

Buckeye Hills - Hocking Valley Regional  
Development District  
Washington County, Ohio

Single Audit

July 1, 2008, through June 30, 2009  
Fiscal Years Audited Under GAGAS: 2009



**Balestra, Harr & Scherer, CPAs, Inc.**

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# Mary Taylor, CPA

Auditor of State

Members of the Board  
Buckeye Hills-Hocking Valley Regional Development District  
1400 Pike Street  
Marietta, Ohio 45750

We have reviewed the *Independent Auditor's Report* of the Buckeye Hills-Hocking Valley Regional Development District, Washington County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period July 1, 2008 through June 30, 2009. 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 Buckeye Hills-Hocking Valley Regional Development District is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA  
Auditor of State

March 10, 2010

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**Buckeye Hills-Hocking Valley Regional Development District**  
**Table of Contents**  
*For the Fiscal Year Ended June 30, 2009*

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<u>Title</u>	<u>Page</u>
Independent Auditor’s Report.....	1
Management’s Discussion and Analysis.....	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets .....	8
Statement of Activities.....	9
Fund Financial Statements:	
Balance Sheet – Governmental Funds.....	10
Reconciliation of Total Governmental Fund Balances To Net Assets of Governmental Activities .....	11
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds .....	12
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	13
Notes to the Basic Financial Statements .....	14
Supplementary Information:	
Schedule of Federal Awards Expenditures .....	26
Notes to the Schedule of Federal Awards Expenditures .....	27
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed In Accordance With <i>Government Auditing Standards</i> .....	28
Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133 .....	30
Schedule of Findings OMB Circular A-133 Section .505.....	32



## Independent Auditor's Report

Members of the Board  
Buckeye Hills – Hocking Valley Regional Development District  
1400 Pike Street  
Marietta, Ohio 45750

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Buckeye Hills – Hocking Valley Regional Development District, (the District), Washington County, Ohio, as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions 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 Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

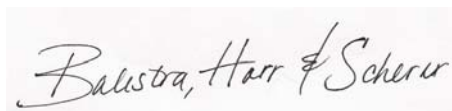
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2009, and the respective changes in financial position 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 December 30, 2009 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Members of the Board  
Buckeye Hills – Hocking Valley Regional Development District  
Independent Auditor’s Report  
Page 2

The Management’s Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to opine on the financial statements that collectively comprise the District’s basic financial statements. The accompanying Schedule of Federal Awards Expenditures is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is 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.

A handwritten signature in cursive script that reads "Balestra, Harr & Scherer". The signature is written in black ink on a light-colored background.

Balestra, Harr & Scherer, CPAs, Inc.

December 30, 2009

## **Buckeye Hills-Hocking Valley Regional Development District**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2009  
(Unaudited)*

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### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

The discussion and analysis of the Buckeye Hills-Hocking Valley Regional Development District's (the District) financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2009. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

### **FINANCIAL HIGHLIGHTS**

Key financial highlights for fiscal year 2009 are as follows:

- Net assets of governmental activities increased by \$103,772.
- Intergovernmental revenues in the form of federal and state grant funds for governmental activities accounted for \$14,716,861 in revenue, or 98.0 percent of all governmental revenues. Program specific revenues in the form of charges for services and interest on revolving loan fund loans accounted for \$219,811, or 1.5 percent of total revenues of \$15,018,395.
- The District had \$14,914,623 in expenses related to governmental activities; \$14,936,672 of these expenses was offset by program specific charges for services, grants, and contributions. General revenues were \$81,723.
- The revolving loan fund granted new loans during the year with aggregate proceeds of \$410,402.

### **USING THIS ANNUAL FINANCIAL REPORT**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities and conditions.

The statement of net assets and statement of activities provide information about the activities of the whole agency, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term, as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other non-major funds presented, in total, in one column.

### **REPORTING THE DISTRICT AS A WHOLE**

#### *Statement of Net Assets and Statement of Activities*

While this document contains information about the large number of funds used by the District to provide programs and activities for citizens, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2009?" The statement of net assets and the statement of activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the District's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the District as a whole, the financial position has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the availability of federal and state grant funding, continued support from member governments, and other factors.



**Buckeye Hills-Hocking Valley Regional Development District**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2009  
(Unaudited)*

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**REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS**

*Fund Financial Statements*

The analysis of the District's major funds is included in the fund financial statements. Fund financial statements provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund, revolving loan fund, and PASSPORT fund. The District has only governmental funds.

Governmental Funds – The District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. The relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds is reconciled in the financial statements.

*Notes to the Basic Financial Statements*

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 14 to 25 of this report.

**THE DISTRICT AS A WHOLE**

Recall that the statement of net assets provides the perspective of the District as a whole. Table 1 provides a summary of the District's net assets as of June 30, 2009, compared to 2008. The District has only governmental funds.

Table 1  
Net Assets

	2009	2008*
Assets		
Current and Other Assets	\$2,748,190	\$2,382,178
Capital Assets, Net	1,329,243	1,393,632
Loans Receivable, Net	1,917,827	1,949,133
Total Assets	5,995,260	5,724,943
Liabilities		
Current and Other Liabilities	1,419,343	1,232,887
Long-Term Liabilities	1,378,620	1,398,531
Total Liabilities	2,797,963	2,631,418
Net Assets		
Invested in Capital Assets, Net of Related Debt	43,019	78,060
Restricted	1,917,827	1,932,050
Unrestricted	1,236,451	1,083,415
Total Net Assets	\$3,197,297	\$3,093,525

**Buckeye Hills-Hocking Valley Regional Development District**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2009  
(Unaudited)*

\*As restated. See Note 9.

