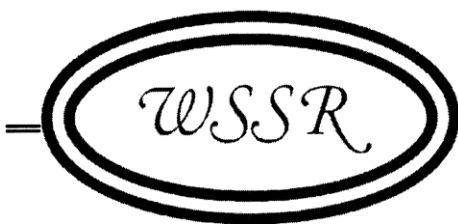


**Ohio Valley Regional Development Commission**

Pike County, Ohio

Financial Statements

For the Year Ended December 31, 2011



*Whited Seigneur Sams & Rahe, LLP*  
CERTIFIED PUBLIC ACCOUNTANTS

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# Dave Yost • Auditor of State

Members of the Board  
Ohio Valley Regional Development Commission  
9329 State Route 220 East, Suite A  
Waverly, Ohio 45690

We have reviewed the *Independent Auditor's Report* of the Ohio Valley Regional Development Commission, Pike County, prepared by Whited, Seigneur, Sams & Rahe CPAs, LLP, for the audit period January 1, 2011 through December 31, 2011. 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 Ohio Valley Regional Development Commission is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

July 23, 2012

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**Ohio Valley Regional Development Commission**

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# Whited Seigneur Sams & Rahe, LLP

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May 31, 2012

Members of the Board  
Ohio Valley Regional Development Commission

## Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Ohio Valley Regional Development Commission (the Commission), Pike County, as of and for the year ended December 31, 2011, which collectively comprise the Commission's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Commission'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 *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 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 Commission, as of December 31, 2011, 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 May 31, 2012 on our consideration of the Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 7 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consist 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commission's basic financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the 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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Respectfully submitted,

WHITED SEIGNEUR SAMS & RAHE, CPAs, LLP





**Ohio Valley Regional Development Commission**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2011*  
*(Unaudited)*

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The discussion and analysis of the Ohio Valley Regional Development Commission's (the Commission) financial performance provides an overall review of the Commission's financial activities for the fiscal year ended December 31, 2011. The intent of this discussion and analysis is to look at the Commission'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 Commission's financial performance.

### **Financial Highlights**

Key financial highlights for fiscal year 2011 are as follows:

- Net assets of governmental activities decreased by \$128,084.
- General revenue accounted for \$20,243 or 3% of all revenues. Program specific revenues in the form of charges for services and grants, contributions, and interest accounted for \$664,862 or 97% of total revenues of \$685,105.
- The Commission had \$680,012 in expenses and \$133,177 in indirect costs related to governmental activities; \$664,862 of these expenses and indirect costs were offset by program specific charges for services, grants, contributions, and interest. General revenues of \$20,243 and ending net asset balances were sufficient to cover the excess expenses.
- The general fund, one of the major funds, had \$22,356 in revenues and \$23,729 in expenditures.

### **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 Commission 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 Commission'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 Commission's most significant funds with all other non-major funds presented in total in one column.

### **Reporting the Commission 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 Commission to provide programs and activities for citizens, the view of the Commission as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2011?" 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 Commission's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the Commission 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.

**Ohio Valley Regional Development Commission**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2011*  
*(Unaudited)*

---

**Reporting the Commission's Most Significant Funds**

*Fund Financial Statements*

The analysis of the Commission's major funds is included in the fund financial statements. Fund financial statements provide detailed information about the Commission's major funds. The Commission uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the Commission's most significant funds. The Commission's major governmental funds are the General Fund, Economic Development Administration-Economic Development District Fund, Appalachian Regional Commission-Local Development District and Regional Work Plan Fund, Community Development Contracts Fund, Economic Development Administration-Revolving Loan Fund, and Appalachian Regional Commission-Revolving Loan Fund. The Commission has only governmental funds.

Governmental Funds – The Commission'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 Commission'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 Commission'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 Commission as a Whole**

Recall that the statement of net assets provides the perspective of the Commission as a whole. Table 1 provides a summary of the Commission's net assets as of December 31, 2011, compared to December 31, 2010.

Table 1  
Net Assets

	2011	2010*
<b>Assets</b>		
Current and Other Assets	\$821,726	\$926,647
Capital Assets, Net	64,852	47,904
Loans Receivable	650,518	681,132
Total Assets	1,537,096	1,655,683
<b>Liabilities</b>		
Current and Other Liabilities	311,466	303,148
Long-Term Liabilities	12,176	10,997
Total Liabilities	323,642	314,145
<b>Net Assets</b>		
Invested in Capital Assets	64,852	47,904
Restricted	1,036,659	1,176,175
Unrestricted	111,943	117,459
Total Net Assets	\$1,213,454	\$1,341,538

**Ohio Valley Regional Development Commission**  
*Management's Discussion and Analysis*  
For the Year Ended December 31, 2011  
(Unaudited)

---

\*As restated. See note 12 to the basic financial statements.

