

Ohio Valley Regional Development Commission
Pike County
Single Audit
For the Year Ended December 31, 2015



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Dave Yost • Auditor of State

Members of the Board
Ohio Valley Regional Development Commission
73 Progress Drive
Waverly, Ohio 45690

We have reviewed the *Independent Auditor's Report* of the Ohio Valley Regional Development Commission, Pike County, prepared by Millhuff-Stang, CPA, Inc., for the audit period January 1, 2015 through December 31, 2015. 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 21, 2016

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Ohio Valley Regional Development Commission
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For the Year Ended December 31, 2015

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Independent Auditor's Report

Executive Board
Ohio Valley Regional Development Commission
73 Progress Drive
Waverly, Ohio 45690

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Ohio Valley Regional Development Commission, Pike County, Ohio (the Commission), as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 Ohio Valley Regional Development Commission, Pike County, Ohio, as of December 31, 2015, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in note 13 to the financial statements, during 2015, the Commission adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68." The 2015 financial statements have been restated due to implementation of these pronouncements. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of the Commission's proportionate share of the net pension liability, and the schedule of Commission contributions on pages 4 through 10, and 35-36, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 17, 2016 on our consideration of the Commission'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. 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* in considering the Commission's internal control over financial reporting and compliance.



Natalie Millhuff-Stang, CPA, CITP
President/Owner
Millhuff-Stang, CPA, Inc.
Portsmouth, Ohio

June 17, 2016

Ohio Valley Regional Development Commission
Management's Discussion and Analysis
For the Year Ended December 31, 2015
(Unaudited)

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 year ended December 31, 2015. 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 2015 are as follows:

- Net position of governmental activities increased by \$3,660.
- General revenue accounted for \$125,314 or 16% of all revenues. Program specific revenues in the form of charges for services, grants, contributions, and interest accounted for \$663,814 or 84% of total revenues of \$789,128.
- The Commission had \$635,272 in expenses and \$150,196 in indirect costs related to governmental activities; only \$663,814 of these expenses and indirect costs were offset by program specific charges for services, grants, contributions, and interest. General revenues were sufficient to cover the remainder of the expenses and indirect costs.
- The general fund, one of the Commission's major funds, had \$127,514 in revenues and \$65,889 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 position 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 Position 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 2015?" The statement of net position and the statement of activities answer this question. These statements include all assets, liabilities, and deferred inflows and outflows of resources 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 position and changes in net position. This change in net position is important because it tells the reader whether, 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, 2015
(Unaudited)

Reporting the Commission's Most Significant Funds

Fund Financial Statements

The analysis of the Commission's major funds begins on page 8. 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, Appalachian Regional Commission-Local Development District and Regional Work Plan Fund, ODOT Rural Transportation Planning Organization 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 statements help 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 position 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 position provides the perspective of the Commission as a whole. Table 1 provides a summary of the Commission's net position as of December 31, 2015, compared to December 31, 2014.

Table 1
Net Position

	2015	2014*
Assets		
Current and Other Assets	\$889,924	\$778,176
Loans Receivable	397,051	501,693
Capital Assets, Net	875,590	889,531
Total Assets	2,162,565	2,169,400
Deferred Outflows of Resources	102,766	90,003
Liabilities		
Current and Other Liabilities	30,533	31,745
Long-Term Liabilities	598,818	600,862
Total Liabilities	629,351	632,607
Deferred Inflows of Resources	5,524	0

Ohio Valley Regional Development Commission
Management's Discussion and Analysis
For the Year Ended December 31, 2015
(Unaudited)

Table 1
Net Position (Continued)

	2015	2014*
Net Position		
Net Investment in Capital Assets	\$607,141	\$606,045
Restricted	1,059,855	1,077,222
Unrestricted (Deficit)	(36,540)	(56,471)
Total Net Position	\$1,630,456	\$1,626,796

*As restated. See note 13 of the notes to the basic financial statements.