Total assets increased \$270,317. Cash and cash equivalents increased by \$153,104, due to higher receipts than disbursements for the year. Loans receivable decreased by \$31,306 primarily as a result of increased outreach efforts to identify and meet the borrowing needs of small businesses in the region, which was completely offset by an increase in allowance for doubtful accounts and the repayments of existing loans. Principal payments made by borrowers were approximately \$276,256, while new loan proceeds disbursed for the year were \$410,402. Grants receivable increased \$166,246, due primarily to a receivable at year end for the PASSPORT program. Total liabilities increased \$166,545. This resulted primarily from an increase in accounts payable of \$182,609, resulting from accrued health insurance costs and expense reimbursements outstanding at year end in addition to an increase in outstanding amounts related to the PASSPORT program.

Table 2 shows the changes in net assets for the fiscal year ended June 30, 2009, compared to the fiscal year ended June 30, 2008.

Table 2  
Change in Net Assets

	2009	2008*
Revenues		
Program Revenues:		
Charges for Services	\$219,811	\$210,652
Operating Grants and Contributions	14,716,861	13,516,158
Total Program Revenues	14,936,672	13,726,810
General Revenues:		
Interest Income	26,709	47,387
Miscellaneous	55,014	67,681
Total General Revenues	81,723	115,068
Total Revenues	15,018,395	13,841,878
Expenses		
General Government	14,857,228	13,889,417
Interest	57,395	59,229
Total Expenses	14,914,623	13,948,646
Change in Net Assets	103,772	(106,768)
Net Assets Beginning of Year	3,093,525	3,200,293
Net Assets End of Year	\$3,197,297	\$3,093,525

\*As restated. See Note 9.

In fiscal year 2009, 98.0 percent of the District's revenues were from operating grants and contributions, compared to 97.6 percent in fiscal year 2008.

Program revenues accounted for nearly all of the District's revenues in both fiscal years. These revenues consist of various federal and state grants and charges for services, including interest on revolving loan fund loans.

The primary cause of the increase in net assets in 2009 was due to the increase of operating grants and contributions of \$1,200,703, primarily a result of increased funding for the PASSPORT program. This increase was significantly offset by an increase in general government expenses, which is directly related to the increase in funding for the PASSPORT program.

**Buckeye Hills-Hocking Valley Regional Development District**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2009  
(Unaudited)*

General government activities account for almost 100 percent of total program expenses with interest expense accounting for the remaining portion of expenses.

**THE DISTRICT'S FUNDS**

The District's major funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$15,018,395 and expenditures of \$14,870,145, resulting in an increase in total fund balances of \$148,250. The District's major funds were the same as the previous year and consist of the General, Revolving Loan, and PASSPORT funds.

The General fund's revenues exceeded its expenditures by \$9,854 in 2009, compared with an excess of revenues over expenditures of \$15,126 during fiscal year 2008.

The Revolving Loan fund had an excess of revenues over expenditures of \$138,396 for 2009.

The PASSPORT fund had expenditures equal to revenues for 2009.

**ECONOMIC FACTORS**

The District is currently operating within its means. However, the District's ability to attract administrative and program funds for its projects is heavily dependent upon the federal and state governments and the availability of grant funds. Nearly all of the District's funds come from federal and state grants. The District operates within a designated eight-county area of Southeastern Ohio. Loans made through the revolving loan fund are to businesses within this area. The ability of borrowers to repay these loans is largely contingent upon the business economy in the eight-county area.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

*Capital Assets*

At June 30, 2009, the District had \$1,329,243 invested in land, building, office equipment, and computer equipment. Table 3 shows the fiscal year 2009 balances as compared to 2008.

Table 3  
Capital Assets  
(Net of Accumulated Depreciation)

	Governmental Activities	
	2009	2008*
Land	\$8,000	\$8,000
Building	1,191,111	1,235,777
Office Equipment	31,936	77,730
Computer Equipment	98,196	72,125
Totals	<u>\$1,329,243</u>	<u>\$1,393,632</u>

\*As restated. See Note 9.

Changes in capital assets from the prior year resulted from additions, deletions, and depreciation expense. See Note 6 to the basic financial statements for more detailed information on the District's capital assets.

**Buckeye Hills-Hocking Valley Regional Development District**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2009  
(Unaudited)*

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*Debt*

At June 30, 2009, the District had capital leases outstanding in the amount of \$1,286,224, \$17,206 of which is due within one year. These leases were entered into for office equipment and for a building. See Notes 3 and 8 to the basic financial statements for more detailed information on the District's capital lease obligations.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any information provided in this report or requests for additional financial information should be addressed to Douglas A. Dye, Director of Fiscal Operations, P.O. Box 520, Reno, Ohio 45773.

**Buckeye Hills-Hocking Valley Regional Development District**  
*Statement of Net Assets*  
*June 30, 2009*

	Governmental Activities
<b>Assets</b>	
<b>Current Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$2,323,173
Prepaid Items	30,847
Loans Receivable, Net	1,917,827
Notes Receivable, Net	14,775
Accrued Interest Receivable	32,480
Grants Receivable	346,915
<b>Noncurrent Assets</b>	
Nondepreciable Capital Assets	8,000
Depreciable Capital Assets	1,321,243
<b>Total Assets</b>	<b>5,995,260</b>
<b>Liabilities</b>	
<b>Current Liabilities</b>	
Accounts Payable	1,070,246
Accrued Wages and Benefits	131,215
Other Accrued Expenses	25,035
Unearned Revenue	192,847
<b>Long-Term Liabilities</b>	
Due Within One Year	109,602
Due in More Than One Year	1,269,018
<b>Total Liabilities</b>	<b>2,797,963</b>
<b>Net Assets</b>	
Invested in Capital Assets, Net of Related Debt	43,019
<b>Restricted for:</b>	
Loans	1,917,827
Unrestricted	1,236,451
<b>Total Net Assets</b>	<b>\$3,197,297</b>

See the accompanying notes to the basic financial statements.