Total assets decreased \$118,587. Loans receivable decreased \$30,614, which is primarily due to repayments of loans totaling \$96,545 and an increase in allowance of doubtful accounts of \$134,069. These decreases were partially offset by an increase attributed to a new loan of \$200,000 awarded during the year. Intergovernmental receivables decreased \$88,220 due to the receipt of prior year receivables related to certain grant programs.

Total liabilities increased \$9,497. The Commission had a Due to Grantors liability at December 31, 2010 of \$46,945 due to excess revolving loan cash on hand at year end as well as unspent grant funds of \$5,391 at the end of the Local Development District and Regional Work Plan grant. These liabilities were paid during 2011. Unearned revenue increased \$46,161 due to the additional receipt of unearned grants funds at year-end. The Commission also had refunds due back to its member governments at December 31, 2011 in the amount of \$15,966.

Table 2 shows the changes in net assets for the fiscal year ended December 31, 2011, compared to the fiscal year ended December 31, 2010.

Table 2  
Change in Net Assets

	2011	2010*
<b>Revenues</b>		
Program Revenues:		
Charges for Services	\$61,584	\$20,196
Operating Grants, Contributions and Interest	603,278	628,325
Total Program Revenues	664,862	648,521
General Revenues:		
Grants and Contributions Not Restricted to Specific Programs	21,689	18,705
Investment Earnings	(1,446)	3,155
Miscellaneous	0	384
Total General Revenues	20,243	22,244
Total Revenues	685,105	670,765
<b>Expenses</b>		
Economic and Community Development and Indirect Costs	813,189	695,576
Total Expenses	813,189	695,576
Change in Net Assets	(128,084)	(24,811)
Net Assets, Beginning of Year	1,341,538	1,366,349
Net Assets, End of Year	\$1,213,454	\$1,341,538

\*As restated. See note 12 to the basic financial statements.

Program revenues increased \$16,341 due primarily to an increase in contract revenues for administering of grant programs for communities. General revenues decreased \$2,001 due primarily to a decrease in fair value of MetLife trust securities.

Economic and community development activities account for 100 percent of total program expenses. The increase in economic and community development expenses are due primarily to an increase in allowance for doubtful accounts.

**Ohio Valley Regional Development Commission**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2011*  
*(Unaudited)*

---

**The Commission's Funds**

The Commission's major funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$685,105 and expenditures of \$828,958, resulting in relatively consistent total fund balances. The Commission's major funds were the General Fund, Economic Development Administration-Economic Development District Fund, Appalachian Regional Commission-Local Development District and Regional Work Plan Fund, Community Development Contracts Fund, Economic Development Administration-Revolving Loan Fund, and Appalachian Regional Commission-Revolving Loan Fund.

Fund balances remained fairly consistent for all major funds.

**Economic Factors**

The Commission is currently operating within its means. However, the Commission'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 Commission's funds come from federal and state grants. The Commission operates within a designated twelve-county area of Southern Ohio. Loans made through the revolving loan funds are to businesses within this area. The ability of borrowers to repay these loans is largely contingent upon the business economy in the twelve-county area.

**Capital Assets and Long-Term Debt**

*Capital Assets*

At December 31, 2011, the Commission had \$64,852 invested in equipment and leasehold improvements. Table 3 shows the fiscal year 2011 balances as compared to 2010.

Table 3  
Capital Assets  
(Net of Accumulated Depreciation)  
Governmental Activities

	2011	2010
Equipment	\$26,637	\$8,166
Leasehold Improvements	38,215	39,738
Net Capital Assets	<u>\$64,852</u>	<u>\$47,904</u>

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

*Long-Term Liabilities*

The Commission has no outstanding long-term debt or capital leases. See note 11 to the basic financial statements for information on other long-term liabilities.

**Ohio Valley Regional Development Commission**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2011*  
*(Unaudited)*

---

**Contacting the Commission's Financial Management**

This financial report is designed to provide a general overview of the Commission's finances for all those with an interest in the Commission's finances. Questions concerning any information provided in this report or requests for additional financial information should be addressed to Juanita Bragg, Finance Director, 9329 State Route 220 East, Suite A, Waverly, OH 45690-9012.

**Ohio Valley Regional Development Commission**  
*Statement of Net Assets*  
*December 31, 2011*

---

<b>Assets</b>	
Equity in Pooled Cash and Investments	\$323,681
Loans Receivable, Net	650,518
Interest Receivable	1,390
Intergovernmental Receivable	81,614
Prepaid Items	18,737
Restricted Assets:	
Temporarily Restricted:	
Cash and Investments	396,304
Depreciable Capital Assets, Net	<u>64,852</u>
Total Assets	1,537,096
<b>Liabilities</b>	
Accounts Payable	16,179
Accrued Wages and Fringe Benefits	13,188
Intergovernmental Payable	15,966
Unearned Revenue	266,133
Long-Term Liabilities:	
Due Within One Year	<u>12,176</u>
Total Liabilities	323,642
<b>Net Assets</b>	
Invested in Capital Assets	64,852
Restricted For:	
Loans	650,518
Other Purposes	386,141
Unrestricted	<u>111,943</u>
Total Net Assets	<u><u>\$1,213,454</u></u>

See the accompanying notes to the basic financial statements.