Total assets decreased \$6,835. Cash and cash equivalents and restricted cash and cash equivalents increased due to repayments on loans receivables. As such, there is a corresponding decrease in loans receivable. There was one new loan issued during 2015, but were there were no write-offs of existing loans during the year. Capital assets, net decreased \$13,941 due to depreciation expense and deletions, which were partially offset by additions to furniture and equipment.

Deferred outflows of resources increased \$12,763 due to an increase in employer contributions for pension obligations that were made subsequent to the net pension liability measurement date.

Total liabilities decreased \$3,256. Long-term liabilities decreased \$2,044 due primarily to principal payments on the Commission's lease agreement, which was partially offset by an increase in net pension liability. Current and other liabilities decreased by \$1,212 due primarily to a decrease in accounts payable.

Deferred inflows of resources increased \$5,524 as there were no deferred inflows to report in the prior year. This year's deferred inflows were attributed to the implementation of GASB 68, which is further discussed below and in notes 4 and 13 of the notes to the basic financial statements.

During 2015, the Commission adopted GASB Statement No. 68, "Accounting and Financial Reporting for Pensions-an Amendment of GASB Statement No. 27," and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date-an Amendment of GASB Statement No. 68," which significantly revise accounting for pension costs and liabilities. For reasons discussed below, many end users of these financial statements will gain a clearer understanding of the Commission's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's net pension liability. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Under the new standards required by GASB 68, the net pension liability equals the Commission's proportionate share of the plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service,
2. Minus plan assets available to pay these benefits.

Ohio Valley Regional Development Commission

Management's Discussion and Analysis

For the Year Ended December 31, 2015

(Unaudited)

GASB notes that pension obligations, whether funded or unfunded, are part of the “employment exchange” – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the Commission is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer’s promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system as against the public employer. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is included within the long-term liability section of the statement of net position.

In accordance with GASB 68, the Commission’s statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of the plan’s change in net pension liability not accounted for as deferred inflows/outflows.

As a result of implementing GASB 68, the Commission is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at December 31, 2014 from \$1,844,123 to \$1,626,796.

Table 2 shows the changes in net position for the year ended December 31, 2015, compared to the year ended December 31, 2014.

Table 2
Change in Net Position

	<u>2015</u>	<u>2014*</u>
Revenues		
Program Revenues:		
Charges for Services	\$28,249	\$20,038
Operating Grants, Contributions and Interest	635,565	600,704
Total Program Revenues	<u>663,814</u>	<u>620,742</u>
General Revenues:		
Membership Fees	125,041	116,357
Investment Earnings	273	315
Total General Revenues	<u>125,314</u>	<u>116,672</u>
Total Revenues	789,128	737,414

Ohio Valley Regional Development Commission
Management's Discussion and Analysis
For the Year Ended December 31, 2015
(Unaudited)

Table 2
Change in Net Position (Continued)

	2015	2014*
Expenses		
Economic and Community Development	\$491,512	\$466,942
Transportation Planning	101,413	88,340
Return of Grant Funds	34,376	0
Indirect Costs	150,196	143,684
Debt Service:		
Interest and Fiscal Charges	7,971	10,134
Total Expenses	<u>785,468</u>	<u>709,100</u>
Change in Net Position	3,660	28,314
Net Position, Beginning of Year-Restated	<u>1,626,796</u>	N/A
Net Position, End of Year	<u>\$1,630,456</u>	<u>\$1,626,796</u>

*Reclassifications were made for consistency of reporting between years.

Program revenues increased \$43,072 due primarily to an increase in operating grants, contributions and interest due to increases in grant monies for the ARC Local Development District and Regional Work Plan program and the ODOT Rural Transportation Planning Organization program. General revenues increased \$8,642 due to the timing of receipt of funds.

Economic and community development activities account for 63 percent of total program expenses. These expenses increased as a direct result of the increase in program funding. Transportation planning expenses account for 13 percent of total program expenses. These expenses increased \$13,073, which was also the direct result of an increase in program funding. Return of grant funds account for 4 percent of total program expenses. The Commission did not have a corresponding expense in the prior year. Indirect costs account for 19 percent of total program expenses. These costs remained relatively consistent between years. Interest expense accounts for the remaining 1 percent of program expenses and also remained relatively consistent between years.

