

HOCKING COUNTY COMMUNITY  
IMPROVEMENT CORPORATION

AUDITED FINANCIAL STATEMENTS

December 31, 2008 and 2007





# 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, 2008 through December 31, 2008. 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 10, 2009

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## The Poling CPA Group

7534 Slate Ridge Blvd.  
Reynoldsburg, Ohio 43068  
614-755-2727 • Fax 614-755-3804

82 East Main St.  
Logan, Ohio 43138  
740-385-1959 • Fax 740-385-0711

947 Worthington Woods Loop  
Worthington, Ohio 43085  
614-840-9770 • Fax 614-840-9773

### 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 (a nonprofit organization) as of December 31, 2008 and 2007, and the related statements of activities 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, 2008 and 2007, 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 22, 2009 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 should be considered in assessing the results of our audit.

*The Poling CPA Group*

Reynoldsburg, Ohio

April 22, 2009



HOCKING COUNTY COMMUNITY IMPROVEMENT CORPORATION  
 STATEMENTS OF FINANCIAL POSITION  
 December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 719,855	\$ 438,820
Prepaid insurance	6,367	8,519
Accounts receivable		
(\$0 allowance for doubtful accounts)	3,517	26,920
Note receivable	0	125,000
TOTAL CURRENT ASSETS	<u>729,739</u>	<u>599,259</u>
PROPERTY AND EQUIPMENT		
Land	28,501	28,501
Buildings	5,089,125	5,089,125
TOTAL	<u>5,117,626</u>	<u>5,117,626</u>
Accumulated depreciation	(1,700,136)	(1,581,195)
TOTAL PROPERTY AND EQUIPMENT, NET	<u>3,417,490</u>	<u>3,536,431</u>
OTHER ASSETS		
Industrial park development costs	798,279	798,279
Loan costs	16,325	17,413
TOTAL OTHER ASSETS	<u>814,604</u>	<u>815,692</u>
TOTAL ASSETS	<u>\$4,961,833</u>	<u>\$4,951,382</u>

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

HOCKING COUNTY COMMUNITY IMPROVEMENT CORPPORATION  
 STATEMENTS OF FINANCIAL POSITION  
 December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 37,938	\$ 25,973
Current portion of long-term debt	60,551	51,864
Real estate taxes payable	35,345	35,228
Accrued Selkirk expenses	125,000	180,000
Other current liabilities	9,739	13,275
TOTAL CURRENT LIABILITIES	<u>268,573</u>	<u>306,340</u>
LONG TERM LIABILITIES		
Bank loans, net of current portion	1,600,156	1,657,471
TOTAL LONG TERM LIABILITIES	<u>1,600,156</u>	<u>1,657,471</u>
TOTAL LIABILITIES	<u>1,868,729</u>	<u>1,963,811</u>
NET ASSETS		
Unrestricted	3,093,104	2,987,571
TOTAL NET ASSETS	<u>3,093,104</u>	<u>2,987,571</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$4,961,833</u>	<u>\$4,951,382</u>

