

***HOCKING COUNTY COMMUNITY IMPROVEMENT
CORPORATION
Hocking County, Ohio***

AUDIT REPORT

For the Year ended December 31, 2011



Dave Yost • Auditor of State

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

We have reviewed the *Independent Accountants' Report* of the Hocking County Community Improvement Corporation, Hocking County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2011 through December 31, 2011. 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.

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost
Auditor of State

November 26, 2012

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**HOCKING COUNTY COMMUNITY IMPROVEMENT
CORPORATION
HOCKING COUNTY
AUDIT REPORT
For the Year Ended December 31, 2011**

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

The Board of Trustees
Hocking County Community Improvement Corporation
4 E. Hunter Street
Logan, Ohio 43138

We have audited the accompanying statement of financial position of the Hocking County Community Improvement Corporation (a nonprofit organization) as of December 31, 2011, and the related statements of activities and changes in net assets and cash flows for the year 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 audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 presently fairly, in all material respects, the financial position of the Hocking County Community Improvement Corporation as of December 31, 2011, and the changes in its net assets and cash flows for the year 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 August 3, 2012, on our consideration of the Organization'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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Charles E. Harris & Associates

Charles E. Harris & Associates, Inc.
August 3, 2012

HOCKING COUNTY COMMUNITY IMPROVEMENT CORPORATION

Statement of Financial Position

As of December 31, 2011

ASSETS

Current Assets

Cash and cash equivalents	\$ 376,897
Prepaid insurance	4,984
Total Current Assets	<u>381,881</u>

Property and Equipment

Buildings	5,486,205
Land	28,501
Office equipment	4,895
Accumulated Depreciation	<u>(2,075,396)</u>
Net Property and Equipment	<u>3,444,205</u>

Other Assets

Industrial park development costs	969,311
Note receivable	157,730
Loan costs	<u>13,027</u>
Total Other Assets	<u>1,140,068</u>

TOTAL ASSETS \$ 4,966,154

LIABILITIES & NET ASSETS

Current Liabilities

Accounts Payable	\$ 10,286
Accrued real estate taxes	34,657
Current portion of long-term debt	<u>71,892</u>
Total Current Liabilities	<u>116,835</u>

Long Term Liabilities

Bank loan, net of current portion	<u>1,371,057</u>
Total Long Term Liabilities	<u>1,371,057</u>

TOTAL LIABILITIES 1,487,892

Net Assets

Unrestricted Net Assets	<u>3,478,262</u>
Total Net Assets	<u>3,478,262</u>

TOTAL LIABILITIES & NET ASSETS \$ 4,966,154

See Accompanying Notes to the Financial Statements

HOCKING COUNTY COMMUNITY IMPROVEMENT CORPORATION
Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2011

REVENUE	
Rent income	\$ 707,181
Interest income	7,670
Miscellaneous	26,188
TOTAL REVENUE	<u>741,039</u>
 EXPENSES	
Administrative expenses	141,964
Interest	71,505
Real estate taxes	34,658
Depreciation and amortization	130,384
Repairs and maintenance	104,828
Industrial park expenses	4,908
Utilities and security	52,088
Insurance	12,271
Professional fees	13,514
Economic development	25,000
Miscellaneous	5,834
TOTAL EXPENSES	<u>596,954</u>
 Increase (Decrease) In Net Assets	 144,085
 Beginning Net Assets	 <u>3,334,177</u>
 ENDING NET ASSETS	 <u><u>\$ 3,478,262</u></u>

See Accompanying Notes to the Financial Statements

HOCKING COUNTY COMMUNITY IMPROVEMENT CORPORATION

Statement of Cash Flows

For the Year Ended December 31, 2011

Cash Flows from Operating Activities:

Increase in net assets \$ 144,085

Adjustments to reconcile change in net assets to
net cash provided by operating activities:

Depreciation and amortization 130,384

(Increase) decrease in operating assets:

 Prepaid expenses 249

Increase (decrease) in operating liabilities:

 Real estate taxes payable 70

 Accrued/other liabilities 4,412

Net Cash Provided (Used) by Operating Activities 279,200

Cash Flows from Investing Activities:

Note receivable (2,730)

Net Cash Provided (Used) by Investing Activities (2,730)

**Cash Flows from Capital and Related Financing
Activities:**

Property and equipment acquisitions (31,119)

Principal payments (119,736)

Net Cash Provided (Used) in Capital Activities (150,855)

Net Increase (Decrease) in Cash and Cash Equivalents 125,615

Cash and Cash Equivalents at Beginning of Year 251,282

Cash and Cash Equivalents at End of Year \$ 376,897

HOCKING COUNTY COMMUNITY IMPROVEMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

Hocking County Community Improvement Corporation 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 two commercial business buildings which are under lease.

