid \$2,112.50 in monthly rent on a month to month basis. The tenant had no option to purchase this property and the lease is considered an operating lease. The property was sold on December 27, 2007 for \$250,000 which includes a note for \$125,000.

NOTE E-INDUSTRIAL PARK

The CIC completed this project during 2004. During 2007 and 2006, there was one lot sold each year for \$29,999 and \$74,970 respectively. As of December 31, 2007, there was a purchase option on another lot.

NOTE F-UNDEVELOPED LAND

The Organization owned approximately 9.75 acres of undeveloped land of which 8.932 acres were sold during 2007. The remaining portion of this land is now included with the EPA property.

NOTE G-TRANSACTIONS WITH RELATED PARTIES

The Organization shares office space, utilizes office personnel, and has mutual board members with the Chamber of Commerce, for which it reimburses the Chamber. This cost was approximately \$100,000 and \$96,606 for 2007 and 2006 respectively. The accounts payable owed to the Chamber at December 31, 2007 and 2006 was \$0.

HOCKING COUNTY COMMUNITY IMPROVEMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS (continued)
December 31, 2007 and 2006

NOTE H-CONCENTRATIONS OF CREDIT RISK

The Organization maintains all cash balances at one financial institution. Accounts are insured by the Federal Deposit Insurance Corporation up to \$100,000.00. The Organization's uninsured cash balances total \$359,903 and \$4,525 at December 31, 2007 and 2006 respectively.

NOTE I-CURRENT VULNERABILITY DUE TO CONCENTRATIONS

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

NOTE J-LEASES

The Organization makes no payments under operating or capital leases.

NOTE K - FUTURE MINIMUM RENT INCOME

Future minimum lease payments under non-cancelable operating leases due to the Organization as of December 31, 2007 are as follows:

2008	\$ 697,104
2009	476,970
2010	256,836
2011	256,836
2012	256,836
Thereafter	416,731
TOTAL	<u>\$2,361,313</u>

NOTE L - CONTINGENCIES

The Organization accrued \$170,000 in connection with the sale of the Selkirk building. This is to repair the facility to the satisfaction of the buyer. There is a possibility that this would need to be increased somewhat. It is believed that any additional amount would not be material to the Organization.

SUPPLEMENTARY INFORMATION



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INDEPENDENT AUDITOR'S REPORT ON
SUPPLEMENTAL INFORMATION

To the Board of Trustees
Hocking County Community Improvement Corporation

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The December 31, 2007 and 2006 schedules of activity by project and schedules of administrative expenses which are on pages 15 through 17 are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The Poling CPA Group, Inc.
Reynoldsburg, Ohio
April 30, 2008

HOCKING COUNTY COMMUNITY IMPROVEMENT CORPORATION
 SCHEDULE OF ACTIVITY
 EPA BUILDING
 For the Years Ended December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Income:		
Rent income	\$ 440,268	\$ 440,268
Expenses:		
Depreciation	56,447	57,943
Insurance	6,015	4,699
Real estate taxes	25,614	23,596
Utilities	37,627	38,030
Repairs and maintenance	68,218	79,869
Other	743	0
Administrative expense allocated	44,986	36,116
TOTAL EXPENSES	<u>\$ 239,650</u>	<u>\$ 240,253</u>
Net (Decrease) Increase in Net Assets	\$ 200,618	\$ 200,015
Net Assets, Beginning of Year	<u>3,221,567</u>	<u>3,021,552</u>
Net Assets, End of Year	<u>\$3,422,185</u>	<u>\$3,221,567</u>

See auditor's report on supplemental information

HOCKING COUNTY COMMUNITY IMPROVEMENT CORPORATION
 SCHEDULE OF ACTIVITY
 MEDICAL OFFICE BUILDING
 For the Years Ended December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Income:		
Rent income	\$ 256,836	\$ 256,836
Expenses:		
Depreciation	62,177	62,176
Amortization	1,088	1,088
Insurance	2,369	2,192
Real estate taxes	8,545	8,659
Utilities and security	2,322	1,878
Repairs and maintenance	25,565	23,291
Interest	136,560	118,083
Other	0	223
Administrative expense allocated	<u>26,243</u>	<u>21,068</u>
TOTAL EXPENSES	<u>264,869</u>	<u>238,658</u>
Net (Decrease) Increase in net assets	(8,033)	18,178
Net Assets, Beginning of Year	<u>81,223</u>	<u>63,045</u>
Net Assets, End of Year	<u>\$ 73,190</u>	<u>\$ 81,223</u>

See auditor's report on supplemental information

HOCKING COUNTY COMMUNITY IMPROVEMENT CORPORATION
 SCHEDULE OF ADMINISTRATIVE EXPENSES
 For the Years Ended December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Administrative Expenses:		
Administrative services	\$ 100,000	\$ 96,606
Insurance	6,408	4,620
Professional fees	39,654	17,904
Marketing	16,781	10,051
Miscellaneous administrative expenses	11,483	9,695
Real estate taxes	0	1,981
Travel	3,746	2,102
TOTAL ADMINISTRATIVE EXPENSES	<u>\$ 178,072</u>	<u>\$ 142,959</u>
Allocated to EPA building	(44,986)	(36,116)
Allocated medical office	<u>(26,243)</u>	<u>(21,068)</u>
Net Unallocated Expense	<u>\$ 106,843</u>	<u>\$ 85,775</u>

See auditor's report on supplemental information

HOCKING COUNTY COMMUNITY IMPROVEMENT CORPORATION

For the Year Ended December 31, 2007

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*



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

To the Board of Trustees of
Hocking County Community Improvement Corporation

We have audited the financial statements of Hocking County Community Improvement Corporation as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated April 30, 2008. 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.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Hocking County Community Improvement Corporation's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Hocking County Community Improvement Corporation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the organization's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the organization's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Hocking County Community Improvement Corporation's financial statements are free of 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*.

We noted certain matters that we reported to management of Hocking County Community Improvement Corporation in a separate letter dated April 30, 2008.

This report is intended solely for the information and use of the management and Board of Trustees, and is not intended to be and should not be used by anyone other than these specified parties.

The Poling CPA Group, Inc.
Reynoldsburg, Ohio
April 30, 2008



Mary Taylor, CPA
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
JUNE 17, 2008**