The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, 2014 functional expenses still include pension expense of \$90,003 computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the 2015 statements report pension expenses of \$50,131. Consequently, in order to compare 2015 total program expenses to 2014, the following adjustments are needed:

Total 2015 expenses under GASB 68	\$785,468
Pension expense under GASB 68	(50,131)
2015 contractually required contribution	<u>50,268</u>
Adjusted 2015 expenses	785,605
Total 2014 expenses under GASB 27	<u>709,100</u>
Increase in expenses not related to pension	<u>\$76,505</u>

Ohio Valley Regional Development Commission
Management's Discussion and Analysis
For the Year Ended December 31, 2015
(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 and other financing sources of \$825,068 and expenditures and other financing uses of \$816,750, resulting in an increase in total fund balance. The Commission's major funds were the General Fund, Appalachian Regional Commission-Local Development District and Regional Work Plan Fund, ODOT Rural Transportation Planning Organization Fund, Economic Development Administration-Revolving Loan Fund, and Appalachian Regional Commission-Revolving Loan Fund.

Fund balances remained fairly consistent for all major funds except the General Fund and the ARC-Revolving Loan Fund. The General Fund balance increased due to a small increase in revenues. The ARC-Revolving Loan Fund balance decreased due to decreases in revenues and an large increase in expenditures due to the return of grant funds.

Capital Assets and Long-Term Debt

Capital Assets

At December 31, 2015, the Commission had \$875,590 invested in land, building and improvements, furniture and equipment. Table 3 shows the December 31, 2015 balances as compared to the December 31, 2014 balances.

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

	2015	2014
Land	\$62,500	\$62,500
Building and Improvements	769,274	785,468
Furniture and Equipment	43,816	41,563
Net Capital Assets	\$875,590	\$889,531

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

Long-Term Liabilities

The Commission has one outstanding capital lease, with a balance of \$268,448 at year-end, \$11,909 due within one year. See notes 11 and 12 of the notes to the basic financial statements for additional information. See note 12 of the notes to the basic financial statements for information on other long-term liabilities.

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.

Ohio Valley Regional Development Commission
Management's Discussion and Analysis
For the Year Ended December 31, 2015
(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, 73 Progress Drive, Waverly, Ohio 45690.

Ohio Valley Regional Development Commission
Statement of Net Position
December 31, 2015

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$139,079
Accounts Receivable	10,382
Loans Receivable	397,051
Interest Receivable	605
Intergovernmental Receivable	96,164
Prepaid Items	21,511
Restricted Assets:	
Temporarily Restricted:	
Cash and Cash Equivalents	622,183
Nondepreciable Capital Assets	62,500
Depreciable Capital Assets, Net	813,090
Total Assets	2,162,565
Deferred Outflows of Resources	
Pension	102,766
Liabilities	
Accounts Payable	4,791
Accrued Wages and Fringe Benefits	20,382
Intergovernmental Payable	5,360
Long-Term Liabilities:	
Due Within One Year	27,847
Due in More Than One Year	570,971
Total Liabilities	629,351
Deferred Inflows of Resources	
Pension	5,524
Net Position	
Net Investment in Capital Assets	607,141
Restricted For:	
Loans	397,051
Other Purposes	662,804
Unrestricted (Deficit)	(36,540)
Total Net Position	\$1,630,456

See the accompanying notes to the basic financial statements.

