

HOCKING COUNTY COMMUNITY  
IMPROVEMENT CORPORATION

AUDITED FINANCIAL STATEMENTS

December 31, 2006 and 2005





# Mary Taylor, CPA

Auditor of State

Board of Trustees  
Hocking County Community Improvement Corporation  
47 W. Main Street  
P. O. Box 838  
Logan, Ohio 43138

We have reviewed the *Independent Auditor's Report* of the Hocking County Community Improvement Corporation prepared by The Poling Group, Inc., for the audit period January 1, 2006 through December 31, 2006. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Hocking County Community Improvement Corporation is responsible for compliance with these laws and regulations.

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

May 21, 2007

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**INDEPENDENT AUDITOR'S REPORT**

To the Board of Trustees  
Hocking County Community Improvement Corporation

We have audited the accompanying statements of financial position of Hocking County Community Improvement Corporation (an Ohio corporation) as of December 31, 2006 and 2005, and the related statements of activity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hocking County Community Improvement Corporation as of December 31, 2006 and 2005, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 18, 2007 on our consideration of Hocking County Community Improvement Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be used in conjunction with this report in considering the results of our audit.

The PA Group, Inc.  
Reynoldsburg, Ohio  
April 18, 2007



HOCKING COUNTY COMMUNITY IMPROVEMENT CORPORATION  
 STATEMENTS OF FINANCIAL POSITION  
 December 31, 2006 and 2005

	<u>2006</u>	<u>2005</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 100,782	\$ 53,410
Prepaid insurance	8,878	6,888
Accounts receivable (\$0 allowance for doubtful accounts)	<u>37,417</u>	<u>13,507</u>
TOTAL CURRENT ASSETS	<u>147,077</u>	<u>73,805</u>
PROPERTY AND EQUIPMENT		
Land	15,314	15,314
Buildings	<u>5,290,310</u>	<u>5,290,310</u>
TOTAL	5,305,624	5,305,624
Accumulated depreciation	<u>(1,462,571)</u>	<u>(1,342,452)</u>
TOTAL PROPERTY AND EQUIPMENT, NET	<u>3,843,053</u>	<u>3,963,172</u>
OTHER ASSETS		
Industrial park development costs	819,762	873,452
Undeveloped land	153,520	153,520
Loan costs	<u>18,502</u>	<u>19,590</u>
TOTAL OTHER ASSETS	<u>991,784</u>	<u>1,046,562</u>
TOTAL ASSETS	<u>\$4,981,914</u>	<u>\$5,083,539</u>

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

HOCKING COUNTY COMMUNITY IMPROVEMENT CORPPORATION  
 STATEMENTS OF FINANCIAL POSITION  
 December 31, 2006 and 2005

	<u>2006</u>	<u>2005</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Real estate taxes payable	\$ 73,403	\$ 74,793
Accounts payable	10,062	17,142
Other liabilities	16,923	15,438
Current portion of long-term debt	<u>117,709</u>	<u>40,912</u>
TOTAL CURRENT LIABILITIES	<u>218,097</u>	<u>148,285</u>
LONG TERM LIABILITIES		
Bank loans, net of current portion	<u>1,707,893</u>	<u>1,985,852</u>
TOTAL LONG TERM LIABILITIES	<u>1,707,893</u>	<u>1,985,852</u>
TOTAL LIABILITIES	<u>1,925,990</u>	<u>2,134,137</u>
NET ASSETS		
Unrestricted	<u>3,055,924</u>	<u>2,949,402</u>
TOTAL NET ASSETS	<u>3,055,924</u>	<u>2,949,402</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$4,981,914</u>	<u>\$5,083,539</u>

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

HOCKING COUNTY COMMUNITY IMPROVEMENT CORPORATION  
 STATEMENTS OF ACTIVITY  
 Years Ended December 31, 2006 and 2005

