



Certified Public Accountants, A.C.

**HOCKING COUNTY COMMUNITY IMPROVEMENT CORPORATION
HOCKING COUNTY
Regular Audit
For the Years Ended December 31, 2018 and 2017**

313 Second St.
Marietta, OH 45750
740 373 0056

1907 Grand Central Ave.
Vienna, WV 26105
304 422 2203

150 W. Main St., #A
St. Clairsville, OH 43950
740 695 1569

1310 Market St., #300
Wheeling, WV 26003
304 232 1358

749 Wheeling Ave., #300
Cambridge, OH 43725
740 435 3417

OHIO AUDITOR OF STATE
KEITH FABER



88 East Broad Street
Columbus, Ohio 43215
IPAReport@ohioauditor.gov
(800) 282-0370

Board of Trustees
Hocking County Community Improvement Corporation
30260 Industrial Park Drive
Logan, OH 43138

We have reviewed the *Independent Auditor's Report* of the Hocking County Community Improvement Corporation, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2017 through December 31, 2018. 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 "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

September 4, 2019

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**HOCKING COUNTY COMMUNITY IMPROVEMENT CORPORATION
HOCKING COUNTY**

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INDEPENDENT AUDITOR'S REPORT

June 28, 2019

Hocking County Community Improvement Corporation
Hocking County
30260 Industrial Park Drive
Logan, Ohio 43138

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of **Hocking County Community Improvement Corporation**, Hocking County, Ohio (the Corporation), (a nonprofit organization) which comprise the statements of financial position, and the related statements of activities and cash flows as of and for the years ended December 31, 2018 and 2017, 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 the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Corporation'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 Corporation's internal control. Accordingly, we express no such 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 opinion.

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Members: American Institute of Certified Public Accountants

*Ohio Society of CPAs * West Virginia Society of CPAs * Association of Certified Fraud Examiners * Association of Certified Anti-Money Laundering Specialists*

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, as of December 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the financial statements, during 2018, the Corporation implemented Financial Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2019, on our consideration of the Corporation'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 Corporation's internal control over financial reporting and compliance.



Perry and Associates
Certified Public Accountants, A.C.
Marietta, Ohio

HOCKING COUNTY COMMUNITY IMPROVEMENT CORPORATION
STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2018

| | 2018 |
|---|--------------|
| ASSETS | |
| Current Assets | |
| Cash and Cash Equivalents, Without Donor Restrictions | \$ 29,104 |
| Cash and Cash Equivalents, With Donor Restrictions | 133,040 |
| Accounts Receivable | 4,298 |
| Prepaid Expenses | 14,082 |
| Certificates of Deposit, Current | 134,161 |
| Notes Receivable, Current | 36,134 |
| Total Current Assets | 350,819 |
| Non-Current Assets | |
| Property and Equipment | |
| Buildings | 7,480,292 |
| Land | 604,796 |
| Land Improvements | 89,297 |
| Office Equipment | 36,544 |
| Less: Accumulated Depreciation | (3,188,578) |
| Total Non-Current Assets | 5,022,351 |
| Other Assets | |
| Certificates of Deposit, Non-Current | 262,349 |
| Deposit on Fixed Assets | 40,010 |
| Industrial Park Development Costs | 684,560 |
| Notes Receivable, Non-Current | 117,250 |
| Loan Costs, Net of Accumulated Amortization | 5,673 |
| Total Other Assets | 1,109,842 |
| TOTAL ASSETS | \$ 6,483,012 |
| LIABILITIES | |
| Current Liabilities | |
| Accounts Payable | \$ 41,851 |
| Accrued Expenses | 79,909 |
| Advanced Rent | 3,500 |
| Customer Deposits | 2,200 |
| Current Portion of Long-Term Debt | 95,965 |
| Total Current Liabilities | 223,425 |
| LONG-TERM LIABILITIES | |
| Bank Loan, Net of Current Portion | 1,926,913 |
| Total Long-Term Liabilities | 1,926,913 |
| TOTAL LIABILITIES | 2,150,338 |
| NET ASSETS | |
| With Donor Restrictions | 268,680 |
| Without Donor Restrictions | 4,063,994 |
| TOTAL NET ASSETS | 4,332,674 |
| TOTAL LIABILITIES AND NET ASSETS | \$ 6,483,012 |