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

HOCKING COUNTY COMMUNITY IMPROVEMENT CORPORATION  
 STATEMENTS OF ACTIVITIES  
 Years Ended December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
UNRESTRICTED NET ASSETS		
INCOME		
Rent income(EPA/medical office)	\$ 697,104	\$ 697,104
Rent income(Selkirk)	0	39,350
Gain on sale of land	0	4,796
Loss on sale of building	0	( 156,967)
Miscellaneous income	41,558	41,716
Interest income	<u>12,572</u>	<u>4,548</u>
TOTAL INCOME	751,234	630,547
EXPENSES		
Depreciation and amortization	120,029	119,712
Insurance	10,550	8,384
Real estate taxes	34,314	34,159
Utilities and security	39,708	39,949
Repairs and maintenance	98,394	93,783
Professional fees	7,473	0
Interest	115,728	136,560
Other rental expenses	447	743
Industrial park expenses	3,534	3,195
Selkirk project	18,886	82,599
Geiger Bros. project	0	1,744
Administrative expense unallocated	117,983	106,843
Administrative expense allocated	<u>78,655</u>	<u>71,229</u>
TOTAL EXPENSES	<u>645,701</u>	<u>698,900</u>
NET (DECREASE) INCREASE IN UNRESTRICTED ASSETS	\$ 105,533	\$ ( 68,353)
NET ASSETS, BEGINNING OF YEAR	<u>2,987,571</u>	<u>3,055,924</u>
NET ASSETS, END OF YEAR	<u>\$3,093,104</u>	<u>\$2,987,571</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, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Cash Flows From Operating Activities:		
(Decrease) increase in net assets	\$ 105,533	\$( 68,353)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	120,029	119,712
Gain/loss on sale of real estate	0	152,171
(Increase) decrease in operating assets:		
Accounts receivable	23,403	10,497
Prepaid expenses	2,152	359
Increase (decrease) in operating liabilities:		
Real estate taxes payable	117	( 38,175)
Accounts payable	11,965	15,911
Accrued/other liabilities	( 58,536)	( 3,648)
Net cash provided (used) by operating activities	<u>204,663</u>	<u>188,474</u>
Cash Flows From Investing Activities:		
Note receivable	125,000	( 125,000)
Property/development	0	( 12,481)
Proceeds from property sales	0	403,312
Net cash provided (used) by investing activities	<u>125,000</u>	<u>265,831</u>
Cash Flows From Financing Activities:		
Loan proceeds	0	0
Loan repayments	( 48,628)	( 116,267)
Net cash provided (used) by financing activities	<u>( 48,628)</u>	<u>( 116,267)</u>
Net increase (decrease) in cash and cash equivalents	281,035	338,038
Cash and cash equivalents at beginning of period	<u>438,820</u>	<u>100,782</u>
Cash and cash equivalents at end of period	<u>\$ 719,855</u>	<u>\$ 438,820</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, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Supplemental Information		
Cash paid during the year for:		
Interest	\$ 107,937	\$ 139,885
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, 2008 and 2007

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, 2008 and 2007

Accounts/Notes Receivable

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

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, 2008 and 2007:

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, 2008 and 2007 was \$1,660,707 and \$1,709,335.

HOCKING COUNTY COMMUNITY IMPROVEMENT CORPORATION  
 NOTES TO FINANCIAL STATEMENTS (continued)  
 December 31, 2008 and 2007

Current maturities of long-term debt are as follows:

Year ended <u>December 31</u>	
2009	\$ 60,551
2010	64,767
2011	69,276
2012	74,100
2013	79,260
Thereafter	<u>1,312,753</u>
TOTAL	<u>\$1,660,707</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, 2008 and 2007 was \$0 and \$0.

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, 2008 and 2007

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. This note was paid off during 2008.

NOTE E-INDUSTRIAL PARK

The CIC completed this project during 2004. During the 2008 and 2007 periods, there was one lot sold for \$29,999. As of December 31, 2008, 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 \$104,400 and \$100,000 for 2008 and 2007 respectively. The accounts payable owed to the Chamber at December 31, 2008 and 2007 was \$0.

HOCKING COUNTY COMMUNITY IMPROVEMENT CORPORATION  
NOTES TO FINANCIAL STATEMENTS (continued)  
December 31, 2008 and 2007

NOTE H-CONCENTRATIONS OF CREDIT RISK

The Organization maintains cash balances at two financial institution. Accounts are insured by the Federal Deposit Insurance Corporation up to \$250,000.00. The Organization's uninsured cash balances total \$359,903 at December 31, 2007. At December 31, 2008, all cash was either insured or backed by pledged treasury securities.