	<u>2006</u>	<u>2005</u>
UNRESTRICTED NET ASSETS		
INCOME		
Rent income (EPA/medical office)	\$ 697,104	\$ 689,658
Rent income (Selkirk)	7,598	0
Gain on sale of industrial park land	20,215	44,274
Miscellaneous income	37,508	29,708
Interest income	136	118
TOTAL INCOME	<u>762,561</u>	<u>763,758</u>
EXPENSES		
Depreciation and amortization	121,207	126,097
Insurance	6,891	8,201
Real estate taxes	32,255	32,230
Utilities and security	39,908	36,928
Repairs and maintenance	103,160	100,778
Interest	118,083	98,815
Medical office-other	223	0
Industrial park expenses	4,099	4,788
Selkirk project	83,938	12,218
Geiger Bros. project	3,316	1,322
Administrative expense unallocated	85,775	96,802
Administrative expense allocated	57,184	64,534
TOTAL EXPENSES	<u>656,039</u>	<u>582,713</u>
NET (DECREASE) INCREASE IN UNRESTRICTED ASSETS	\$ 106,522	\$ 181,045
NET ASSETS, BEGINNING OF YEAR	<u>2,949,402</u>	<u>2,768,357</u>
NET ASSETS, END OF YEAR	<u>\$3,055,924</u>	<u>\$2,949,402</u>

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

HOCKING COUNTY COMMUNITY IMPROVEMENT CORPORATION  
 STATEMENTS OF CASH FLOWS  
 Years Ended December 31, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Cash Flows From Operating Activities:		
(Decrease) increase in net assets	\$ 106,522	\$ 181,045
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	121,207	126,097
Gain on sale of land	( 20,215)	( 44,274)
(Increase) decrease in operating assets:		
Accounts receivable	( 23,910)	( 13,507)
Prepaid expenses	( 1,990)	( 2,824)
Increase (decrease) in operating liabilities:		
Real estate taxes payable	( 1,390)	50,926
Accounts payable	( 7,080)	( 34,818)
Other liabilities	1,485	3,968
Net cash provided (used) by operating activities	<u>174,629</u>	<u>266,613</u>
Cash Flows From Investing Activities:		
Property/development	0	( 289,594)
Proceeds from property sales	73,905	161,794
Net cash provided (used) by investing activities	<u>73,905</u>	<u>( 127,800)</u>
Cash Flows From Financing Activities:		
Loan proceeds	110,000	360,392
Loan repayments	( 311,162)	( 765,527)
Net cash provided (used) by financing activities	<u>( 201,162)</u>	<u>( 405,135)</u>
Net increase (decrease) in cash and cash equivalents	47,372	( 266,322)
Cash and cash equivalents at beginning of period	<u>53,410</u>	<u>319,732</u>
Cash and cash equivalents at end of period	<u>\$ 100,782</u>	<u>\$ 53,410</u>

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

HOCKING COUNTY COMMUNITY IMPROVEMENT CORPORATION  
STATEMENTS OF CASH FLOWS  
Years Ended December 31, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Supplemental Information		
Cash paid during the year for:		
Interest	\$ 124,384	\$ 97,060
Income taxes	<u>\$ 0</u>	<u>\$ 0</u>

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

HOCKING COUNTY COMMUNITY IMPROVEMENT CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2006 and 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business Activity

Hocking County Community Improvement Corporation is a non-profit corporation organized under the provisions of Section 501(c)(4) of the Internal Revenue Code for the purpose of providing land and building facilities in an effort to attract industry to the Logan-Hocking County area. The corporation owns several industrial development tracts and three commercial business buildings which are under lease.

Basis of Presentation

The Corporation prepares its financial statements on the accrual basis of accounting. Revenue is recorded when it is earned and expenses are recorded when incurred. Therefore, the accompanying statements are intended to present financial position in accordance with generally accepted accounting principles.

Property and Equipment

Property and equipment are carried at cost. Depreciation of property and equipment is provided using the straight-line method for financial reporting purposes at rates based on the following estimated useful lives:

	<u>Years</u>
Buildings	40-50
Improvements and additions	05-25
Office equipment	10

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

There are \$213,667 of buildings being held for sale and not being depreciated.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

HOCKING COUNTY COMMUNITY IMPROVEMENT CORPORATION  
NOTES TO FINANCIAL STATEMENTS (continued)  
December 31, 2006 and 2005

Reclassifications

Certain minor reclassifications have been made to prior year amounts to conform to the current-year presentation.

Advertising Expenses

Advertising or marketing costs are expensed in the year in which they are incurred.

Income Taxes

The Internal Revenue Service has determined that Hocking County Community Improvement Corporation is exempt from taxation under Code Section 501(c)(4); therefore, no provision for income taxes is shown in the financial statements.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers all checking accounts, savings accounts, certificates of deposit and money market accounts to be cash equivalents.