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

HOCKING COUNTY COMMUNITY IMPROVEMENT CORPORATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018

| | Without Donor Restrictions | With Donor Restrictions | Total |
|--------------------------------------|-------------------------------|----------------------------|---------------------|
| OPERATING REVENUES | | | |
| Rent Income | \$ 903,077 | \$ - | \$ 903,077 |
| Grants and Contributions | - | 150 | 150 |
| Revolving Loan Interest | - | 4,594 | 4,594 |
| Other Income | 162 | - | 162 |
| Investment Interest | 3,592 | - | 3,592 |
| TOTAL OPERATING REVENUES | 906,831 | 4,744 | 911,575 |
| OPERATING EXPENSES | | | |
| Administrative Expenses | 234,070 | - | 234,070 |
| Interest | 79,670 | - | 79,670 |
| Real Estate Taxes | 51,540 | - | 51,540 |
| Depreciation and Amortization | 195,657 | - | 195,657 |
| Repairs and Maintenance | 168,230 | - | 168,230 |
| Industrial Park Expenses | 62,084 | - | 62,084 |
| Rent, Utilities, and Security | 101,709 | - | 101,709 |
| Insurance | 9,081 | - | 9,081 |
| Professional Fees | 1,155 | - | 1,155 |
| TOTAL EXPENSES | 903,196 | - | 903,196 |
| OPERATING INCOME | 3,635 | 4,744 | 8,379 |
| NON-OPERATING REVENUE | | | |
| Interest Income | 327 | - | 327 |
| TOTAL NON-OPERATING REVENUE | 327 | - | 327 |
| CHANGE IN NET ASSETS | 3,962 | 4,744 | 8,706 |
| NET ASSETS, BEGINNING OF YEAR | 4,060,032 | 263,936 | 4,323,968 |
| NET ASSETS, END OF YEAR | \$ 4,063,994 | \$ 268,680 | \$ 4,332,674 |

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

HOCKING COUNTY COMMUNITY IMPROVEMENT CORPORATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018

| | 2018 |
|---|-------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Increase/(Decrease) in net assets | \$ 8,379 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | |
| Depreciation and amortization | 195,657 |
| Interest income | (3,592) |
| (Increase)/decrease in operating assets: | |
| Accounts receivable | (2,808) |
| Prepaid expenses | 3,670 |
| Increase/(decrease) in operating liabilities: | |
| Accounts payable | 11,897 |
| Accrued expenses | 16,227 |
| Advanced rent | (4,952) |
| NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | 224,478 |
| CASH FLOWS FROM INVESTING ACTIVITIES | |
| Interest Income | 327 |
| Notes receivable awards | (63,000) |
| Notes receivable repayments | 57,896 |
| Property and equipment acquisitions | (24,484) |
| Deposit on fixed assets | (40,010) |
| NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES | (69,271) |
| CASH FLOWS FROM FINANCING ACTIVITIES | |
| Principal payments | (192,577) |
| NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES | (192,577) |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | (37,370) |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD | 199,514 |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD | \$ 162,144 |
| CASH REPRESENTED BY: | |
| Cash and cash equivalents, without donor restrictions | \$ 29,104 |
| Cash and cash equivalents, with donor restrictions | 133,040 |
| | \$ 162,144 |

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

**HOCKING COUNTY COMMUNITY IMPROVEMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

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 five commercial buildings which are under lease.

Management believes the financial statements included in this report represent all of the activities over which the Corporation is financially accountable.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. 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. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred.

The Financial Standards Board issued Financial Accounting Standards Codification (FASC) No. 958-205. Under FASC No. 958-205, defined nonprofits are required to report information regarding financial position and activities according to two classes of net assets: Net assets without donor restrictions and net assets with donor restrictions.

Net Assets Without Donor Restriction – Net assets that are not subject to or are no longer subject to donor-imposed stipulations.

Net Assets With Donor Restriction – Net assets whose use is limited by donor-imposed time and/or purpose restrictions.

Revenues are reported as increases in net assets without donor restriction unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit stipulation or by law. Expirations of donor restrictions on the net assets (i.e., the donor stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassification between the applicable classes of net assets. The CIC has adopted a policy to classify donor restricted contributions as without donor restrictions to the extent that donor restrictions were met in the year the contribution was received.

Net assets with voluntary designations by the governing board of the CIC are considered to be without donor restriction under the guidelines of FASB ASC 958-205-45-2.

B. 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.

C. 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 two classes of net assets: without donor restrictions and with donor restrictions.

