

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

AUDIT REPORT

For the Year ended December 31, 2010



Dave Yost • Auditor of State

Board of Trustees
Hocking County Community Improvement Corporation
47 Main Street
PO Box 838
Logan, Ohio 43138

We have reviewed the *Report of Independent Accountants* of the Hocking County Community Improvement Corporation, Hocking County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2010 through December 31, 2010. 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 17, 2011

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**HOCKING COUNTY COMMUNITY IMPROVEMENT
CORPORATION
HOCKING COUNTY
AUDIT REPORT
For the Year Ended December 31, 2010**

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

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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, 2010, 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 obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above presently fairly, in all material respects, the financial position of the Hocking County Community Improvement Corporation as of December 31, 2010, 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 23, 2011, 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, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Charles E. Harris & Associates

Charles E. Harris & Associates, Inc.
August 23, 2011

HOCKING COUNTY COMMUNITY IMPROVEMENT CORPORATION
Statement of Financial Position
As of December 31, 2010

ASSETS

Current Assets

Cash and cash equivalents	\$ 251,282
Prepaid insurance	5,233
Total Current Assets	<u>256,515</u>

Property and Equipment

Buildings	5,456,330
Land	28,501
Office equipment	4,895
Accumulated Depreciation	(1,947,378)
Net Property and Equipment	<u>3,542,348</u>

Other Assets

Industrial park development costs	969,311
Note receivable	155,000
Loan costs	14,149
Total Other Assets	<u>1,138,460</u>

TOTAL ASSETS	<u><u>\$ 4,937,323</u></u>
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LIABILITIES & NET ASSETS

Current Liabilities

Accounts Payable	\$ 5,874
Accrued real estate taxes	34,587
Bank line of credit	35,500
Current portion of long-term debt	79,200
Total Current Liabilities	<u>155,161</u>

Long Term Liabilities

Bank loan, net of current portion	1,447,985
Total Long Term Liabilities	<u>1,447,985</u>

TOTAL LIABILITIES	1,603,146
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Net Assets

Unrestricted Net Assets	3,334,177
Total Net Assets	<u>3,334,177</u>

TOTAL LIABILITIES & NET ASSETS	<u><u>\$ 4,937,323</u></u>
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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, 2010

REVENUE	
Rent income	\$ 697,104
Interest income	9,217
Miscellaneous	38,547
TOTAL REVENUE	<u>744,868</u>
 EXPENSES	
Administrative expenses	140,613
Interest	101,544
Real estate taxes	34,587
Depreciation and amortization	128,940
Repairs and maintenance	111,498
Industrial park expenses	6,896
Utilities and security	39,626
Insurance	12,441
Professional fees	43,253
Miscellaneous	22,028
TOTAL EXPENSES	<u>641,426</u>
 Increase (Decrease) In Net Assets	 103,442
 Beginning Net Assets-Restated	 <u>3,230,735</u>
 ENDING NET ASSETS	 <u><u>\$ 3,334,177</u></u>

See Accompanying Notes to the Financial Statements

HOCKING COUNTY COMMUNITY IMPROVEMENT CORPORATION

Statement of Cash Flows

For the Year Ended December 31, 2010

Cash Flows from Operating Activities:

Increase in net assets	\$ 103,442
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	128,940
(Increase) decrease in operating assets:	
Accounts receivable	11,118
Prepaid expenses	1,447
Increase (decrease) in operating liabilities:	
Real estate taxes payable	(1,448)
Accrued/other liabilities	(25,000)
Net Cash Provided (Used) by Operating Activities	<u>218,499</u>

Cash Flows from Investing Activities:

Note receivable	<u>(60,500)</u>
Net Cash Provided (Used) by Investing Activities	<u>(60,500)</u>

Cash Flows from Capital and Related Financing Activities:

Loan proceeds	35,500
Property and equipment acquisitions	(333,022)
Industrial park development	(171,032)
Purchase option	10,000
Principal payments	<u>(68,729)</u>
Net Cash Provided (Used) in Capital Activities	<u>(527,283)</u>

Net Increase (Decrease) in Cash and Cash Equivalents (369,284)

Cash and Cash Equivalents at Beginning of Year-Restated 620,566

Cash and Cash Equivalents at End of Year \$ 251,282

HOCKING COUNTY COMMUNITY IMPROVEMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2010

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, 2010

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, 2010:

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, 2010 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, 2010 was \$1,527,185.

Principal and interest requirements for debt outstanding at December 31, 2010 are as follows:

2011	\$154,968
2012	154,968
2013	154,968
2014	154,968
2015	154,968
2016-2020	774,840
2021-2024	697,356
Total	<u><u>\$2,247,036</u></u>

HOCKING COUNTY COMMUNITY IMPROVEMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2010

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 a current interest rate of 4.50% and a new maturity date of June 2, 2011 and is collateralized by real estate. The balance at December 31, 2010 was \$35,500.

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 \$3,082,614 and the accumulated depreciation is \$1,547,764.

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 \$2,373,716 and the accumulated depreciation is \$398,396.

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 2010 there was one lot purchased in the amount of \$171,032.

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 \$116,800.

HOCKING COUNTY COMMUNITY IMPROVEMENT CORPORATION
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2010

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, 2010 are as follows;

2011	\$697,104
2012	697,104
2013	476,970
2014	181,301
Total	<u>\$2,052,479</u>

NOTE 10- RESTATEMENT OF BEGINNING NET ASSETS

Due to a change in the reporting entity, the beginning net assets were restated to exclude the net assets associated with the Appalachian Advanced Energy Association, LLC.

Net Assets Previously Reported-12/31/09	\$3,233,957
Net Assets Restated-12/31/09	\$3,230,735

NOTE 11- SUBSEQUENT EVENTS

Subsequent events were evaluated through August 23, 2011, 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

The Board of Trustees
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, 2010, and have issued our report thereon dated August 23, 2011. 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified a deficiency in internal control over financial reporting that we consider a material weakness.

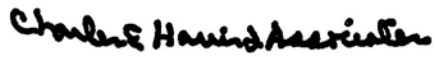
A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider the deficiency described in the accompanying Schedule of Audit Findings as item 2010-HOCK-01 to be a material weakness in internal control over financial reporting.

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 an instance of noncompliance that is required to be reported under *Government Auditing Standards*, which is described in the accompanying Schedule of Findings as item 2010-HOCK-01.

The Organization's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Organization's response and, accordingly, we express no opinion on it.

We intend this report solely for the information and use of management, the audit committee, members of the Board of Trustees and others within the organization. We intend it for no one other than these specified parties.



Charles E. Harris and Associates, Inc.

August 23, 2011

**HOCKING COUNTY COMMUNITY IMPROVEMENT CORPORATION
HOCKING COUNTY, OHIO
SCHEDULE OF AUDIT FINDINGS
For the Year Ended December 31, 2010**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number 2010-HOCK-01 - Noncompliance Citation

Ohio Admin. Code Section 117-2-02(A) provides that all local public offices should maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements.

We noted the following errors during 2010:

- Capital improvements in the amount of \$331,021 were recorded as expenses.
- Depreciation expense was not recorded in the amount of \$128,940.
- The depreciation schedules were not updated.
- Various year-end adjustments and accruals were not made.

The financial statements have been adjusted to properly reflect these transactions.

We recommend that the Organization obtain assistance from a local CPA firm to assist in the preparation of their year-end financial statements.

Management Response:

We did not receive a management response.

SCHEDULE OF PRIOR AUDIT FINDINGS

The prior audit report, for the years ended December 31, 2009 and 2008, 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
DECEMBER 1, 2011**