NOTE B-LONG-TERM DEBT

Long-term debt consists of the following at December 31, 2006 and 2005:

A commercial mortgage of \$1,918,000 with The Citizens Bank of Logan was obtained on June 2, 2003 for the construction of a medical office building. The interest rate is a variable rate of 8.00%. Monthly payments of principal and interest of \$15,861.51 are due with a maturity date of June 2, 2024. This loan is secured by real estate and furniture and fixtures. The balance at December 31, 2006 and 2005 was \$1,755,210 and \$1,816,373.

A \$500,000 line of credit was established with Century National Bank as of June 2, 2005. The interest rate is 6.00% and the loan is collateralized by real estate and is due on June 2, 2007. The balance at December 31, 2006 and 2005 was \$70,392 and \$210,391.

HOCKING COUNTY COMMUNITY IMPROVEMENT CORPORATION  
 NOTES TO FINANCIAL STATEMENTS (continued)  
 December 31, 2006 and 2005

Current maturities of long-term debt are as follows:

<u>Year ended</u> <u>December 31</u>	
2007	\$ 117,709
2008	55,721
2009	60,345
2010	65,354
2011	70,778
Thereafter	<u>1,455,695</u>
TOTAL	<u>\$1,825,602</u>

NOTE C-BUILDINGS

EPA BUILDING

Starting on October 1, 2004, the EPA began leasing the entire building for \$425,376 per year through June 30, 2005, payable in quarterly installments. Beginning July 1, 2005 the annual rent increased to \$440,268. The Ohio Environmental Protection Agency has no option to purchase this property and the lease is considered an operating lease.

MEDICAL OFFICE BUILDING

The Organization completed the construction of the new medical office building at 541 State Route 664 North during 2004. The total capitalized cost of the building is \$2,373,716 which includes capitalized interest of \$29,146 during 2004.

Hocking Valley Community Hospital moved into 12,092 square feet of the building during September, 2004. The lease payment is \$10,076.67 per month for a ten year period. Hocking Valley Community Hospital has no option to purchase this property and the lease is considered an operating lease.

Tri-County Mental Health and Counseling Services, Inc. moved into 12,356 square feet of the building during August, 2004. The lease payment is \$11,326.33 per month for a ten year period. Tri-County Mental Health and Counseling Services, Inc. has no option to purchase this property and the lease is considered an operating lease.



INDUSTRIAL BUILDING

The Organization purchased an industrial building with 24.86 acres for \$200,000 on November 2, 2005. The former owner retained the right to continue to occupy a portion of the property for a maximum of twelve months while paying for a portion of the utility expenses during this period. The former owner is now paying \$2,112.50 in monthly rent on a month to month basis. The CIC's future plans include either the sale or lease of this property as an industrial site. The tenant has no option to purchase this property and the lease is considered an operating lease.

NOTE D-INDUSTRIAL PARK

The CIC completed this project during 2004. During 2006 and 2005, there was one lot sold each year for \$74,970 and \$164,100 respectively. As of December 31, 2006, there was a purchase option on another lot.

NOTE E-UNDEVELOPED LAND

The Organization owns approximately 9.75 acres of undeveloped land which may be used for building, selling, or leasing in order to attract new industry to the area. This land is carried at cost.

NOTE F-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 \$96,606 and \$90,659 for 2006 and 2005 respectively. The accounts payable owed to the Chamber at December 31, 2006 and 2005 was \$0.

NOTE G-CONCENTRATIONS OF CREDIT RISK

The Organization maintains cash balances at two different financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$100,000.00. The Organization's uninsured cash balances total \$4,525 and \$0 at December 31, 2006 and 2005 respectively.

HOCKING COUNTY COMMUNITY IMPROVEMENT CORPORATION  
NOTES TO FINANCIAL STATEMENTS (continued)  
December 31, 2006 and 2005

NOTE H-CURRENT VULNERABILITY DUE TO CONCENTRATIONS

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

NOTE I-LEASES

The Organization makes no payments under operating or capital leases.