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, 2008 are as follows:

2009	\$ 476,970
2010	256,836
2011	256,836
2012	256,836
2013	256,836
Thereafter	<u>159,898</u>
TOTAL	<u>\$1,664,212</u>

NOTE L - CONTINGENCIES

At December 31, 2008, the Organization accrued \$125,000 in connection with the sale of the Selkirk building. This is to help with the cost of extending the sewer line along State Route 93. This would contribute to the S & G Manufacturing facility obtaining city services.

SUPPLEMENTARY INFORMATION



## The Poling CPA Group

7534 Slate Ridge Blvd.  
Reynoldsburg, Ohio 43068  
614-755-2727 • Fax 614-755-3804

82 East Main St.  
Logan, Ohio 43138  
740-385-1959 • Fax 740-385-0711

947 Worthington Woods Loop  
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614-840-9770 • Fax 614-840-9773

### 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, 2008 and 2007 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*

Reynoldsburg, Ohio  
April 22, 2009

HOCKING COUNTY COMMUNITY IMPROVEMENT CORPORATION  
 SCHEDULE OF ACTIVITY  
 EPA BUILDING  
 For the Years Ended December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Income:		
Rent income	\$ 440,268	\$ 440,268
Expenses:		
Depreciation	56,764	56,447
Insurance	8,050	6,015
Real estate taxes	25,762	25,614
Utilities	38,039	37,627
Repairs and maintenance	69,648	68,218
Professional fees	7,473	0
Other	297	743
Administrative expense allocated	49,676	44,986
TOTAL EXPENSES	<u>\$ 255,709</u>	<u>\$ 239,650</u>
Net (Decrease) Increase in Net Assets	\$ 184,559	\$ 200,618
Net Assets, Beginning of Year	<u>3,422,185</u>	<u>3,221,567</u>
Net Assets, End of Year	<u>\$3,606,744</u>	<u>\$3,422,185</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, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Income:		
Rent income	\$ 256,836	\$ 256,836
Expenses:		
Depreciation	62,177	62,177
Amortization	1,088	1,088
Insurance	2,500	2,369
Real estate taxes	8,552	8,545
Utilities and security	1,669	2,322
Repairs and maintenance	28,746	25,565
Interest	115,728	136,560
Other	150	0
Administrative expense allocated	28,979	26,243
TOTAL EXPENSES	<u>249,589</u>	<u>264,869</u>
Net (Decrease) Increase in net assets	7,247	( 8,033)
Net Assets, Beginning of Year	<u>73,190</u>	<u>81,223</u>
Net Assets, End of Year	<u>\$ 80,437</u>	<u>\$ 73,190</u>

See auditor's report on supplemental information

HOCKING COUNTY COMMUNITY IMPROVEMENT CORPORATION  
 SCHEDULE OF ADMINISTRATIVE EXPENSES  
 For the Years Ended December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Administrative Expenses:		
Administrative services	\$ 104,400	\$ 100,000
Insurance	5,057	6,408
Professional fees	41,206	39,654
Marketing	23,729	16,781
Miscellaneous administrative expenses	18,039	11,483
Real estate taxes	1,290	0
Travel	2,917	3,746
TOTAL ADMINISTRATIVE EXPENSES	<u>\$ 196,638</u>	<u>\$ 178,072</u>
Allocated to EPA building	( 49,676)	( 44,986)
Allocated medical office	<u>( 28,979)</u>	<u>( 26,243)</u>
Net Unallocated Expense	<u>\$ 117,983</u>	<u>\$ 106,843</u>

See auditor's report on supplemental information

HOCKING COUNTY COMMUNITY IMPROVEMENT CORPORATION

For the Year Ended December 31, 2008

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*





## The Poling CPA Group

7534 Slate Ridge Blvd.  
Reynoldsburg, Ohio 43068  
614-755-2727 • Fax 614-755-3804

82 East Main St.  
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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, 2008 and 2007, and have issued our report thereon dated April 22, 2009. 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 audits, 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 22, 2009.

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*

Reynoldsburg, Ohio  
April 22, 2009



**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 23, 2009**