**HOCKING COUNTY COMMUNITY IMPROVEMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(CONTINUED)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. ACCOUNTING STANDARDS UPDATE

During 2018, The CIC adopted Financial Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statement of Not-for-Profit Entities*. The main provisions of this update include: presentation of two classes of net assets (reduced from three classes); reported expenses by both natural and functional classification; reporting investment return net of external and direct internal investment expenses; qualitative information about management of liquidity; quantitative information about financial assets available within one year; and recognition of underwater endowment funds as a reduction in net assets.

As a result of the implementation, what was formerly classified as temporarily restricted net assets and unrestricted net assets have been reclassified as net assets with donor restrictions and net assets without donor restrictions

E. ACCOUNTS RECEIVABLE

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.

F. NOTES RECEIVABLE, CASH AND CASH EQUIVALENTS AND NET ASSETS WITH DONOR RESTRICTIONS

The CIC maintains a revolving loan fund which makes loans to local businesses and was initially funded with USDA federal grants. These grants carry certain covenants and are reviewed each October by the USDA for compliance. Management of CIC stated as of December 31, 2018, the CIC is in good standing with the grant's covenants. The loans made to local businesses (note receivables) are for terms of up to 10 years and amounts of \$3,000 - \$75,000. Payments of principal and interest are due monthly and are secured by recipient's collateral. The carrying amounts of the note receivables are reduced by an allowance that reflects management's best estimate of balances that will not be collected. The note receivable outstanding as of December 31, 2018, totaled \$153,384 and were all deemed collectible; therefore, no allowance for doubtful accounts was deemed necessary. Cash and net assets with donor restrictions presented on the statement of financial position reflect proceeds from the original USDA grant along with cumulative funds generated from these lending activities throughout the years.

G. 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:

| Asset Type | Years |
|----------------------------|-------|
| Buildings | 40-50 |
| Improvements and Additions | 5-25 |
| Office Equipment | 3-7 |

The total depreciation expense was \$195,270 at December 31, 2018. Expenditures for maintenance and repairs are charged to expense as incurred.

The total amortization expense was \$387 at December 31, 2018.

HOCKING COUNTY COMMUNITY IMPROVEMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. ADVERTISING

The CIC follows the policy of charging the costs of marketing and advertising to expense as incurred. The total advertising expense was \$2,286 at December 31, 2018.

I. INCOME TAXES

The CIC was incorporated as a nonprofit entity and is exempt from federal income taxes under Section 501(c) (4) of the Internal Revenue Code.

Accounting principles generally accepted in the United States require management to evaluate tax positions taken and recognize a tax liability (or asset) if an uncertain tax position has been taken that more likely than not would not be sustained upon examination by the Internal Revenue Service (IRS). Management has concluded that as of December 31, 2018, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The CIC is subject to routine audits by taxing jurisdictions, however, there are currently no audits for any tax periods in progress. The CIC's Federal Return of Organization Exempt from Income Tax (Form 990) for 2015, 2016 and 2017 are subject to examination by the IRS, generally for three years after they were filed.

J. 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.

K. CONCENTRATION OF 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 \$313,338 at December 31, 2018.

L. 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 29, 2019. It has a balance of \$134,161 as of December 31, 2018.

In October 2014, the CIC invested \$254,293 in a second CD. This CD was renewed on October 6, 2018 and currently has an interest rate of .70%, with a maturity date of October 6, 2020. It has a balance of \$262,349 as of December 31, 2018.

The total investment interest on the CDs was \$3,592 at December 31, 2018.

HOCKING COUNTY COMMUNITY IMPROVEMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(CONTINUED)

3. LIQUIDITY AND AVAILABILITY OF RESOURCES

The CIC's financial assets available within one year of the statement of financial position date for general expenditure are as follows:

| | |
|--|------------|
| Cash and Cash Equivalents, Without Donor Restrictions | \$ 29,104 |
| Cash and Cash Equivalents, With Donor Restrictions | 133,040 |
| Accounts Receivable | 4,298 |
| Certificates of Deposit, Current | 134,161 |
| Notes Receivable, Current | 36,134 |
| Subtotal financial assets, at year end | 336,737 |
| Less those unavailable for general expenditures within one year due to: | |
| Proceeds and Cumulative Funds for Revolving Loan Accounts (Note 2) | (133,040) |
| Reserve for Advanced Rent | (8,452) |
| Reserve for Customer Deposits | (2,200) |
| Financial assets available within one year to meet cash needs for general expenditures within one year | \$ 193,045 |

Cash and cash equivalents are held in interest checking accounts. Funds held in current CDs enable the funds to earn interest while maintaining liquidity. Financial assets that are subject to restriction make them unavailable for general expenditure within one year of the statement of financial position date. As of December 31, 2018, the CIC had \$268,680 of financial assets subject to donor restriction. As part of the CIC's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

4. LONG-TERM DEBT

A summary of long-term debt payable at December 31, 2018 is as follows:

A commercial mortgage of \$1,300,000 with Vinton County National Bank was obtained December 21, 2017, for the purchase of a commercial building. Payments are currently \$7,878 per month, with an annual interest rate of 4%. The loan is secured by the real estate.