NOTE J - FUTURE MINIMUM RENT INCOME

Future minimum lease payments under non-cancelable operating leases due to the Organization as of December 31, 2006 are as follows:

2007	\$ 697,104
2008	256,836
2009	256,836
2010	256,836
2011	256,836
Thereafter	697,973
TOTAL	<u>\$2,422,421</u>

SUPPLEMENTARY INFORMATION



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INDEPENDENT AUDITOR'S REPORT ON  
SUPPLEMENTAL INFORMATION

To the Board of Trustees  
Hocking County Community Improvement Corporation

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The December 31, 2006 and 2005 schedules of activity by project and schedules of administrative expenses which are on pages 15 through 17 are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*The Poling CPA Group Inc.*  
Reynoldsburg, Ohio  
April 18, 2007

HOCKING COUNTY COMMUNITY IMPROVEMENT CORPORATION  
 SCHEDULE OF ACTIVITY  
 EPA BUILDING  
 For the Years Ended December 31, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Income:		
Rent income	\$ 440,268	\$ 432,822
Expenses:		
Depreciation	57,943	62,832
Insurance	4,699	6,009
Real estate taxes	23,596	23,577
Utilities	38,030	35,338
Repairs and maintenance	79,869	84,115
Interest	0	8,587
Administrative expense allocated	36,116	40,501
TOTAL EXPENSES	<u>\$ 240,253</u>	<u>\$ 260,959</u>
Net (Decrease) Increase in Net Assets	\$ 200,015	\$ 171,863
Net Assets, Beginning of Year	<u>3,021,552</u>	<u>2,849,689</u>
Net Assets, End of Year	<u>\$3,221,567</u>	<u>\$3,021,552</u>

See auditor's report on supplemental information

HOCKING COUNTY COMMUNITY IMPROVEMENT CORPORATION  
 SCHEDULE OF ACTIVITY  
 MEDICAL OFFICE BUILDING  
 For the Years Ended December 31, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Income:		
Rent income	\$ 256,836	\$ 256,836
Expenses:		
Depreciation	62,176	62,177
Amortization	1,088	1,088
Insurance	2,192	2,192
Real estate taxes	8,659	8,653
Utilities and security	1,878	1,590
Repairs and maintenance	23,291	16,663
Interest	118,083	90,228
Other	223	0
Administrative expense allocated	21,068	24,033
TOTAL EXPENSES	<u>238,658</u>	<u>206,624</u>
Net (Decrease) Increase in net assets	18,178	50,212
Net Assets, Beginning of Year	<u>63,045</u>	<u>12,833</u>
Net Assets, End of Year	<u>\$ 81,223</u>	<u>\$ 63,045</u>

See auditor's report on supplemental information

HOCKING COUNTY COMMUNITY IMPROVEMENT CORPORATION  
 SCHEDULE OF ADMINISTRATIVE EXPENSES  
 For the Years Ended December 31, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Administrative Expenses:		
Administrative services	\$ 96,606	\$ 90,659
Insurance	4,620	2,497
Professional fees	17,904	34,244
Marketing	10,051	16,394
Dues	419	325
Miscellaneous administrative expenses	9,276	13,256
Real estate taxes	1,981	955
Travel	2,102	3,006
TOTAL ADMINISTRATIVE EXPENSES	<u>\$ 142,959</u>	<u>\$ 161,336</u>
Allocated to EPA building	( 36,116)	( 40,501)
Allocated medical office	<u>( 21,068)</u>	<u>( 24,033)</u>
Net Unallocated Expense	<u>\$ 85,775</u>	<u>\$ 96,802</u>

See auditor's report on supplemental information

HOCKING COUNTY COMMUNITY IMPROVEMENT CORPORATION

For the Year Ended December 31, 2006

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN  
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*





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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN  
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Trustees of  
Hocking County Community Improvement Corporation

We have audited the financial statements of Hocking County Community Improvement Corporation as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated April 18, 2007. 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 Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

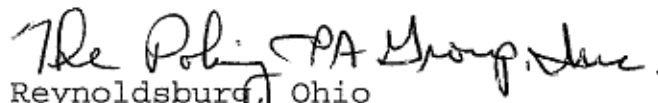
In planning and performing our audit, we considered Hocking County Community Improvement Corporation's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Hocking County Community Improvement Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Hocking County Community Improvement Corporation in a separate letter dated April 18, 2007.

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

  
Reynoldsburg, Ohio  
April 18, 2007



**Mary Taylor, CPA**  
Auditor of State

**HOCKING COUNTY COMMUNITY IMPROVEMENT CORPORATION**

**HOCKING COUNTY**

**CLERK'S CERTIFICATION**

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MAY 31, 2007**