

***HOCKING COUNTY COMMUNITY IMPROVEMENT
CORPORATION***

Hocking County, Ohio

AUDIT REPORT

For the Year Ended December 31, 2012



Dave Yost • Auditor of State

Board of Trustees
Hocking County Community Improvement Corporation
4 East Hunter Street
Logan, Ohio 43138

We have reviewed the *Independent Auditor's Report* of the Hocking County Community Improvement Corporation, Hocking County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2012 through December 31, 2012. 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 black ink that reads "Dave Yost".

Dave Yost
Auditor of State

October 9, 2013

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HOCKING COUNTY COMMUNITY IMPROVEMENT CORPORATION

HOCKING COUNTY

AUDIT REPORT

For the Year Ended December 31, 2012

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Charles E. Harris & Associates, Inc.

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

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

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the Hocking County Community Improvement Corporation, Hocking County, Ohio (the CIC) as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the CIC's basic financial statements as listed in the table of contents.

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 the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the CIC's 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 the overall financial statement presentation.

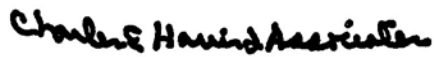
We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Hocking County Community Improvement Corporation, Hocking County, Ohio, as of December 31, 2012, and the changes in its net assets and its cash flows, for the year 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 July 30, 2013, 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.



Charles E. Harris & Associates, Inc.
July 30, 2013

HOCKING COUNTY COMMUNITY IMPROVEMENT CORPORATION

Statement of Financial Position

As of December 31, 2012

Cash and cash equivalents, unrestricted	\$ 625,335
Cash-restricted	12,878
Prepaid insurance	4,984
Notes Receivable-current	30,000
Total Current Assets	<u>673,197</u>
Property and Equipment	
Buildings	5,585,705
Land	28,501
Office equipment	12,242
Accumulated Depreciation	<u>(2,210,225)</u>
Net Property and Equipment	<u>3,416,223</u>
Non-Current Assets	
Industrial park development costs	969,311
Notes receivable-net of current	199,785
Loan costs	11,985
Total Non-Current Assets	<u>1,181,081</u>
TOTAL ASSETS	<u><u>\$ 5,270,501</u></u>
LIABILITIES & NET ASSETS	
Current Liabilities	
Accounts Payable	\$ 18,713
Accrued real estate taxes	34,601
Current portion of long-term debt	63,143
Total Current Liabilities	<u>116,457</u>
Long Term Liabilities	
Bank loan, net of current portion	<u>1,303,495</u>
Total Long Term Liabilities	<u>1,303,495</u>
TOTAL LIABILITIES	1,419,952
Net Assets	
Permanently Restricted	140,160
Unrestricted	3,710,389
Total Net Assets	<u>3,850,549</u>
TOTAL LIABILITIES & NET ASSETS	<u><u>\$ 5,270,501</u></u>

See Accompanying Notes to the Financial Statements

HOCKING COUNTY COMMUNITY IMPROVEMENT CORPORATION

Statement of Activities

For the Year Ended December 31, 2012

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
OPERATING REVENUES:			
Local government funding	\$ 687,827	\$ -	\$ 687,827
Grants & Contributions	15,000	137,943	152,943
Interest	5,782	2,217	7,999
Miscellaneous	530	-	530
TOTAL REVENUES	<u>709,139</u>	<u>140,160</u>	<u>849,299</u>
OPERATING EXPENSES:			
Administrative expenses	150,496	-	150,496
Interest	65,745	-	65,745
Real estate taxes	33,177	-	33,177
Depreciation and amortization	135,871	-	135,871
Repairs and maintenance	95,503	-	95,503
Industrial park expenses	4,012	-	4,012
Utilities and security	42,794	-	42,794
Insurance	13,068	-	13,068
Professional fees	24,779	-	24,779
Economic development	36,567	-	36,567
TOTAL OPERATING EXPENSES	<u>602,012</u>	<u>-</u>	<u>602,012</u>
 Increase in Net Assets from Operations	 107,127	 140,160	 247,287
NON OPERATING REVENUE			
Repayment of job creation grant	125,000	-	125,000
TOTAL NON OPERATING REVENUE	<u>125,000</u>	<u>-</u>	<u>125,000</u>
 Increase in Net Assets	 232,127	 140,160	 372,287
Net Assets, Beginning of Year	<u>3,478,262</u>	<u>-</u>	<u>3,478,262</u>
 Net Assets, End of Year	 <u>\$ 3,710,389</u>	 <u>\$ 140,160</u>	 <u>\$ 3,850,549</u>