\$ 1,256,680

A commercial mortgage of \$1,918,000 with The Citizens Bank of Logan was obtained June 2, 2003, for the construction of a medical office building. This loan was 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.

766,198

Total Debt \$ 2,022,878

Less: Current Maturities 95,965

Long-Term Debt \$ 1,926,913

**HOCKING COUNTY COMMUNITY IMPROVEMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(CONTINUED)**

4. LONG-TERM DEBT (CONTINUED)

Current maturities of long-term debt for the five years subsequent to December 31, 2018 are as follows:

| | | |
|------------|----|-------------------------|
| 2019 | \$ | 95,965 |
| 2020 | | 99,481 |
| 2021 | | 103,127 |
| 2022 | | 106,907 |
| 2023 | | 110,828 |
| Thereafter | | <u>1,506,570</u> |
| Total | \$ | <u><u>2,022,878</u></u> |

5. BUILDINGS

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

EPA Building

The CIC completed the construction of the office building located at 2195 E. Front Street in 1973. The capitalized cost of this building at December 31, 2018, is \$3,652,032 and the accumulated depreciation at December 31, 2018 is \$2,184,522.

The Ohio Environmental Protection Agency has leased the entire building since October 2004. The current lease carries an annual base rent of \$453,480, payable in quarterly installments and is set to expire June 30, 2023. The Ohio Environmental Protection Agency has no option to purchase this property and the lease is considered an operating lease.

Medical Office Building

The CIC completed the construction of the medical office building located at 541 State Route North in 2004. The total capitalized cost of this building at December 31, 2018 is \$2,533,054, and the accumulated depreciation at December 31, 2018 is \$920,337.

Hocking Valley Community Hospital has occupied a portion of the building since September 2004. The current lease carries an annual base rent of \$163,116, payable in monthly installments and is set to expire March 31, 2021. 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, 2018 is \$286,836, and the accumulated depreciation at December 31, 2018 was \$22,341.

Dan VanWormer has occupied space since June, 2014. The initial lease was for a five-year period through May 2019, with the option to renew for one additional five-year period at a base annual rent of \$8,400. Dan VanWormer has no option to purchase this property and the lease is considered an operating lease.

HOCKING COUNTY COMMUNITY IMPROVEMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(CONTINUED)

5. BUILDINGS (CONTINUED)

Flowers by Darlene has occupied space since June 2005. The lease was extended in 2015 through June 2020, with no option to renew at a base annual rent of \$18,000. Flowers by Darlene has no option to purchase this property and the lease is considered an operating lease.

11 W. Main Building

The CIC acquired the building located at 11 West Main Street in 2017. The total capitalized cost of this building at December 31, 2018 is \$160,551, and the accumulated depreciation at December 31, 2018 is \$6,355.

PNC Bank, formerly National City Bank, has occupied a portion of the building since February 2000. The current lease addendum extends the lease through January 2025, with one five-year option to renew at a base annual rent of \$54,300. PNC Bank has no option to purchase this property and the lease is considered an operating lease.

Hocking County Insurance Agency has occupied a portion of the building since January 2017. The current lease is for a four-year period through December 2020, with no option to renew at a base annual rent of \$8,400. Hocking County Insurance Agency has no option to purchase this property and the lease is considered an operating lease.

On November 2, 2018, the CIC retained VPL Architects, Inc. of Lancaster to produce architectural drawings and administrative bidding and construction services related to the building's remodel. As of December 31, 2018, charges of \$14,393 related to the planning stages of this project have been recorded within deposits on fixed assets. Construction is estimated to begin during July 2019. Total estimated costs to complete the project are \$2,247,005 as of December 31, 2018. The CIC is currently negotiating a lease for a first-floor tenant.

Rokeith Building

The CIC acquired the building located at 30260 Industrial Park Drive in December 2017. The total capitalized cost of this building at December 31, 2018 is \$937,114, the accumulated depreciation at December 31, 2018 was \$23,364.