Ohio Valley Regional Development Commission
Statement of Activities
For the Year Ended December 31, 2015

			Program Revenues	Net Revenues (Expenses) and Changes in Net Position
			Operating Grants, Contributions and Interest	Governmental Activities
Governmental Activities	Expenses	Indirect Costs	Charges for Services	
Economic and Community Development	\$491,512	\$119,603	\$22,767	\$511,726 (\$76,622)
Transportation Planning	101,413	30,593	5,482	123,839 (2,685)
Return of Grant Funds	34,376	0	0	0 (34,376)
Debt Service:				
Interest and Fiscal Charges	7,971	0	0	0 (7,971)
Total Governmental Activities	\$635,272	\$150,196	\$28,249	\$635,565 (121,654)
General Revenue				
Membership Fees				125,041
Investment Earnings				273
Total General Revenues				125,314
Change in Net Position				3,660
Net Position, Beginning of Year - Restated				1,626,796
Net Position, End of Year				\$1,630,456

See the accompanying notes to the basic financial statements.

Ohio Valley Regional Development Commission

Balance Sheet

Governmental Funds

December 31, 2015

	General	Appalachian Regional Commission-Local Development District and Regional Work Plan	ODOT Rural Transportation Planning Organization	Economic Development Administration- Revolving Loan	Appalachian Regional Commission- Revolving Loan	Other Governmental Funds	Total Governmental Funds
Assets							
Equity in Pooled Cash and Cash Equivalents	\$105,597	\$0	\$540	\$0	\$1,032	\$31,910	\$139,079
Accounts Receivable	382	0	0	0	0	10,000	10,382
Loans Receivable	0	0	0	80,950	316,101	0	397,051
Interest Receivable	0	0	0	114	491	0	605
Interfund Receivable	93,691	0	0	0	0	0	93,691
Intergovernmental Receivable	0	47,412	33,752	0	0	15,000	96,164
Prepaid Items	14,419	5,916	0	34	34	1,108	21,511
Restricted Cash and Cash Equivalents	0	0	0	409,029	213,154	0	622,183
Total Assets	\$214,089	\$53,328	\$34,292	\$490,127	\$530,812	\$58,018	\$1,380,666
Liabilities							
Accounts Payable	\$4,403	\$288	\$32	\$0	\$7	\$61	\$4,791
Accrued Wages and Fringe Benefits	13,099	3,815	1,590	0	0	1,878	20,382
Intergovernmental Payable	0	0	0	0	0	5,360	5,360
Interfund Payable	0	45,404	31,445	7,713	0	9,129	93,691
Total Liabilities	17,502	49,507	33,067	7,713	7	16,428	124,224
Fund Balances							
Nonspendable:							
Prepaid Items	14,419	5,916	0	34	34	1,108	21,511
Restricted for:							
Revolving Loan Programs	0	0	0	482,380	530,771	0	1,013,151
Community Development Administration	0	0	0	0	0	40,950	40,950
Transportation Planning	0	0	1,225	0	0	0	1,225
Unassigned (Deficit)	182,168	(2,095)	0	0	0	(468)	179,605
Total Fund Balances	196,587	3,821	1,225	482,414	530,805	41,590	1,256,442
Total Liabilities and Fund Balances	\$214,089	\$53,328	\$34,292	\$490,127	\$530,812	\$58,018	\$1,380,666

See the accompanying notes to the basic financial statements.

Ohio Valley Regional Development Commission
Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
December 31, 2015

Fund Balances - Total Governmental Funds	\$1,256,442
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	875,590
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The net pension liability is not due and payable in the current period. Therefore, the liability and related deferred inflows/outflows are not reported in governmental funds:

Deferred Outflows-Pension	102,766	
Deferred Inflows-Pension	(5,524)	
Net Pension Liability	(314,432)	(217,190)

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

Capital Lease	(268,448)	
Compensated Absences	(15,938)	
	(284,386)	

Net Position of Governmental Activities	\$1,630,456
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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, 2015