**Ohio Valley Regional Development Commission**  
*Statement of Activities*  
For the Year Ended December 31, 2011

			Program Revenues	Net Revenues (Expenses) and Changes in Net Assets	
	Expenses	Indirect Costs	Charges for Services	Operating Grants, Contributions and Interest	
<b>Governmental Activities</b>				Governmental Activities	
Economic and Community Development	\$680,012	\$133,177	\$61,584	\$603,278	(\$148,327)
<b>Total Governmental Activities</b>	<b>\$680,012</b>	<b>\$133,177</b>	<b>\$61,584</b>	<b>\$603,278</b>	<b>(148,327)</b>
<b>General Revenue</b>					
Grants and Contributions Not Restricted to Specific Programs					21,689
Investment Earnings					(1,446)
<b>Total General Revenues</b>					<b>20,243</b>
Change in Net Assets					(128,084)
Net Assets, Beginning of Year - As Restated					1,341,538
Net Assets, End of Year					<b>\$1,213,454</b>

See the accompanying notes to the basic financial statements.

**Ohio Valley Regional Development Commission**

*Balance Sheet*

*Governmental Funds*

*December 31, 2011*

	General	Economic Development Administration- Economic Development District	Appalachian Regional Commission-Local Development District and Regional Work Plan	Community Development Contracts	Economic Development Administration- Revolving Loan	Appalachian Regional Commission- Revolving Loan	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>								
Equity in Pooled Cash and Investments	\$236,163	\$21,003	\$0	\$44,647	\$0	\$0	\$21,868	\$323,681
Loans Receivable, Net	0	0	0	0	189,185	461,333	0	650,518
Interest Receivable	0	0	0	0	502	888	0	1,390
Interfund Receivable	50,087	0	0	0	0	0	0	50,087
Intergovernmental Receivable	750	70	31,918	3,216	0	0	45,660	81,614
Prepaid Items	13,480	302	4,637	0	150	168	0	18,737
Restricted Cash and Investments	0	0	0	0	291,912	104,392	0	396,304
<b>Total Assets</b>	<b>\$300,480</b>	<b>\$21,375</b>	<b>\$36,555</b>	<b>\$47,863</b>	<b>\$481,749</b>	<b>\$566,781</b>	<b>\$67,528</b>	<b>\$1,522,331</b>
<b>Liabilities</b>								
Accounts Payable	\$9,049	\$2	\$265	\$0	\$2,345	\$4,448	\$70	\$16,179
Accrued Wages and Fringe Benefits	10,514	549	1,769	25	0	52	279	13,188
Intergovernmental Payable	0	0	0	0	0	0	15,966	15,966
Interfund Payable	0	0	21,713	0	1,627	3,399	23,348	50,087
Deferred Revenue	156,798	20,824	12,808	47,838	0	0	27,865	266,133
<b>Total Liabilities</b>	<b>176,361</b>	<b>21,375</b>	<b>36,555</b>	<b>47,863</b>	<b>3,972</b>	<b>7,899</b>	<b>67,528</b>	<b>361,553</b>
<b>Fund Balances</b>								
Unassigned	10,639	(302)	(4,637)	0	0	0	0	5,700
Committed for:								
Office Building	100,000	0	0	0	0	0	0	100,000
Restricted for:								
Revolving Loan Programs	0	0	0	0	315,281	136,958	0	452,239
Nonspendable:								
Prepaid Items	13,480	302	4,637	0	150	168	0	18,737
Revolving Loan Programs	0	0	0	0	162,346	421,756	0	584,102
<b>Total Fund Balances</b>	<b>124,119</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>477,777</b>	<b>558,882</b>	<b>0</b>	<b>1,160,778</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$300,480</b>	<b>\$21,375</b>	<b>\$36,555</b>	<b>\$47,863</b>	<b>\$481,749</b>	<b>\$566,781</b>	<b>\$67,528</b>	<b>\$1,522,331</b>

See the accompanying notes to the basic financial statements.



**Ohio Valley Regional Development Commission**  
*Reconciliation of Total Governmental Fund Balances to  
Net Assets of Governmental Activities  
December 31, 2011*

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Fund Balances - Total Governmental Funds \$1,160,778

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 64,852

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:

Compensated Absences (12,176)

Net Assets of Governmental Activities \$1,213,454

See the accompanying notes to the basic financial statements.