**Buckeye Hills-Hocking Valley Regional Development District**  
*Statement of Activities*  
For the Fiscal Year Ended June 30, 2009

	Program Revenues			Net (Expense) Revenue and Change in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government Governmental Activities
Primary Government Governmental Activities:				
General Government	\$14,857,228	\$219,811	\$14,716,861	\$79,444
Interest	57,395	0	0	(57,395)
<b>Total Governmental Activities</b>	<b>\$14,914,623</b>	<b>\$219,811</b>	<b>\$14,716,861</b>	<b>22,049</b>
		General Revenues		
		Interest Income		26,709
		Miscellaneous		55,014
		Total General Revenues		81,723
		Change in Net Assets		103,772
		Net Assets, Beginning of Year - As Restated		3,093,525
		Net Assets, Ending of Year		<b>\$3,197,297</b>

See the accompanying notes to the basic financial statements.

**Buckeye Hills-Hocking Valley Regional Development District**  
*Balance Sheet*  
*Governmental Funds*  
*June 30, 2009*

	General Fund	Revolving Loan Fund	PASSPORT Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Equity in Pooled Cash and Cash Equivalents	\$632,583	\$547,733	\$930,020	\$212,837	\$2,323,173
Prepaid Items	30,847	0	0	0	30,847
Loans Receivable, Net	0	1,917,827	0	0	1,917,827
Notes Receivable, Net	14,775	0	0	0	14,775
Accrued Interest Receivable	1,128	31,352	0	0	32,480
Grants Receivable	0	7,184	172,065	167,666	346,915
Due from Other Funds	360,814	0	0	0	360,814
<b>Total Assets</b>	<b>\$1,040,147</b>	<b>\$2,504,096</b>	<b>\$1,102,085</b>	<b>\$380,503</b>	<b>\$5,026,831</b>
<b>Liabilities</b>					
Accounts Payable	\$130,865	\$9,915	\$802,671	\$126,795	\$1,070,246
Accrued Wages and Benefits	131,215	0	0	0	131,215
Other Accrued Expenses	25,035	0	0	0	25,035
Deferred Revenue	539	0	0	192,308	192,847
Due to Other Funds	0	0	299,414	61,400	360,814
<b>Total Liabilities</b>	<b>287,654</b>	<b>9,915</b>	<b>1,102,085</b>	<b>380,503</b>	<b>1,780,157</b>
<b>Fund Balances</b>					
Reserved for Loans Receivable	0	1,917,827	0	0	1,917,827
Reserved for Notes Receivable	14,775	0	0	0	14,775
Unreserved:					
Undesignated, Reported in:					
General Fund	737,718	0	0	0	737,718
Special Revenue Funds	0	576,354	0	0	576,354
<b>Total Fund Balances</b>	<b>752,493</b>	<b>2,494,181</b>	<b>0</b>	<b>0</b>	<b>3,246,674</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$1,040,147</b>	<b>\$2,504,096</b>	<b>\$1,102,085</b>	<b>\$380,503</b>	<b>\$5,026,831</b>

See the accompanying notes to the basic financial statements.

**Buckeye Hills-Hocking Valley Regional Development District**  
*Reconciliation of Total Governmental Fund Balances to  
 Net Assets of Governmental Activities  
 June 30, 2009*

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Total Governmental Fund Balances	\$3,246,674
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	1,329,243
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Capital Leases	(1,286,224)
Compensated Absences	<u>(92,396)</u>
Net Assets of Governmental Activities	<u><u>\$3,197,297</u></u>

See the accompanying notes to the basic financial statements.



**Buckeye Hills-Hocking Valley Regional Development District**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2009*

	General Fund	Revolving Loan Fund	PASSPORT Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
Intergovernmental	\$0	\$250,000	\$11,649,216	\$2,817,645	\$14,716,861
Interest	10,937	132,064	5,051	461	148,513
Charges for Services	0	10,939	77,845	9,223	98,007
Other	35,896	8,533	0	10,585	55,014
<b>Total Revenues</b>	<b>46,833</b>	<b>401,536</b>	<b>11,732,112</b>	<b>2,837,914</b>	<b>15,018,395</b>
<b>Expenditures</b>					
<b>Current:</b>					
General Government	32,984	261,198	11,677,403	2,811,817	14,783,402
<b>Debt Service:</b>					
Principal Retirement	1,352	657	18,509	8,830	29,348
Interest	2,643	1,285	36,200	17,267	57,395
<b>Total Expenditures</b>	<b>36,979</b>	<b>263,140</b>	<b>11,732,112</b>	<b>2,837,914</b>	<b>14,870,145</b>
<b>Net Change in Fund Balances</b>	<b>9,854</b>	<b>138,396</b>	<b>0</b>	<b>0</b>	<b>148,250</b>
<b>Fund Balances, Beginning of Year</b>	<b>742,639</b>	<b>2,355,785</b>	<b>0</b>	<b>0</b>	<b>3,098,424</b>
<b>Fund Balances, End of Year</b>	<b>\$752,493</b>	<b>\$2,494,181</b>	<b>\$0</b>	<b>\$0</b>	<b>\$3,246,674</b>

See the accompanying notes to the basic financial statements.

**Buckeye Hills-Hocking Valley Regional Development District**  
*Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balance of Governmental Funds to the Statement of Activities  
For the Fiscal Year Ended June 30, 2009*

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Net Change in Fund Balances - Total Governmental Funds	\$148,250
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*Amounts reported in governmental activities in the statement of activities are different because:*

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets greater than \$1,000 is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital asset additions in the current period.

Capital Asset Additions	58,985
Depreciation	(120,403)

Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. This is the amount of the loss on the disposal of capital assets.