Rat Tactical, LLC entered into a lease agreement for a portion of this building on September 1, 2018. Annual rent payments amount to \$13,200 and are payable in monthly installments. The tenant has the right to extend the lease on a year to year basis upon the end of the initial three-year term. Early termination of this lease may be requested if Rat Tactical's primary customer (Rogue Fitness) is lost. Upon such happening, the CIC has promised to negotiate fair and equitable termination terms. Rat Tactical has no option to purchase this space and the lease is considered an operating lease.

Dovetail Solar and Wind entered into a lease agreement for a portion of this building on February 23, 2018. Annual rental payments amount to \$21,228 and are payable in monthly installments. The initial term is for five years and holds an annual rent inflation clause that cannot exceed three percent annually. At the end of the initial lease term, Dovetail has an option to extend the lease on a year-to-year basis. Dovetail has no option to purchase this space and the lease is considered an operating lease.

Sunshine Beverage Company entered into a lease agreement for a portion of this building on March 26, 2018. Annual rental payments amount to \$22,716 and are payable in monthly installments. The initial term is for five years and holds an annual rent inflation clause that cannot exceed three percent annually. At the end of the initial lease term, Sunshine Beverage has an option to extend the lease on a year-to-year basis. Sunshine Beverage has no option to purchase this space and the lease is considered an operating lease.

**HOCKING COUNTY COMMUNITY IMPROVEMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(CONTINUED)**

6. FUTURE MINIMUM RENT INCOME

Future minimum lease receipts expected under current operating leases as of December 31, 2018 are as follows:

| | | |
|------------|----|------------------|
| 2019 | \$ | 904,542 |
| 2020 | | 910,447 |
| 2021 | | 767,983 |
| 2022 | | 718,404 |
| 2023 | | 462,616 |
| Thereafter | | 100,945 |
| Total | \$ | <u>3,864,937</u> |

7. CURRENT VULNERABILITY DUE TO CONCENTRATIONS

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

8. DEPOSITS ON FIXED ASSETS

On May 1, 2018, the CIC entered into an agreement to purchase real estate on Gallagher Avenue in Logan, Ohio. The purchase price was \$150,000 and required a \$15,000 earnest money deposit, which was paid May 4, 2018 and recorded to deposits on fixed assets. The remaining balance of \$135,000 is due May 1, 2019 if the CIC decides to close on the purchase. The earnest money is not refundable if the CIC chooses not to complete the purchase. In addition to the real estate purchase agreement, on May 1, 2018, the CIC entered into a lease agreement with Columbus Washboard Company, LTD for the property on Gallagher Avenue. The lease term is for 10 years.

The CIC is considering renovation of Worthington Park in Logan, Ohio. Costs of \$10,617 related to architectural design services have been recorded within deposits on fixed assets as of December 31, 2018. Due to community reaction estimates on the project's cost to complete have not been pursued as of December 31, 2018, and no further work is planned for the project during 2019. The CIC plans to re-evaluate the project during 2020.

9. INDUSTRIAL PARK DEVELOPMENT COSTS

The CIC completed this land development project during 2005. 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 available for sale. During 2018, there was no additional development.

10. SUBSEQUENT EVENTS

The CIC approved two application which total \$55,000 for 2019 grants through their revolving loan program at their March 2019 board meeting. As of April 2019, the CIC decided to not complete the purchase of the real estate on Gallagher Avenue. Subsequent events were evaluated through June 28, 2019, which is the date the financial statement is issued.

HOCKING COUNTY COMMUNITY IMPROVEMENT CORPORATION
STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2017

| | 2017 |
|---|--------------|
| ASSETS | |
| Current Assets | |
| Cash and Cash Equivalents, Unrestricted | \$ 58,021 |
| Cash and Cash Equivalents, Restricted | 141,493 |
| Accounts Receivable | 1,490 |
| Prepaid Expenses | 17,752 |
| Certificates of Deposit, Current | 260,411 |
| Notes Receivable, Current | 51,412 |
| Total Current Assets | 530,579 |
| Non-Current Assets | |
| Property and Equipment | |
| Buildings | 7,461,186 |
| Land | 604,796 |
| Land Improvements | 89,297 |
| Office Equipment | 31,166 |
| Less: Accumulated Depreciation | (2,993,307) |
| Total Non-Current Assets | 5,193,138 |
| Other Assets | |
| Certificates of Deposit, Non-Current | 132,507 |
| Industrial Park Development Costs | 684,560 |
| Notes Receivable, Non-Current | 96,867 |
| Loan Costs, Net of Accumulated Amortization | 6,060 |
| Total Other Assets | 919,994 |
| TOTAL ASSETS | \$ 6,643,711 |
| LIABILITIES | |
| Current Liabilities | |
| Accounts Payable | \$ 29,954 |
| Accrued Expenses | 63,682 |
| Advanced Rent | 8,452 |
| Customer Deposits | 2,200 |
| Current Portion of Long-Term Debt | 192,576 |
| Total Current Liabilities | 296,864 |
| LONG-TERM LIABILITIES | |
| Bank Loan, Net of Current Portion | 2,022,879 |
| Total Long-Term Liabilities | 2,022,879 |
| TOTAL LIABILITIES | 2,319,743 |
| NET ASSETS | |
| Permanently Restricted | 263,936 |
| Unrestricted | 4,060,032 |
| TOTAL NET ASSETS | 4,323,968 |
| TOTAL LIABILITIES AND NET ASSETS | \$ 6,643,711 |