**Ohio Valley Regional Development Commission**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Year Ended December 31, 2011*

	General	Economic Development Administration- Economic Development District	Appalachian Regional Commission-Local Development District and Regional Work Plan	Community Development Contracts	Economic Development Administration- Revolving Loan	Appalachian Regional Commission- Revolving Loan	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>								
Intergovernmental	\$21,689	\$80,959	\$417,498	\$0	\$0	\$0	\$83,886	\$604,032
Change in Fair Value of Investments	(2,552)	0	0	0	0	0	0	(2,552)
Interest	819	0	0	0	8,936	12,286	0	22,041
Fees	2,400	88	0	14,398	0	350	44,348	61,584
<b>Total Revenues</b>	<b>22,356</b>	<b>81,047</b>	<b>417,498</b>	<b>14,398</b>	<b>8,936</b>	<b>12,636</b>	<b>128,234</b>	<b>685,105</b>
<b>Expenditures:</b>								
<b>Current:</b>								
<b>Economic and Community Development:</b>								
Personnel	55,913	38,473	179,515	8,403	0	2,388	26,409	311,101
Fringe Benefits	16,635	15,726	75,080	3,473	0	761	10,725	122,400
Travel	8,702	1,196	19,717	762	0	0	1,768	32,145
Equipment	8,664	0	22,548	0	0	0	0	31,212
Supplies	9,183	0	553	0	0	29	37,905	47,670
Contractual	13,817	0	0	0	3,577	4,567	35,121	57,082
Other	43,992	5,655	26,150	342	37,424	111,180	2,605	227,348
Indirect Costs	(133,177)	19,997	93,935	4,382	0	1,162	13,701	0
<b>Total Expenditures</b>	<b>23,729</b>	<b>81,047</b>	<b>417,498</b>	<b>17,362</b>	<b>41,001</b>	<b>120,087</b>	<b>128,234</b>	<b>828,958</b>
Revenues Under Expenditures	(1,373)	0	0	(2,964)	(32,065)	(107,451)	0	(143,853)
Fund Balances, Beginning of Year - As Restated	125,492	0	0	2,964	509,842	666,333	0	1,304,631
Fund Balances, End of Year	\$124,119	\$0	\$0	\$0	\$477,777	\$558,882	\$0	\$1,160,778

See the accompanying notes to the basic financial statements.

**Ohio Valley Regional Development Commission**  
*Reconciliation of the Statement of Revenues, Expenditures and Changes in  
Fund Balances of Governmental Funds to the Statement of Activities  
For the Year Ended December 31, 2011*

---

Net Change in Fund Balances - Total Governmental Funds (\$143,853)

Amounts reported for 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 is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital Asset Additions	22,548
Depreciation	(3,649)

Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. (1,951)

Some expenses reported in the statement of activities do not require the use of current financial resources when due.

Increase in Compensated Absences	(1,179)
----------------------------------	---------

Change in Net Assets of Governmental Activities	(\$128,084)
---	-------------

See the accompanying notes to the basic financial statements.

## Ohio Valley Regional Development Commission

Notes to the Basic Financial Statements

For the Year Ended December 31, 2011

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### Note 1 – Summary of Significant Accounting Policies

#### Reporting Entity

The Ohio Valley Regional Development Commission (the Commission) is a regional planning and economic development agency which coordinates federal, state and local resources to encourage development in 12 southern Ohio counties: Adams, Brown, Clermont, Fayette, Gallia, Highland, Jackson, Lawrence, Pike, Ross, Scioto and Vinton.

Established in 1967 as a not-for-profit corporation, the Commission was designated by the State of Ohio in 1977 as a Regional Planning and Development Organization under Ohio Revised Code §1702.01, et. seq., and §713.21. The Commission also serves as a Local Development District for the Appalachian Regional Commission and as an Economic Development District for the U.S. Department of Commerce, Economic Development Administration.

The Commission is governed by a Full Commission of more than 175 officials who meet semi-annually. Members include representatives of county and local governments, social agencies, minorities and the private sector. The aggregate membership from each county is referred to as a County Caucus.

Routine oversight of the Commission is provided by an Executive Committee with representation from all 12 member counties from both the public and private sectors, including the two largest cities in the Commission, Portsmouth and Chillicothe; and the business, education and minority community. The Executive Committee's monthly meetings are open to the public.

The Commission receives financial support from a combination of federal and state grants and local service contracts. Member counties also pay annual contributions to the Commission, with contributions based on each county's estimated population according to the Bureau of the Census.

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 Commission. Component units are legally separate entities for which the Commission (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 Commission'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 Commission. Using these criteria, the Commission has no component units.

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

##### *Government-Wide 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*.

**Ohio Valley Regional Development Commission**

*Notes to the Basic Financial Statements*

*For the Year Ended December 31, 2011*

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

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.

*Fund Financial Statements*

During the fiscal year, the Commission segregates transactions related to certain Commission functions or activities into separate funds (projects) in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Commission at this more detailed level. The focus of governmental fund financial statements is reporting on major funds rather than reporting by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

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 Commission 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 Commission receives cash.