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 Organization 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. As of the date of the report, the Organization has no temporarily or permanently restricted net assets.

Trade Receivables

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

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	5-25
Office equipment	3-7

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

HOCKING COUNTY COMMUNITY IMPROVEMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Advertising

The Organization follows the policy of charging the costs of marketing and advertising to expense as 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. Even though the Organization is exempt from taxes, it 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 Organization considers all checking accounts, savings accounts, certificates of deposit and money market accounts to be cash equivalents.

NOTE 2 – LONG-TERM DEBT

Long-term debt consists of the following at December 31, 2011:

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 loan was amended September 2007 to establish a monthly payment which would be adjusted every 36 months to reflect a change in the interest rate which was established as Prime -1.5%. As of December 31, 2011 the payment established was \$12,914. The loan is secured by real estate and furniture and fixtures and has a maturity date of June 2, 2024. The balance at December 31, 2011 was \$1,442,949.

Principal and interest requirements for debt outstanding at December 31, 2011 are as follows:

2012	\$154,968
2013	154,968
2014	154,968
2015	154,968
2016	154,968
2017-2020	774,840
2021-2024	542,386
Total	<u><u>\$2,092,066</u></u>

HOCKING COUNTY COMMUNITY IMPROVEMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2011

NOTE 3 – 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 and 2009 with an interest rate of 4.50%. The loan was paid off in 2011 and was not renewed.

NOTE 4 – BUILDINGS

EPA BUILDING

The EPA leases the entire building for \$440,268 annually, payable in quarterly installments through June 30, 2013. 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 property is \$3,108,067 and the accumulated depreciation is \$1,616,240.

MEDICAL OFFICE BUILDING

The Organization completed the construction of the medical office building at 541 State Route 664 North during 2004. The total capitalized cost of the property is \$2,378,138 and the accumulated depreciation is \$456,979.

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.

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.

NOTE 5-INDUSTRIAL PARK

The Organization completed this project during 2004. During 2011 there was no additional development.

NOTE 6-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 \$117,554.

HOCKING COUNTY COMMUNITY IMPROVEMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2011

NOTE 7-CURRENT VULNERABILITY DUE TO CONCENTRATIONS

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

NOTE 8-LEASES

The Organization makes no payments under operating or capital leases.

NOTE 9 - FUTURE MINIMUM RENT INCOME

Future minimum lease payments under non-cancelable operating leases due to the Organization as of December 31, 2011 are as follows;

2012	\$697,104
2013	476,970
2014	<u>181,301</u>
Total	<u>\$1,355,375</u>

NOTE 10- SUBSEQUENT EVENTS

Subsequent events were evaluated through August 3, 2012, which is the date the financial statements were available to be issued.

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

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

Hocking County Community Improvement Corporation
4 E. Hunter Street
Logan, Ohio 43138

To the Board of Trustees:

We have audited the financial statements of the Hocking County Community Improvement Corporation, Hocking County, Ohio (a nonprofit organization), as of and for the year ended December 31, 2011, and have issued our report thereon dated August 3, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Controls Over Financial Reporting

In planning and performing our audit, we considered the Organization's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Organization's internal control over financial reporting.

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 more than a reasonable possibility that a material misstatement of the Organization's financial statements will not be prevented or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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 reasonably assuring whether the Organization'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, 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 that are required to be reported under *Government Auditing Standards*.

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

A handwritten signature in black ink that reads "Charles E. Harris" in a cursive style.

Charles E. Harris and Associates, Inc.

August 3, 2012

HOCKING COUNTY COMMUNITY IMPROVEMENT CORPORATION
SCHEDULE OF PRIOR AUDIT FINDINGS
For The Year Ended December 31, 2011

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2010-HOCK-01	OAC 117-2-02(A)- Financial statements misstated	Yes	Finding no longer valid

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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
DECEMBER 6, 2012**