Loss on Disposal of Assets	(2,971)
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Repayment of capital leases is an expenditure in the governmental funds and a reduction of liabilities in the statement of net assets.	29,348
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported when due.

Increase in Compensated Absences	<u>(9,437)</u>
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Change in Net Assets of Governmental Activities	<u><u>\$103,772</u></u>
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See the accompanying notes to the basic financial statements.

**Buckeye Hills-Hocking Valley Regional Development District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2009*

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Reporting Entity**

The Buckeye Hills-Hocking Valley Regional Development District (the District) was created as an agency established by agreement among its members pursuant to Section 167.01-08 of the Ohio Revised Code. The District is organized as a voluntary organization of local government political subdivisions in Athens, Hocking, Meigs, Monroe, Morgan, Noble, Perry, and Washington Counties to foster a cooperative effort in regional planning, programming, and implementing regional plans and programs. The District is also organized as a forum for the discussion and study of common problems of a regional nature, and for the development of policy and action recommendations relating thereto.

The functions of the District are:

1. To foster, develop, and review plans for regional growth, development, and conservation; and to aid in coordinating plans among local governments.
2. To perform planning directly by personnel of the District, or under contracts between the District and other public and private planning agencies; to undertake studies, collect data, develop regional plans and programs, and engage in such other activities as the District finds necessary or desirable for the solution of regional problems. Said planning and studies shall include, but will not be limited to, those relating to land use, transportation, housing, environmental controls, health, economic development, and community and public facilities.
3. To serve, upon the request of the local government, as a representative of such government in such matters as may affect the region as a whole.
4. To provide a continuing practical structural mechanism to promote communication and cooperation among area governmental units and agencies.
5. To review, evaluate, comment upon, and make recommendations relating to the planning and programming, and the location, financing, and scheduling of programs in the region through the A-95 program review process.

The District may perform common functions and services characteristic of its individual political subdivisions as described in ORC 167.03.

The District may enter into special purpose contracts or agreements with one or more local government units or private non-profit organizations within the District to act on their behalf in applying for, administering, and coordinating grants and contracts available for programs authorized by State and Federal laws for physical, economic, and human resources planning and development.

The authority granted to the District shall not displace any existing municipal, county, or regional planning commission in the exercise of its statutory powers.

**Buckeye Hills-Hocking Valley Regional Development District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2009*

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Eligibility

All cities, counties, and county seats within the counties of Athens, Hocking, Meigs, Monroe, Morgan, Noble, Perry, and Washington are eligible for membership in the District. Membership may be extended to other local political subdivisions, government agencies, and quasi-governmental agencies located both within and outside the eight-county area if said membership is conducive to facilitating federal, state, or regional planning objectives. Also, temporary associate membership may be extended for a special project lying partially outside the boundaries of the eight-county area. The latter membership's authorization shall be made upon majority approval of the General Policy Council's total membership.

The accompanying financial statements comply with the provisions of GASB Statement No. 14, "The Financial Reporting Entity," and the financial statements include all organizations, activities, and functions that comprise the District. Component units are legally separate entities for which the District (the primary entity) is financially accountable. Financial accountability is defined as the ability to appoint a voting majority of the organization's governing body and either (1) the District's ability to impose its will over the organization or (2) the potential that the organization will provide a financial benefit to, or impose a financial burden on, the District. Using these criteria, the District has no component units.

**Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include (1) charges to customers or applicants who purchase, use, or directly benefit from services or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not properly included among program revenues are reported instead as *general revenues*. Major individual governmental funds are reported as separate columns in the fund financial statements.

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

Government-wide financial statements are prepared using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when payable from current resources.

Grants and entitlements and interest associated with the current fiscal period are all considered being susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered measurable and available only when the District receives cash.

**Buckeye Hills-Hocking Valley Regional Development District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2009*

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Fund Accounting**

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The District only uses governmental funds.

Governmental Funds

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance.

The District reports the following major governmental funds:

*General Fund* – The General Fund is used to account for all financial resources of the District except those required to be accounted for in another fund. The General Fund balance is available to the District for any purpose provided it is expended or transferred according to the general laws of Ohio and the bylaws of the District.

*Revolving Loan Fund* – The Revolving Loan Fund offers low interest loans to businesses with the District’s eight-county region. Such funds are to be used in the event that full financing cannot be obtained from a bank, or to fill the gap between bank financing and the financing necessary to complete a business project. Bank participation is required. Initial funding for the revolving loan fund came from grants from the Appalachian Regional Commission.

*PASSPORT Fund* – The PASSPORT Fund is used to account for the activities of the Pre-Admission Screening System Providing Options and Resources Today program. This is an Ohio Medicaid waiver program that provides in-home alternatives to nursing care for low-income seniors frail enough to receive daily nursing care.

**Revenues – Exchange and Non-exchange Transactions**

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Measurable" means the amount of the transaction can be determined, and "available" means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within 60 days of fiscal year-end. Under the modified accrual basis, only interest is considered to be both measurable and available at fiscal year-end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include grants and donations. On an accrual basis, revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditures requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

**Buckeye Hills-Hocking Valley Regional Development District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2009*

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Expenses/Expenditures**

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable.

**Interfund Transactions**

During the course of normal operations, the District has transactions between funds. On the balance sheet, receivables and payables resulting from short-term interfund loans are classified as “due to/due from other funds.” These amounts are eliminated on the statement of net assets.

**Capital Assets**

General capital assets consist primarily of a building, office furnishings and equipment and generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The District maintains a capitalization threshold of \$1,000. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset’s life are not capitalized. Capital assets are depreciated over the following useful lives: office equipment - 3 to 5 years; computer equipment - 5 years; and building - 45 years.