Fund Accounting

The Commission 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 Commission 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 Commission reports the following major governmental funds:

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

*Economic Development Administration-Economic Development District Fund* – This fund accounts for an Economic Development District grant to provide funding for the Commission for serving as the area's economic development district.

**Ohio Valley Regional Development Commission**

*Notes to the Basic Financial Statements*

*For the Year Ended December 31, 2011*

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

*Appalachian Regional Commission-Local Development District and Regional Work Plan Fund* – This fund accounts for an Appalachian Regional Commission grant used to provide funding for the Commission serving as a Local Develop District for the region.

*Community Development Contracts Fund* – This fund accounts for contract revenue received by the Commission for administration services provided to communities for their HUD/CDBG grants.

*Economic Development Administration-Revolving Loan Fund* – This fund accounts for loans which offer gap financing for small businesses seeking to start up or expand in the district. Initial funding for the revolving loan fund came from grants from the Economic Development Administration.

*Appalachian Regional Commission-Revolving Loan Fund* – This fund offers gap financing for small businesses seeking to start up or expand in the district. Initial funding for the revolving loan fund came from grants from the Appalachian Regional Commission.

The other governmental funds of the Commission account for grants and other resources whose use is restricted to a particular purpose.

**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 Commission, available means expected to be received within 60 days of fiscal year-end.

Nonexchange transactions, in which the Commission 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 Commission must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Commission on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

**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.

**Ohio Valley Regional Development Commission**

*Notes to the Basic Financial Statements*

*For the Year Ended December 31, 2011*

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

**Cash and Investments**

To improve cash management, all cash received by the Commission is pooled, with exceptions required by grant agreements. Monies for most funds are maintained in this pool. Individual fund integrity is maintained through the Commission's records. Interest in the pool is presented at "equity in pooled cash and investments" on the financial statements.

During 2011, the Commission invested in MetLife Trust Interests. This investment is reported at its fair value which is determined based on the investment's current share price.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the Commission are presented on the financial statements as "equity in pooled cash and investments."

**Prepaid Items**

Payments made to vendors for services that will benefit periods beyond December 31, 2011, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the fiscal year in which services are consumed.

**Restricted Assets**

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. Restricted assets on the financial statements represent cash balances that are required to be segregated from the Commission's cash and investment pool by grant agreements.

**Interfund Transactions**

During the course of normal operations, the Commission has transactions between funds. On the governmental funds balance sheet, receivables and payables resulting from short-term interfund loans are classified as an "interfund receivable" or an "interfund payable". These amounts are eliminated on the statement of net assets.

**Intergovernmental Revenues**

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

**Capital Assets**

General capital assets consist primarily of office furnishings and equipment and leasehold improvements 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 Commission maintains a capitalization threshold of \$5,000. The Commission 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.

**Ohio Valley Regional Development Commission**

*Notes to the Basic Financial Statements*

*For the Year Ended December 31, 2011*

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Useful Lives</u>
Equipment	5 years
Leasehold improvements	40 years

**Fund Balances**

Fund balance is divided into five classifications based primarily on the extent to which the Commission is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

*Nonspendable* – The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed, or assigned.

*Restricted* – Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions.

*Committed* – This fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the Commission’s Board. Those committed amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

*Assigned* – Amounts in the assigned fund balance classification are intended to be used by the Commission for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts would represent intended uses established by the Commission’s Board.

*Unassigned* – Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In the other governmental funds, the unassigned classification is used only to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The Commission applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.



**Ohio Valley Regional Development Commission**

*Notes to the Basic Financial Statements*

*For the Year Ended December 31, 2011*

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

**Net Assets**

Net assets represent the difference between assets and liabilities in the statement of net assets. Net assets invested in capital assets consists of capital assets, net of accumulated depreciation. Net assets are reported as restricted when there are legal limitations imposed on their use by Commission legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

The Commission applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. Of the Commission's restricted net assets of \$1,036,659, none is restricted by enabling legislation.

**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 Commission 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 Commission's annual budget is a management tool that assists its users in analyzing financial activity for its fiscal year ended December 31st.

The Commission's primary funding sources are federal and state grants which have grant periods that may or may not coincide with the Commission'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 Commission's dependency of federal and state budgetary decisions, revenue estimates are based upon the best available information as to potential sources of funding. The Commission'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.

**Ohio Valley Regional Development Commission**

*Notes to the Basic Financial Statements*

*For the Year Ended December 31, 2011*

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

**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.”

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 Commission chose the direct salary cost method because management determined that the more salary costs a grant has been charged, 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 Commission’s cost allocation plan. The indirect cost rate for 2011 was 36.8958%.