	General	Appalachian Regional Commission-Local Development District and Regional Work Plan	ODOT Rural Transportation Planning Organization	Economic Development Administration- Revolving Loan	Appalachian Regional Commission- Revolving Loan	Other Governmental Funds	Total Governmental Funds
Revenues							
Intergovernmental	\$0	\$442,096	\$123,839	\$0	\$0	\$52,804	\$618,739
Membership Fees	125,041	0	0	0	0	0	125,041
Interest	273	0	0	3,695	13,131	0	17,099
Fees	2,200	0	5,482	292	758	19,517	28,249
Total Revenues	127,514	442,096	129,321	3,987	13,889	72,321	789,128
Expenditures:							
Current:							
Economic and Community Development:							
Personnel	71,384	206,225	0	0	75	43,323	321,007
Fringe Benefits	23,959	70,954	0	0	23	16,296	111,232
Travel	12,325	20,165	0	0	5	2,906	35,401
Supplies	6,148	555	0	0	0	30	6,733
Contractual	16,652	0	0	1,854	1,619	0	20,125
Other	85,469	14,537	0	1,249	3,175	4,639	109,069
Transportation Planning:							
Personnel	0	0	66,112	0	0	0	66,112
Fringe Benefits	0	0	20,022	0	0	0	20,022
Travel	0	0	11,471	0	0	0	11,471
Supplies	0	0	68	0	0	0	68
Other	0	0	3,194	0	0	0	3,194
Indirect Costs	(150,196)	98,408	30,593	0	35	21,160	0
Return of Grant Funds	0	0	0	0	34,376	0	34,376
Capital Outlay	12	13,307	5,460	0	0	212	18,991
Debt Service:							
Principal Retirement	89	9,288	2,855	0	118	2,688	15,038
Interest and Fiscal Charges	47	4,922	1,514	0	63	1,425	7,971
Total Expenditures	65,889	438,361	141,289	3,103	39,489	92,679	780,810
Revenues Over (Under) Expenditures	61,625	3,735	(11,968)	884	(25,600)	(20,358)	8,318
Other Financing Sources (Uses)							
Transfers In	0	86	13,193	0	0	22,661	35,940
Transfers Out	(35,940)	0	0	0	0	0	(35,940)
Total Other Financing Sources (Uses)	(35,940)	86	13,193	0	0	22,661	0
Net Change in Fund Balances	25,685	3,821	1,225	884	(25,600)	2,303	8,318
Fund Balances, Beginning of Year	170,902	0	0	481,530	556,405	39,287	1,248,124
Fund Balances, End of Year	\$196,587	\$3,821	\$1,225	\$482,414	\$530,805	\$41,590	\$1,256,442

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, 2015*

Net Change in Fund Balances - Total Governmental Funds \$8,318

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.

Capital Asset Additions	18,991
Depreciation	(31,185)

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. (1,747)

Repayments of capital lease principal are expenditures in the governmental funds, but the repayments reduce liabilities in the statement of net position and do not result in an expense in the statement of activities. 15,038

Contractually required contributions are reported as expenditures in governmental funds. However, the statement of net position reports these amounts as deferred outflows. 50,268

Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities. (50,131)

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

Increase in Compensated Absences	(5,892)
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Change in Net Position of Governmental Activities	\$3,660
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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, 2015

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 Section 1702.01, et. seq., and Section 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 position 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, 2015

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, liabilities, and deferred inflows and outflows of resources 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.

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 Development District for the region.

ODOT Rural Transportation Planning Organization Fund – This fund accounts for resources from the Ohio Department of Transportation to fund an RTPO program to enhance project prioritization and improve the overall statewide transportation planning process by strengthening its preexisting partnerships with rural planning agencies.

Ohio Valley Regional Development Commission

Notes to the Basic Financial Statements

For the Year Ended December 31, 2015

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.

Cash, Cash Equivalents, 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 cash equivalents" on the financial statements.

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 "investments." The Commission had no investments as of December 31, 2015.

The Scioto County Treasurer holds cash on behalf of the Commission within its cash and investment pool from which the Commission may withdraw in accordance with its by-laws. This balance is reported as "cash with fiscal agents" on the financial statements. Scioto County held no cash for the Commission as of December 31, 2015.

Ohio Valley Regional Development Commission

Notes to the Basic Financial Statements

For the Year Ended December 31, 2015

Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2015 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 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 cash equivalent pool by grant and lease 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 position.