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

HOCKING COUNTY COMMUNITY IMPROVEMENT CORPORATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017

| | <u>Unrestricted</u> | <u>Permanently Restricted</u> | <u>Total</u> |
|--------------------------------------|----------------------------|-----------------------------------|----------------------------|
| OPERATING REVENUES | | | |
| Rent Income | \$ 868,219 | \$ - | \$ 868,219 |
| Grants and Contributions | 4,545 | 300 | 4,845 |
| Revolving Loan Interest | - | 3,500 | 3,500 |
| Investment Interest | 3,579 | - | 3,579 |
| TOTAL OPERATING REVENUES | <u>876,343</u> | <u>3,800</u> | <u>880,143</u> |
| OPERATING EXPENSES | | | |
| Administrative Expenses | 319,322 | - | 319,322 |
| Interest | 35,818 | - | 35,818 |
| Real Estate Taxes | 47,621 | - | 47,621 |
| Depreciation and Amortization | 169,200 | - | 169,200 |
| Repairs and Maintenance | 140,635 | - | 140,635 |
| Industrial Park Expenses | 19,186 | - | 19,186 |
| Rent, Utilities, and Security | 98,169 | - | 98,169 |
| Insurance | 8,400 | - | 8,400 |
| Professional Fees | 16,613 | - | 16,613 |
| Grants and Incentives | 58,430 | - | 58,430 |
| TOTAL EXPENSES | <u>913,394</u> | <u>-</u> | <u>913,394</u> |
| OPERATING INCOME (LOSS) | (37,051) | 3,800 | (33,251) |
| NON-OPERATING REVENUE | | | |
| Interest Income | 729 | - | 729 |
| TOTAL NON-OPERATING REVENUE | <u>729</u> | <u>-</u> | <u>729</u> |
| CHANGE IN NET ASSETS | (36,322) | 3,800 | (32,522) |
| NET ASSETS, BEGINNING OF YEAR | <u>4,096,354</u> | <u>260,136</u> | <u>4,356,490</u> |
| NET ASSETS, END OF YEAR | <u><u>\$ 4,060,032</u></u> | <u><u>\$ 263,936</u></u> | <u><u>\$ 4,323,968</u></u> |

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

HOCKING COUNTY COMMUNITY IMPROVEMENT CORPORATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017

| | 2017 |
|---|--------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Increase/(Decrease) in net assets | \$ (33,251) |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | |
| Depreciation and amortization | 169,200 |
| (Increase)/decrease in operating assets: | |
| Accounts receivable | 1,345 |
| Prepaid expenses | (2,076) |
| Increase/(decrease) in operating liabilities: | |
| Accounts payable | 5,113 |
| Accrued expenses | 4,249 |
| Advanced rent | 2,152 |
| Customer deposits | 300 |
| NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | 147,032 |
| CASH FLOWS FROM INVESTING ACTIVITIES | |
| Interest Income | 729 |
| Notes receivable awards | (101,000) |
| Notes receivable repayments | 108,410 |
| Property and equipment acquisitions | (1,732,976) |
| NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES | (1,724,837) |
| CASH FLOWS FROM FINANCING ACTIVITIES | |
| Note Proceeds | 1,300,000 |
| Principal payments | (226,230) |
| NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES | 1,073,770 |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | (504,035) |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD | 703,549 |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD | \$ 199,514 |
| CASH REPRESENTED BY: | |
| Cash and cash equivalents, unrestricted | \$ 58,021 |
| Cash and cash equivalents, restricted | 141,493 |
| | \$ 199,514 |

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

**HOCKING COUNTY COMMUNITY IMPROVEMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

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 five commercial buildings which are under lease.