**Allowance for Loan Losses**

The allowance for loan losses in the amount of \$134,069 at December 31, 2011, 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 Commission reports compensated absences in accordance with the provisions of GASB Statement No. 16, “Accounting for Compensated Absences” as interpreted by Interpretation No. 6 of the GASB, “Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements”.

Vacation time benefits are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported in the government-wide financial statements.

On the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account “matured compensated absences payable” in the fund from which the employees who have accumulated leave are paid. The Commission had no matured compensated absences payable at December 31, 2011.

**Ohio Valley Regional Development Commission**

*Notes to the Basic Financial Statements*

*For the Year Ended December 31, 2011*

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**Note 2 – Deposits and Investments**

The investments and deposits of the Commission 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 Commission 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 Commission 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 Commission’s name. The Commission 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 Commission is also prohibited from investing in reverse repurchase agreements.

Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the Commission’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 specific collateral held at the Federal Reserve Bank in the name of the Commission.

As of December 31, 2011, the carrying amount of the Commission’s deposits was \$713,383 as compared to a bank balance of \$933,542. Total depository balances of \$346,304 were not covered by federal depository insurance, but were covered by pooled collateral.

Investments

As of December 31, 2011, the Commission had the following investments:

	Fair Value	Maturity	Percentage of Total Investment
MetLife Trust Interests	\$6,602	< 1 year	100%

*Interest Rate Risk* – The Commission has no investment policy that addresses interest rate risk. State statute requires that an investment matures within five years from the date of purchase, unless matched to a specific obligation or debt of the Commission, and that an investment must be purchased with the expectation that it will be held to maturity.

*Credit Risk* – The Commission has no investment policy that addresses credit risk. The Commission’s trust interests are unrated.

**Ohio Valley Regional Development Commission**

*Notes to the Basic Financial Statements*

*For the Year Ended December 31, 2011*

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**Note 2 – Deposits and Investments (Continued)**

*Custodial Credit Risk* – Custodial credit risk is the risk that in the event of the failure of the counterparty, the Commission will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All of the Commission’s securities are either insured and registered in the name of the Commission or at least registered in the name of the Commission. The Commission has no investment policy dealing with investment custodial credit risk. State statute prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

**Note 3 – Leases**

Operating Leases

In January 2007, the Commission extended the lease agreement for its office facilities for an additional five years, expiring on December 31, 2011. The terms of the lease required monthly payments of \$1,950, with the lease rate to increase by \$600 each year. In 2012, the landlord sold this property to another company and the Commission entered into a new lease agreement effective February 1, 2012 for a period of one year with monthly payments of \$2,200 due on the first day of each month.

In July 2011, the Commission entered into a lease agreement for a Xerox Workcentre copier. The terms of this lease call for 60 monthly payments of \$610 beginning in October 2011 and ending September 2016. Additionally, the equipment can be purchased at fair market value at the end of the lease.

In November 2011, the Commission entered into a lease agreement with Pitney Bowes for a postage machine. The terms of the lease call for 60 monthly payments of \$193.

Future minimum lease payments are:

2012	\$36,036
2013	11,836
2014	9,636
2015	9,636
2016	<u>7,613</u>
Total	<u>\$74,757</u>

**Note 4 – Defined Benefit Pension Plan**

Ohio Public Employees Retirement System

A. 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 assets 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, but less than, 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.

**Ohio Valley Regional Development Commission**

*Notes to the Basic Financial Statements*

*For the Year Ended December 31, 2011*

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**Note 4 – Defined Benefit Pension Plan (Continued)**

- B. 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.
- C. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.
- D. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or (800) 222-7377.
- E. The Ohio Revised Code provides statutory authority for member and employer contributions. For 2011, member and employer contribution rates were consistent across all three plans.  
  
The member contribution rates were 10.0%, 10.0%, and 10.0% for 2011, 2010, and 2009, respectively, for the Commission.  
  
The employer contribution rates were 14.0%, 14.0%, and 14.0% of covered payroll for 2011, 2010, and 2009, respectively, for the Commission.
- F. The Commission's contributions to OPERS for the years ended December 31, 2011, 2010, and 2009 were \$22,191, \$26,628, and \$29,895, respectively, which were equal to the required contributions for those years.

**Note 5 – Post-Employment Benefits**

Ohio Public Employees Retirement System

A. Plan Description

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 Part B premium reimbursement, to qualifying members of both the Traditional Pension and the Combined Plans. Members 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 No. 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.

**Ohio Valley Regional Development Commission**

*Notes to the Basic Financial Statements*

*For the Year Ended December 31, 2011*

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**Note 5 – Post-Employment Benefits (Continued)**

OPERS issues a stand-alone financial report. Interest parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, writing OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or (800) 222-7377.