**Intergovernmental Revenues**

For governmental funds, intergovernmental revenues, such as contributions awarded on a non-reimbursement basis, are recorded as receivables and revenues when measurable and available.

**Reservation of Fund Balance**

The District records reservations for portions of fund balance which are legally segregated for specific future use or which do not represent available expendable resources and, therefore, are not available for appropriations or expenditure in the governmental fund balance sheet. Unreserved fund balance indicates that portion of fund balance which is available for appropriations in future periods. If restricted and unrestricted assets are available for the same purpose, then restricted assets will be used before unrestricted assets. Fund balance reserves have been established for loans and notes receivable.

**Net Assets**

Net assets represent the difference between assets and liabilities in the statement of net assets. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are legal limitations imposed on their use by District legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. Of the District’s restricted net assets of \$1,917,827, none is restricted by enabling legislation.

**Buckeye Hills-Hocking Valley Regional Development District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2009*

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported on the financial statements and accompanying notes. Actual results may differ from those estimates.

**Unearned/Deferred Revenues**

The District reports unearned revenue on the government-wide financial statements and deferred revenue on the fund financial statements when monies have been received but for which eligibility requirements have not been met.

**Budgetary Process**

Although a legal budget is not required, nor is a budgetary statement, budgets for expenditure of federal grants are submitted to and approved by the federal government agency at the time the grants are awarded.

The District's annual budget is a management tool that assists its users in analyzing financial activity for its fiscal year ended June 30.

The District's primary funding sources are federal and state grants which have grant periods that may or may not coincide with the District's fiscal year. These grants normally are for a twelve-month period; however, they can be awarded for periods shorter or longer than twelve months.

Because of the District's dependency on federal and state budgetary decisions, revenue estimates are based upon the best available information as to potential sources of funding. The District's annual budget differs from that of most local governments in two respects: (1) the uncertain nature of grant awards from other entities and (2) conversion of grant budgets to a fiscal year basis.

The resultant annual budget is subject to constant change within the fiscal year due to:

- Increases/decreases in actual grant awards from those estimates;
- Changes in grant periods;
- Unanticipated grant awards not included in the budget; and
- Expected grant awards that fail to materialize.

Management utilizes budgets for monitoring financial activity, but budgets are not formally approved by the Board. Therefore, budgetary comparison schedules are not presented.

**Cost Allocation**

Office of Management and Budget Circular A-87 provides for the establishment of cost pools which are to be distributed over the benefiting activity in some rational and equitable manner. The concept of indirect costs is introduced and defined as follows in Circular A-87: "Indirect costs are those (a) incurred for a common or joint purpose benefiting more than one cost objective, and (b) not readily assignable to the cost objective specifically benefited without effort disproportionate to the results achieved."

**Buckeye Hills-Hocking Valley Regional Development District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2009*

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

OMB Circular A-87 also provides the following basis options for the allocation of indirect costs accumulated in an indirect cost pool: (1) direct salary costs or (2) total direct costs, excluding items like large consulting contracts and capital expenditures.

The District chose the direct salary cost method because management determined that the more salary costs a grant has, the more indirect costs the grant would have. Management and administrative salaries and indirect costs are allocated to the various programs using the actual rate as determined by the method shown in the District's cost allocation plan.

**Loans Receivable/Allowance for Loan Losses**

Loans receivable consist of long-term revolving loans to provide low-interest loans to businesses to create jobs in the region. The Appalachian Regional Commission and Economic Development Administration have granted money for these loans. An expenditure is recorded when the loan is made. The allowance for loan losses in the amount of \$220,998 at June 30, 2009, is based upon management's assessment of current and historical loss experience, loan portfolio trends, prevailing economic and business conditions, specific loan review, and other relevant factors. Specific allowances are established for any impaired loan for which the recorded investment in the loan exceeds the measured value of the loan. In management's opinion, the provision is sufficient to maintain the allowance for loan losses at a level that adequately provides for potential losses.

**Compensated Absences**

The following policies of the District regarding leave accruals were followed:

Vacation Leave

Full-time employees earn vacation annually, on their hire date, on the following basis: 1 through 5 years of employment, 15 working days; 6 through 10 years of employment, 20 working days; 11 through 20 years, 25 working days; and 21 or more years, 30 working days.

If an employee has a balance of vacation leave at the end of their annual period, they may carry over up to 35 hours with any hours above 35 being lost.

After 6 months of employment, all employees may take an advance of up to 35 hours of vacation leave that is charged to their first year accrual of vacation leave.

All employees are entitled to full payment of any unused vacation pay upon separation from the District.

All employees who exercise the option of taking an advance of vacation against their first year accrual are liable for repayment to the District if they separate from service with the District prior to one full year of employment.

Employees with 21 years and over of service have the option of receiving 5 days of pay and a reduction of vacation leave available by 5 days.

Sick Leave

Full-time employees, from the date of employment, shall earn leave at the rate of one and one-fourth days for each month worked, up to a maximum of 132 days.



**Buckeye Hills-Hocking Valley Regional Development District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2009*

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

All employees who accumulate sick leave hours in excess of 132 days will receive pay for accumulated leave on a ration of one-half of accumulated leave in excess of 132 days and will be calculated at the employee's current rate of pay at the end of each fiscal year.

Upon retirement within the PERS system and with at least 10 years of service to the District, an employee may elect to be paid in cash for one-fourth of the value of their accrued sick leave credit to a maximum of 33 days. Such payment shall be based on the employee's rate of pay at the time of accrued by the employee at that time and such payment may be made only once to any employee. The maximum payment which may be made under this shall be one-fourth of 132 days.

In the event of the death of an employee who has at least 10 years of service, payment of unused sick leave will be made to the employee's spouse or estate in the same manner as a retiring individual.

As of June 30, 2009, the District had no employees eligible for retirement, thus no liability was recorded for sick leave severance.