Management believes the financial statements included in this report represent all of the activities over which the Corporation is financially accountable.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. 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. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred.

B. 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.

C. 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, 2017.

D. ACCOUNTS RECEIVABLE

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.

E. 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, 2017 were all deemed collectible; therefore, no allowance for doubtful accounts was necessary.

**HOCKING COUNTY COMMUNITY IMPROVEMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. 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>Asset Type</u> | <u>Years</u> |
|----------------------------|--------------|
| Buildings | 40-50 |
| Improvements and Additions | 5-25 |
| Office Equipment | 3-7 |

The total depreciation expense was \$168,813 at December 31, 2017. Expenditures for maintenance and repairs are charged to expense as incurred.

The total amortization expense was \$387 at December 31, 2017.

G. ADVERTISING

The CIC follows the policy of charging the costs of marketing and advertising to expense as incurred. The total advertising expense was \$1,747 at December 31, 2017.

H. INCOME TAXES

The CIC was incorporated as a nonprofit entity and is exempt from federal income taxes under Section 501(c) (4) of the Internal Revenue Code.

Accounting principles generally accepted in the United States require management to evaluate tax positions taken and recognize a tax liability (or asset) if an uncertain tax position has been taken that more likely than not would not be sustained upon examination by the Internal Revenue Service (IRS). Management has concluded that as of December 31, 2017, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The CIC is subject to routine audits by taxing jurisdictions, however, there are currently no audits for any tax periods in progress. The CIC's Federal Return of Organization Exempt from Income Tax (Form 990) for 2014, 2015 and 2016 are subject to examination by the IRS, generally for three years after they were filed.

I. 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.

**HOCKING COUNTY COMMUNITY IMPROVEMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. NON-CASH INVESTING ACTIVITIES

The CIC acquired assets through loans as follows:

| | |
|--------------------------------|--------------|
| Acquisition of property: | |
| Cost of property | \$ 1,308,753 |
| Financed loan costs | - |
| Subtotal | 1,308,753 |
| Less: Property loan | 1,300,000 |
| Cash down payment for property | \$ 8,753 |

K. CONCENTRATION OF 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 \$345,985 at December 31, 2017.

L. 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 29, 2019. It has a balance of \$132,507 as of December 31, 2017.

In October 2014, the CIC invested \$254,293 in a second CD. This CD was renewed on October 6, 2016 and currently has an interest rate of .70%, with a maturity date of October 6, 2018. It has a balance of \$260,411 as of December 31, 2017.

The total investment interest on the CDs was \$3,579 at December 31, 2017.

**HOCKING COUNTY COMMUNITY IMPROVEMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)**

3. LONG-TERM DEBT

A summary of long-term debt payable at December 31, 2017 is as follows:

| | |
|---|----------------------------|
| A commercial mortgage of \$1,300,000 with Vinton County National Bank was obtained December 21, 2017, for the purchase of a commercial building. Payments are currently \$7,878 per month, with an annual interest rate of 4%. The loan is secured by the real estate. | \$ 1,300,000 |
| A commercial mortgage of \$1,918,000 with The Citizens Bank of Logan was obtained June 2, 2003, for the construction of a medical office building. This loan was 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. | 815,455 |
| A commercial mortgage of \$400,000 with the Frederick L. and Sally A. Weghorst Living Trust was 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>100,000</u> |
| Total Debt | \$ 2,215,455 |
| Less: Current Maturities | <u>192,576</u> |
| Long-Term Debt | <u><u>\$ 2,022,879</u></u> |

Current maturities of long-term debt for the five years subsequent to December 31, 2018 are as follows:

| | | |
|------------|----|-------------------------|
| 2018 | \$ | 192,576 |
| 2019 | | 95,966 |
| 2020 | | 99,481 |
| 2021 | | 103,127 |
| 2022 | | 106,907 |
| Thereafter | | <u>1,617,398</u> |
| Total | \$ | <u><u>2,215,455</u></u> |

4. BUILDINGS

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

EPA Building

The CIC completed the construction of the office building located at 2195 E. Front Street in 1973. The capitalized cost of this building at December 31, 2017, is \$3,652,032 and the accumulated depreciation at December 31, 2017 is \$2,094,818.

HOCKING COUNTY COMMUNITY IMPROVEMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)

4. BUILDINGS (CONTINUED)

The Ohio Environmental Protection Agency has leased the entire building since October 2004. The current lease carries an annual base rent of \$453,480, payable in quarterly installments through June 2019 with the option to renew for one additional two-year period. The Ohio Environmental Protection Agency has no option to purchase this property and the lease is considered an operating lease.