See Accompanying Notes to the Financial Statements

HOCKING COUNTY COMMUNITY IMPROVEMENT CORPORATION

Statement of Cash Flows

For the Year Ended December 31, 2012

Cash Flows from Operating Activities:	
Increase in net assets	\$ 372,287
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	135,871
Increase (decrease) in operating liabilities:	
Real estate taxes payable	(56)
Accrued/other liabilities	8,427
Net Cash Provided (Used) by Operating Activities	<u>516,529</u>
Cash Flows from Investing Activities:	
Notes receivable	(72,055)
Net Cash Provided (Used) by Investing Activities	<u>(72,055)</u>
Cash Flows from Capital and Related Financing Activities:	
Property and equipment acquisitions	(106,847)
Principal payments	(76,311)
Net Cash Provided (Used) in Capital Activities	<u>(183,158)</u>
Net Increase in Cash and Cash Equivalents	261,316
Cash and Cash Equivalents at Beginning of Year	<u>376,897</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 638,213</u></u>
Cash Represented By:	
Cash, unrestricted	\$ 625,335
Cash, restricted	12,878
	<u><u>\$ 638,213</u></u>

See Accompanying Notes to the Financial Statements

HOCKING COUNTY COMMUNITY IMPROVEMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

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 follows the recommendations of the Financial Accounting Standards Board ASC 958, *Financial Statements of Not-For-Profit Organizations*. Under ASC 958, 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. The Organization has no temporarily restricted net assets as of December 31, 2012.

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.

Notes Receivable

The Organization 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 will be reduced in the future by an allowance that reflects management's best estimate of the amounts that will not be collected. The loans outstanding at December 31, 2012 were less than a year old, all deemed collectible and were not in arrears. Therefore, an allowance had not been established at year end.

HOCKING COUNTY COMMUNITY IMPROVEMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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.

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, 2012:

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, 2012 was \$1,366,638.

HOCKING COUNTY COMMUNITY IMPROVEMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

NOTE 2 – LONG-TERM DEBT, continued

Principal and interest requirements for debt outstanding at December 31, 2012 are as follows:

2013	\$154,968
2014	154,968
2015	154,968
2016	154,968
2017	154,968
2018-2022	774,840
2023-2024	<u>232,446</u>
Total	<u><u>\$1,782,126</u></u>

NOTE 3 – BUILDINGS

EPA BUILDING

The EPA leases the entire building for \$440,268 annually, payable in quarterly installments through June 30, 2015 with the option to renew for three (3) 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 property is \$3,108,067 and the accumulated depreciation is \$1,687,748.

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 \$2,477,638 and the accumulated depreciation is \$518,798.

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 4-INDUSTRIAL PARK

The Organization completed this project during 2004. During 2012 there was no additional development.

HOCKING COUNTY COMMUNITY IMPROVEMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

NOTE 5-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 \$123,175.

NOTE 6-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 7 - FUTURE MINIMUM RENT INCOME

Future minimum lease payments under non-cancelable operating leases due to the Organization as of December 31, 2012 are as follows;

2013	\$476,970
2014	621,569
2015	<u>440,268</u>
Total	<u>\$1,538,807</u>

NOTE 8- SUBSEQUENT EVENTS

Subsequent events were evaluated through July 30, 2013, 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 AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY
GOVERNMENT AUDITING STANDARDS

Hocking County Community Improvement Corporation
Hocking County
4 E. Hunter 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 Hocking County Community Improvement Corporation (the CIC), as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the CIC's basic financial statements and have issued our report thereon dated July 30, 2013.

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 opinions 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.

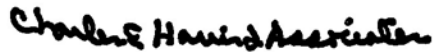
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies 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.



Charles E. Harris and Associates, Inc.
July 30, 2013

**HOCKING COUNTY COMMUNITY IMPROVEMENT CORPORATION
HOCKING COUNTY, OHIO
SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended December 31, 2012**

The prior report, for the year ending December 31, 2011, reported no material citations or recommendations.



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
OCTOBER 22, 2013**