Holidays

The District has ten official holidays per year. Full-time employees are paid for these holidays; part-time employees are not paid.

**Risk Management**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District maintains commercial insurance covering each of the above risks of loss. Management believes that the coverage is adequate to preclude any significant uninsured risk exposure to the District. Settled claims have not exceeded coverage in any of the last three years. There has been no significant reduction in coverage from the prior fiscal year.

**NOTE 2 - DEPOSITS AND INVESTMENTS**

The investments and deposits of the District are governed by the provisions of the Ohio Revised Code. In accordance with these statutes, only financial institutions located in Ohio are eligible to hold public deposits. The statutes also permit the District to invest monies in certificates of deposit, savings accounts, money market accounts, the State Treasurer's investment pool (STAR Ohio) and obligations of the United States government or certain agencies thereof. The District may also enter into repurchase agreements with any eligible depository for a period not exceeding 30 days. Public depositories must give security for all public funds on deposit. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the Federal Deposit Insurance Corporation (FDIC), or may pledge a pool of government securities with a market value equal to 105 percent of public monies on deposit at the institution. Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of or guaranteed by the United States and mature or be redeemable within five years of the date of the related repurchase agreement. The market value of the securities subject to a repurchase agreement must exceed the value of the principal by 2 percent and be marked to market daily. State law does not require that securities maintained for public deposits and investments be held in the District's name. The District is prohibited from investing in any financial instrument contract, or obligation whose value or return is based upon or linked to another asset or index, or both, separate from the financial instrument, contract, or obligation itself (commonly known as a "derivative"). The District is also prohibited from investing in reverse repurchase agreements.

**Buckeye Hills-Hocking Valley Regional Development District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2009*

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**NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)**

Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned to it. All deposits are collateralized with eligible securities in amounts equal to at least 105 percent of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the Federal Reserve System, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as a specific collateral held at the Federal Reserve Bank in the name of the District.

As of June 30, 2009, the carrying amount of the District's deposits was \$2,323,173 as compared to a bank balance of \$2,385,930. Of the bank balance, \$553,174 was covered by FDIC and the remaining \$1,832,756 was collateralized by a pool of securities maintained by the District's financial institutions but not in the District's name. There was no restricted cash at June 30, 2009.

**NOTE 3 – LEASES**

Capital Leases

The District has entered into several capitalized leases for office equipment in prior years. The assets under capital leases are capitalized in the governmental activities general capital assets at \$77,537, which represents the present value of the future minimum lease payments at acquisition. A corresponding liability was recorded in the governmental activities general long-term debt. In August 2004, the District entered into a lease for a building which houses substantially all of its operations. The term of the lease is 45 years. The District has elected to capitalize this lease in accordance with the provisions of Financial Accounting Standards Board Statement Number 13. This asset under capital lease has been capitalized in the governmental activities general capital assets at \$1,340,000, which represents the present value of the future minimum lease payments at acquisition.

The following is a schedule of future minimum lease payments under the capital leases as of June 30, 2009.

<u>Year Ending June 30</u>	
2010	\$73,164
2011	68,180
2012	68,179
2013	68,179
2014	68,179
2015-2019	340,895
2020-2024	340,895
2025-2029	340,895
2030-2034	340,895
2035-2039	340,895
2040-2044	340,895
2045-2049	307,509
Total minimum lease payments	2,698,760
Less amount representing interest	(1,412,536)
Present value of minimum lease payments	<u>\$1,286,224</u>

**Buckeye Hills-Hocking Valley Regional Development District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2009*

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**NOTE 3 – LEASES (CONTINUED)**

Operating Lease

In August 2004, the District entered into a lease for a building which houses substantially all of its operations. As more fully described under capital leases the District capitalized a portion of this lease. The remainder of this lease is being reported as an operating lease. The term of the lease is 45 years, with a fixed monthly payment of \$8,518 (the other \$5,682 fixed monthly payment is part of the capital lease). The lessor is responsible for the payment of all utilities costs, real estate taxes, property insurance, and repairs and maintenance. The future minimum lease payments required are \$99,397 for each year through June 30, 2049.

**NOTE 4 – DEFINED BENEFIT PENSION PLAN – OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM**

Ohio Public Employees Retirement System (OPERS) administers three separate pension plans as described below:

1. The Traditional Pension Plan – a cost sharing, multiple-employer defined benefit pension plan.
2. The Member-Directed Plan – a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan, members accumulate retirement asset equal to the value of member and (vested) employer contributions plus any investment earnings.
3. The Combined Plan – a cost sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost-of-living adjustments to members of the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits.

Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing to OPERS, Attention: Finance Director, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2008, member and employer contribution rates were consistent across all three plans. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Pension Plan.

The 2009, 2008 and 2007 member contribution rates were 10.0%, 9.5% and 9.0%, respectively, for members in local classifications.

The employer contribution rates for local government employer units were 14.0%, 13.85% and 13.7%, respectively, of covered payroll for the fiscal years 2009, 2008 and 2007.

Total required employer contributions for 2009, 2008 and 2007 were \$127,342, \$163,129, and \$161,172, respectively; 83% has been contributed for 2009 and 100% has been contributed for 2008 and 2007.

**Buckeye Hills-Hocking Valley Regional Development District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2009*

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**NOTE 5 – POST-EMPLOYMENT BENEFITS – OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM**

Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional Pension Plan – a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan – a defined contribution plan; and the Combined Plan – a cost sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing multiple employer defined benefit post-employment healthcare plan, which includes a medical plan, prescription drug program and Medicare Plan B premium reimbursement, to qualifying members of both the Traditional Pension and the Combined Plans. Member of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45.