Medical Office Building

The CIC completed the construction of the medical office building located at 541 State Route North in 2004. The total capitalized cost of this building at December 31, 2017 is \$2,533,054, and the accumulated depreciation at December 31, 2017 is \$852,041.

Hocking Valley Community Hospital has occupied a portion of the building since September 2004. The initial was for a ten-year period and was extended in 2017 through March 2019, with no option to renew at a base annual rent of \$163,120. 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, 2017 is \$286,836, and the accumulated depreciation at December 31, 2017 was \$15,170.

Dan VanWormer has occupied space since June, 2014. The initial lease was for a five-year period through May 2019, with the option to renew for one additional five-year period at a base annual rent of \$8,400. 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, with no option to renew at a base annual rent of \$18,000. Flowers by Darlene has no option to purchase this property and the lease is considered an operating lease.

AAA has occupied a portion of the building since August 1981. The most recent lease addendum extends the lease through May 2018, at a base annual rent of \$9,600. AAA has no option to purchase this property and the lease is considered an operating lease.

11 W. Main Building

The CIC acquired the building located at 11 West Main Street in 2017. The total capitalized cost of this building at December 31, 2017 is \$160,551, and the accumulated depreciation at December 31, 2017 is \$2,341.

PNC Bank, formerly National City Bank, has occupied a portion of the building since February 2000. The current lease addendum extends the lease through January 2025, with one five-year option to renew at a base annual rent of \$34,220. PNC Bank has no option to purchase this property and the lease is considered an operating lease.

**HOCKING COUNTY COMMUNITY IMPROVEMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)**

4. BUILDINGS (CONTINUED)

Hocking County Insurance Agency has occupied a portion of the building since January 2017. The current lease is for a four-year period through December 2020, with no option to renew at a base annual rent of \$8,400. Hocking County Insurance Agency has no option to purchase this property and the lease is considered an operating lease.

Rokeith Building

The CIC acquired the building located at 30260 Industrial Park Drive in December 2017. The total capitalized cost of this building at December 31, 2017 is \$918,011 with \$0 accumulated depreciation at December 31, 2017.

5. FUTURE MINIMUM RENT INCOME

Future minimum lease receipts expected under current operating leases as of December 31, 2018 are as follows:

| | | |
|------------|----|---------------------|
| 2018 | \$ | 856,303 |
| 2019 | | 498,322 |
| 2020 | | 186,932 |
| 2021 | | 166,680 |
| 2022 | | 166,680 |
| Thereafter | | 208,350 |
| Total | | <u>\$ 2,083,267</u> |

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.

7. INDUSTRIAL PARK DEVELOPMENT COSTS

The CIC completed this land development project during 2005. 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 available for sale. During 2017, there was no additional development.

8. OPERATING LEASE

The CIC leased 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 expired December 2017. The CIC had an option to renew the lease for two additional five-year periods, but chose to not renew and moved their headquarters to the Rokeith building, effective January 1, 2018.

9. SUBSEQUENT EVENTS

The CIC has evaluated subsequent events through June 28, 2019, the date which the financial statements were available to be issued. No events occurred subsequent to June 28, 2019 that would require adjustment or disclosure in the financial statements.



313 Second St.
Marietta, OH 45750
740 373 0056

1907 Grand Central Ave.
Vienna, WV 26105
304 422 2203

150 W. Main St., Suite A
St. Clairsville, OH 43950
740 695 1569

1310 Market St., Suite 300
Wheeling, WV 26003
304 232 1358

749 Wheeling Ave., Suite 300
Cambridge, OH 43725
740 435 3417

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

June 28, 2019

Hocking County Community Improvement Corporation
Hocking County
30260 Industrial Park Drive
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 **Hocking County Community Improvement Corporation**, Hocking County (the Corporation) (a nonprofit organization) as of December 31, 2018 and 2017, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements and have issued our report thereon dated June 28, 2019, wherein we noted the Corporation implemented Financial Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Corporation'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 Corporation'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 Corporation'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.

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Compliance and Other Matters

As part of reasonably assuring whether the Corporation'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*.

We did note certain matters not requiring inclusion in this report that we reported to the Corporation's management in a separate letter dated June 28, 2019.

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 Corporation's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Perry and Associates
Certified Public Accountants, A.C.
Marietta, Ohio

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OHIO AUDITOR OF STATE
KEITH FABER



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
SEPTEMBER 17, 2019**