**B. Funding Policy**

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 contributions are expressed as a percentage of the covered payroll of active members. In 2011, the Commission contributed at a rate of 14.0% of covered payroll. These are the maximum employer contribution rates permitted by the Ohio Revised Code. 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 Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 4.00% during calendar year 2011. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05% during calendar year 2011. The portion of employer contributions allocated to health care for the calendar year beginning January 1, 2012 remained the same, but they are subject to change based on Board action. The OPERS Board of Trustees is also authorized to establish rules for the retiree, or their surviving beneficiaries, to pay a portion of the health care benefits provided. Payment amounts vary depending on the number of covered dependents and the coverage selected.

- C. The employer contributions that were used to fund post-employment benefits were \$8,877 for 2011, \$15,181 for 2010, and \$21,380 for 2009.
- D. The Health Care Preservation Plan (HCPP) adopted by the OPERS Board of Trustees on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates for state and local employers increased on January 1 of each year from 2006 to 2008. These rate increases allowed additional funds to be allocated to the health care plan.

**Note 6 – Capital Assets**

Capital asset activity for the Commission for the year ended December 31, 2011, was as follows:

	Balance 12/31/10	Additions	Disposals	Balance 12/31/11
Capital Assets, Being Depreciated:				
Equipment	\$33,111	\$22,548	(6,502)	\$49,157
Leasehold Improvements	60,935	0	0	60,935
Total Capital Assets Being Depreciated	94,046	22,548	(6,502)	110,092
Less Accumulated Depreciation For:				
Equipment	(24,945)	(2,126)	4,551	(22,520)
Leasehold Improvements	(21,197)	(1,523)	0	(22,720)
Total Accumulated Depreciation	(46,142)	(3,649)	4,551	(45,240)
Total Capital Assets Being Depreciated, Net	\$47,904	\$18,899	(\$1,951)	\$64,852

**Ohio Valley Regional Development Commission**

*Notes to the Basic Financial Statements*

*For the Year Ended December 31, 2011*

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**Note 7- Risk Management**

The Commission 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 Commission maintains commercial insurance covering each of the above risks of loss.

During 2011, the Commission contracted with Western Reserve for business personal property insurance, business automobiles, liability and medical expense coverage. Business personal property is insured with varying coverage dependent upon the specific property.

Business automobiles are insured up to \$1,000,000 per accident. Liability and medical coverage has a \$1,000,000 per occurrence and \$2,000,000 aggregate limit.

Professional and general liability is protected by the Old Republic Insurance Company with a \$1,000,000 single occurrence and aggregate limit with a \$5,000 deductible per claim.

Blanket commercial crime coverage is provided by Western Reserve. The coverage has a \$500,000 aggregate limit and a \$1,000 deductible.

The Commission pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. The rate is calculated based on accident history and administrative costs.

Management believes that the coverage is adequate to preclude any significant uninsured risk exposure to the Commission. 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 8- Deferred Compensation**

Commission employees may participate in the Ohio Public Employees Deferred Compensation Plan. The Plan was created in accordance with Internal Revenue Code Section 457. Participation is on a voluntary payroll deduction basis. The Plan permits deferral of compensation until future years. According to the Plan, deferred compensation is not available to employees until termination, retirement, death or an unforeseeable emergency.

**Note 9 – Contingencies**

Grants

The Commission 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 Commission at December 31, 2011.

Litigation

The Commission is not currently party to litigation where the Commission is the defendant.

**Ohio Valley Regional Development Commission**

*Notes to the Basic Financial Statements*

*For the Year Ended December 31, 2011*

**Note 10 – Interfund Activity**

The Commission had the following interfund receivables and payables at December 31, 2011.

	<u>Receivables</u>	<u>Payables</u>
<u>Major Funds:</u>		
General	\$50,087	\$0
ARC-Local Development District and Regional Work Plan	0	21,713
EDA-Revolving Loan	0	1,627
ARC-Revolving Loan	0	3,399
Total Major Funds	<u>50,087</u>	<u>26,739</u>
Other Governmental Funds	0	23,348
Total All Funds	<u>\$50,087</u>	<u>\$50,087</u>

Interfund receivables and payables exist because obligations of other funds were paid by the General Fund in anticipation of receipt of grants or other funds after year-end.

**Note 11 – Long-Term Liabilities**

Changes in the Commission’s long-term obligations during 2011 were as follows:

	Amount Outstanding 12/31/10	Additions	Deductions	Amount Outstanding 12/31/11	Due Within One Year
<i>Governmental Activities:</i>					
Compensated Absences	\$10,997	\$48,773	\$47,594	\$12,176	\$12,176

Compensated absences will be paid from the General Fund.