The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing OPERS, Attention: Finance Director, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

The Ohio Revised Code provides the statutory authority requiring public employers to fund post retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post retirement health care benefits.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2009, local government employer units contributed at 14.0% of covered payroll. The Ohio Revised Code currently limits the employer contribution rate not to exceed 14.0% of covered payroll for local employer units. Active members do not make contributions to the OPEB Plan.

OPERS' Post Employment Health Care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. For 2008 (the latest information available), the employer contribution allocated to the health care plan was 7.0% of covered payroll. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The District's actual contributions for 2009, 2008 and 2007 which were used to fund post-employment benefits were \$127,341, \$78,511 and \$66,413, respectively.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007 and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

**Buckeye Hills-Hocking Valley Regional Development District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2009*

**NOTE 6 – CAPITAL ASSETS**

Capital asset activity for the District for the year ended June 30, 2009, was as follows:

	*Balance 6/30/08	Additions	Deletions	Balance 6/30/09
Nondepreciable Capital Assets:				
Land	\$8,000	\$0	\$0	\$8,000
Depreciable Capital Assets:				
Building (Capital Lease)	1,340,000	0	0	1,340,000
Office Equipment	262,871	0	0	262,871
Computer Equipment	255,969	58,985	(58,932)	256,022
Total Depreciable Capital Assets	1,858,840	58,985	(58,932)	1,858,893
Less Accumulated Depreciation				
Building (Capital Lease)	(104,223)	(44,666)	0	(148,889)
Office Equipment	(185,141)	(45,794)	0	(230,935)
Computer Equipment	(183,844)	(29,943)	55,961	(157,826)
Total Accumulated Depreciation	(473,208)	(120,403)	55,961	(537,650)
Total Nondepreciable Capital Assets	1,385,632	(61,418)	(2,971)	1,321,243
Governmental Activities Capital Assets, Net	\$1,393,632	(\$61,418)	(\$2,971)	\$1,329,243

\*As restated. See Note 9.

**NOTE 7 – CONTINGENCIES**

Grants

The District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2009.

Subcontractors

For a majority of the expenditures in the Aging programs, the District contracts with local non-profit agencies and for-profit companies to perform the specific services set forth in the grant agreements. The District disburses grant funds to the entities based on monthly performance reports received from each entity. Some of the non-profit Aging subcontractors are required to have an annual independent audit. Under OMB Circular A-133, the District requires each agency to submit a copy of the audit report. If such audits disclose expenditures not in accordance with the terms of the grants, the grantor agency could disallow the costs and require reimbursement of the disallowed costs either from the District or the delegate agency. The District generally has the right of recovery from the subcontractors.

For the year ended June 30, 2009, agency costs of various amounts were disbursed for which the audits have not been received. Based upon prior experience, management believes that the District will not incur significant losses from possible grant disallowances.

**Buckeye Hills-Hocking Valley Regional Development District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2009*

**NOTE 8 – LONG-TERM OBLIGATIONS**

The changes in the District’s long-term obligations during the fiscal year consisted of the following:

	Principal Outstanding 6/30/08	Additions	Reductions	Principal Outstanding 6/30/09	Amounts Due in One Year
Capital Leases Payable	\$1,315,572	\$0	\$29,348	\$1,286,224	\$17,206
Compensated Absences	82,959	92,396	82,959	92,396	92,396
<b>Total Long-Term Obligations</b>	<b>\$1,398,531</b>	<b>\$92,396</b>	<b>\$112,307</b>	<b>\$1,378,620</b>	<b>\$109,602</b>

**NOTE 9 – RESTATEMENT OF NET ASSETS**

The District restated its beginning net asset balances to remove previously reported capital assets which fell below its capitalization threshold. That restatement had the following affect on beginning net assets:

	Governmental Activities
Net Assets, June 30, 2008	\$3,096,338
Restatement	(2,813)
<b>Net Assets, Restated, July 1, 2008</b>	<b>\$3,093,525</b>

**NOTE 10 – INTERFUND ACTIVITY**

As of June 30, 2009, receivables and payables that resulted from various interfund transactions were as follows:

	Due From Other Funds	Due To Other Funds
General Fund	\$360,814	\$0
PASSPORT Fund	0	299,414
Other Governmental Funds	0	61,400
<b>Total</b>	<b>\$360,814</b>	<b>\$360,814</b>

**Buckeye Hills-Hocking Valley Regional Development District**  
*Schedule of Federal Awards Expenditures*  
*For the Fiscal Year Ended June 30, 2009*

Federal Grantor/Pass Through Grantor/Program Title	Pass Through Entity Number	Federal CFDA Number	Expenditures
<b><u>United States Department of Agriculture</u></b>			
<i>Passed through the Ohio Department of Aging:</i>			
Seniors Farmers Market Nutrition Program	N/A	10.576	\$65,333
<b>Total United States Department of Agriculture</b>			<b>65,333</b>
<b><u>United States Department of Commerce</u></b>			
<i>Direct from Economic Development Administration:</i>			
Economic Development - Support for Planning Organizations	N	11.302	98,427
Revolving Loan Program	N	11.302	394,298
<b>Total United States Department of Commerce</b>			<b>492,725</b>
<b><u>Appalachian Regional Commission</u></b>			
<i>Direct from Appalachian Regional Commission:</i>			
Appalachian Research, Technical Assistance, and Demonstration Projects:			
Technical Assistance 302(A)	N	23.011	427,705
Revolving Loan Program	N	23.011	1,255,573
<b>Total Appalachian Regional Commission</b>			<b>1,683,278</b>
<b><u>United States Department of Health and Human Services</u></b>			
<i>Passed through the Ohio Department of Aging:</i>			
Special Programs for the Aging:			
Title III, Part C Nutrition Services	N/A	93.045	593,580
Title III, Part B Grants for Supportive Services and Senior Centers	N/A	93.044	412,116
Nutrition Services Incentive Program	N/A	93.053	84,685
Total Aging Cluster			1,090,381
Special Programs for the Aging:			
Title IV and Title II, Discretionary Projects	N/A	93.048	30,612
National Family Caregiver Support	N/A	93.052	135,715
Special Programs for the Aging:			
Title VII, Chapter 3 - Programs for Prevention of Elder Abuse, Neglect and Exploitation	N/A	93.043	8,783
Disease Prevention and Health Promotion	N/A	93.043	32,919
Total			41,702
Low-Income Home Energy Assistance	N/A	93.568	10,526
Medical Assistance Program Cluster:			
PASSPORT			7,349,022
Assisted Living			103,049
Total Medical Assistance Program Cluster			7,452,071
<b>Total United States Department of Health and Human Services</b>			<b>8,761,007</b>
<b>Total Federal Assistance</b>			<b>\$11,002,343</b>