**Note 12 – Restatement of Beginning Fund Balances/Net Assets**

The Commission identified an error in previously reported deferred revenue balances. Correction of this error had the following effect on beginning fund balances/net assets:

	Governmental Activities	Community Development Contracts Fund
Fund Balances/Net Assets, December 31, 2010	\$1,338,574	\$0
Restatement	2,964	2,964
Fund Balances/Net Assets, December 31, 2010, As Restated	<u>\$1,341,538</u>	<u>\$2,964</u>



**OHIO VALLEY REGIONAL DEVELOPMENT COMMISSION  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED DECEMBER 31, 2011**

Federal grantor Pass-through grantor Program title	Federal CFDA Number	Direct Grant or Pass-through Number	Federal Expenditures
<b>U.S. Department of Agriculture</b>			
<b>Rural Development</b>			
Rural Community Development Initiative Grant (RCDI)	10.446	257266271	<u>\$ 18,701</u>
Total USDA Rural Development			<u>\$ 18,701</u>
<b>U.S. Department of Commerce</b>			
<b>Economic Development Administration</b>			
Economic Development- Support for Planning Organizations	11.302	06-83-05509	\$ 53,461
Economic Adjustment Assistance	11.307	06-69-05514	\$ 35,972
Economic Adjustment Assistance (RLF)	11.307	06-39-02181	<u>\$ 391,565</u>
	Total 11.307		<u>\$ 427,537</u>
Total U.S. Department of Commerce			<u>\$ 480,998</u>
<b>Appalachian Regional Commission</b>			
Local Development District Assistance	23.009	OH-0707D-C38	\$ 217,000
Appalachian Research, Technical Assistance, and Demonstration Project (RLF)	23.011	85-97 OH-9322-99	<u>\$ 646,656</u>
Total Appalachian Regional Commission			<u>\$ 863,656</u>
<b>Total Expenditures of Federal Awards</b>			<u><u>\$ 1,363,355</u></u>

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

**Ohio Valley Regional Development Commission**  
*Notes to the Schedule of Expenditures of Federal Awards*  
*For the Fiscal Year Ended December 31, 2011*

**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE 2 – REVOLVING LOAN FUND**

The Commission 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 Commission. 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 ARC 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.

2011 revolving loan fund expenditures are based upon the following calculations, per ARC and EDA guidance.

	<b>ARC</b>			
Outstanding loan balance at 1/1/2011	\$	434,270		
2011 loan disbursement		200,000		
RLF income earned & expended on eligible admin costs		12,386		
		\$ 646,656		
	<b>Total EDA</b>		<b>Federal Share</b>	
Outstanding loan balance at 12/31/2011	\$	224,307	\$	168,230
Cash and investment balance in the RLF at 12/31/2011		291,912		218,934
Admin expenses paid out of the RLF income during 2011		5,867		4,400
		\$ 522,086	\$	391,565
<i>Federal share calculation:</i>				
sum of all EDA dollars from all of grantee's RLF awards	\$	300,000		
sum of all project dollars for all of grantee's RLF awards		400,000		
Federal share		75%		

**NOTE 3– MATCHING REQUIREMENTS**

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

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May 31, 2012

Members of the Board  
Ohio Valley Regional Development Commission

## **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**

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Ohio Valley Regional Development Commission, Pike County, Ohio, (the Commission) as of and for the year ended December 31, 2011, which collectively comprise the Commission's basic financial statements and have issued our report thereon dated May 31, 2012. 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 the Commission's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control over financial reporting.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the internal control over financial reporting that might be deficiencies, 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.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission'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*.

This report is intended solely for the information and use of the members of the Board, management, federal awarding agencies, and pass-through entities. It is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,  
WHITED SEIGNEUR SAMS & RAHE CPAs, LLP

*Whited Seigneur Sams & Rahe*

# Whited Seigneur Sams & Rahe, LLP

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May 31, 2012

Members of the Board  
Ohio Valley Regional Development Commission

## **Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Federal Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133**

### **Compliance**

We have audited the compliance of Ohio Valley Regional Development Commission (the Commission) with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2011. The Commission's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Commission's management. Our responsibility is to express an opinion on the Commission'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 obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Commission's compliance with those requirements and performing such other procedures as 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 Commission's compliance with those requirements.

In our opinion, the Commission complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2011.

### **Internal Control Over Compliance**

The management of the Commission is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Commission's internal control over compliance with requirements that could have a direct and material effect on a major federal program to

determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 Commission's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, 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.

This report is intended solely for the information and use of management, the Board and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

WHITED SEIGNEUR SAMS & RAHE CPAs, LLP

*Whited Seigneur Sams & Rahe*

**OHIO VALLEY REGIONAL DEVELOPMENT COMMISSION  
DECEMBER 31, 2011  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 SECTION .505**

**1. 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):	CFDA #11.307, Economic Adjustment Assistance;  CFDA # 23.011, Appalachian Research, Technical Assistance, and Demonstration Project
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	\$300,000
(d)(1)(ix)	Low Risk Auditee?	No

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

None.

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

None.

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# Dave Yost • Auditor of State

OHIO VALLEY REGIONAL DEVELOPMENT COMMISSION

PIKE 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  
AUGUST 02, 2012