N/A - pass through entity number not available.

N - direct from federal government.

The notes to the schedule of federal awards expenditures is an integral part of this schedule.

**Buckeye Hills-Hocking Valley Regional Development District**

*Notes to the Schedule of Federal Awards Expenditures*

*For the Fiscal Year Ended June 30, 2009*

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**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES**

The accompanying schedule of federal awards expenditures is a summary of the activity of the District's federal award programs. The schedule has been prepared on the modified accrual basis of accounting.

**NOTE 2 – SUBRECIPIENTS**

The District passes through certain federal assistance received from the Ohio Department of Aging to other governments or not-for-profit agencies (subrecipients). The District records expenditures of federal awards to subrecipients when services are provided by the subrecipients.

The subrecipient agencies have certain compliance responsibilities related to administering these federal programs. Under Federal Circular A-133, the District is responsible for monitoring subrecipients to help assure federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts and grant agreements, and that performance goals are achieved.

**NOTE 3 – REVOLVING LOAN FUNDS**

The District has established a revolving loan program to provide low-interest loans to businesses to create jobs in the region. The Appalachian Regional Commission (ARC) and Economic Development Administration (EDA) have granted money for these loans to the District. The initial loan of this money is recorded as a disbursement on the accompanying schedule. Loans repaid, including interest, are used to make additional loans. Such subsequent loans are subject to certain compliance requirements imposed by the grantors. Such loans are included as expenditures on the schedule.

Collateral for these loans is determined on a case-by-case basis, but includes mortgages on real estate and liens on business equipment and inventory.

**NOTE 4 – MATCHING REQUIREMENTS**

Certain federal programs require that the District contribute non-federal funds (matching funds) to support the federally-funded programs. The District has complied with the matching requirements.





**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***

Members of the Board  
Buckeye Hills – Hocking Valley Regional Development District  
1400 Pike Street  
Marietta, Ohio 45750

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Buckeye Hills – Hocking Valley Regional Development District (the District) as of and for the year ended June 30, 2009, and have issued our report thereon dated December 30, 2009. 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*.

**Internal Control Over Financial Reporting**

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the District's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

We noted a certain matter in internal control over financial reporting that we have reported to the management of the District in a separate letter dated December 30, 2009.

Members of the Board

Buckeye Hills – Hocking Valley Regional Development District

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*

Page 2

### **Compliance and Other Matters**

As part of reasonably assuring whether the District’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 an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We intend this report solely for the information and use of the management, members of the Board, and federal awarding agencies and pass-through entities, we intend it for no one other than these specified parties.



Balestra, Harr & Scherer, CPAs, Inc.  
December 30, 2009



**Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133**

Buckeye Hills – Hocking Valley Regional Development District  
Washington County  
1400 Pike Street  
Marietta, Ohio 45750

**Compliance**

We have audited the compliance of the Buckeye Hills – Hocking Valley Regional Development District, Washington County (the District), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that apply to each of its major federal programs for the year ended June 30, 2008. The summary of auditor’s results section of the accompanying schedule of findings identifies the District’s major federal programs. The District’s management is responsible for complying with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs. Our responsibility is to express an opinion on the District’s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the District’s compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District’s compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended June 30, 2009.

**Internal Control Over Compliance**

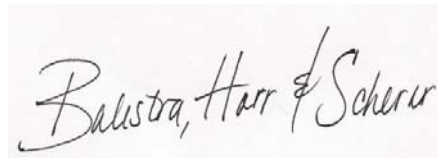
The District’s management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District’s internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District’s internal control over compliance.

A control deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that the entity's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that The District's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

We intend this report solely for the information and use of management, Members of the Board, and federal awarding agencies and pass-through entities. It is not intended for anyone other than these specified parties.

A handwritten signature in cursive script that reads "Balestra, Harr & Scherer". The signature is written in dark ink on a light-colored background.

Balestra, Harr & Scherer, CPAs, Inc.

December 30, 2009

BUCKEYE HILLS – HOCKING VALLEY REGIONAL DEVELOPMENT DISTRICT  
WASHINGTON COUNTY  
JUNE 30, 2009

SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 SECTION .505

**SUMMARY OF AUDITOR’S RESULTS**

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other significant control deficiencies reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other significant control deficiencies reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs’ Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under section .510?	No
(d)(1)(vii)	Major Programs (list):	Medical Assistance Program Cluster: CFDA# 93.778
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

BUCKEYE HILLS – HOCKING VALLEY REGIONAL DEVELOPMENT DISTRICT  
WASHINGTON COUNTY  
JUNE 30, 2009

SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 SECTION .505

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

None.

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None.



Mary Taylor, CPA  
Auditor of State

**BUCKEYE HILLS-HOCKING VALLEY REGIONAL DEVELOPMENT DISTRICT**  
**WASHINGTON 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**  
**MARCH 23, 2010**