The statements report transfers between funds as revenues in the seller funds and as expenditures in the purchasing funds. Subsidies from one fund to another without requirement for repayment are reported as interfund transfers. Governmental funds report interfund transfers as other financing sources/uses. The statements do not report repayments from funds responsible for particular disbursements to the funds initially paying the costs. Transfers among governmental activities are eliminated in the government-wide statement of activities.

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 land, building and improvements, 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 position 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.

All reported capital assets, except land, 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>
Building and Improvements	50 years
Furniture and Equipment	5 years

Ohio Valley Regional Development Commission

Notes to the Basic Financial Statements

For the Year Ended December 31, 2015

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.

Net Position

Net position represents the difference between assets, liabilities, and deferred inflows and outflows of resources in the statement of net position. Net investment in capital assets 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 position is 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 first when an expense is incurred for purposes for which both restricted and unrestricted net position is available. None of the Commission’s restricted net position is restricted by enabling legislation.

Ohio Valley Regional Development Commission

Notes to the Basic Financial Statements

For the Year Ended December 31, 2015

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.

Deferred Inflows/Outflows of Resources

In addition to assets, the statement of net position and balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The Commission has deferred outflows of resources related to pensions, which is further discussed in note 4.

In addition to liabilities, the statement of net position and balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Commission has deferred inflows of resources related to pensions, which will be further discussed in note 4.

Unearned Revenue

The Commission reports unearned revenue on the government-wide and fund financial statements when monies have been received prior to being earned. The Commission reported no unearned revenue at December 31, 2015.

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 agencies 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, 2015

Cost Allocation

Office of Management and Budget Circular A-87 (for federal awards made prior to December 26, 2014) and 2 CFR 200 (for federal awards after December 26, 2014) 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.” The concept of indirect cost as defined in 2 CFR 200: “Indirect costs are costs incurred for a common or joint purpose benefiting more than one cost objective, and not readily assignable to the cost objectives specifically benefitted, 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. 2 CFR 200 also provides that the negotiated rates must be accepted by all Federal awarding agencies. 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 as accepted by the Federal awarding agencies. The indirect cost rate for 2015 was 39.3841%.

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, 2015.

Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. In general, governmental fund payables and accrued liabilities that once incurred, are paid in a timely manner and in full from current financial resources, and are reported as obligations of the funds. However, claims and judgments, compensated absences and net pension liability that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds are recognized as a liability on the fund financial statements when due.

Ohio Valley Regional Development Commission

Notes to the Basic Financial Statements

For the Year Ended December 31, 2015

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension system reports investments at fair value.

Note 2 – Deposits and Investments

The deposits and investments of the Commission are governed by 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.

Cash with Fiscal Agents

The Scioto County Treasurer holds cash on behalf of the Commission within its cash and investment pool from which the Commission may withdraw in accordance with its by-laws. The amount held by the Scioto County Treasurer at December 31, 2015 was \$0.

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, 2015, the carrying amount of the Commission's deposits was \$761,262 as compared to a bank balance of \$763,427. Total depository balances of \$373,056 were not covered by federal depository insurance, but were covered by pooled collateral.

Ohio Valley Regional Development Commission

Notes to the Basic Financial Statements

For the Year Ended December 31, 2015

Note 3 – Operating Leases

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. Total paid to Xerox for this lease for 2015 was \$10,329.

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. Total lease expense for 2015 was \$2,260.

Future minimum lease payments are:

2016	\$7,613
Total	\$7,613

Note 4 – Defined Benefit Pension Plan

Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the Commission’s proportionate share of the pension plan’s collective actuarial present value of projected benefit payments attributable to past periods of service, net of the pension plan’s fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the Commission’s obligation for this liability to annually required payments. The Commission cannot control benefit terms or the manner in which pensions are financed; however, the Commission does receive the benefit of employees’ services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plan to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, the pension plan’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of the plan’s unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

Ohio Valley Regional Development Commission

Notes to the Basic Financial Statements

For the Year Ended December 31, 2015

Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description - Commission employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. Commission employees) may elect the member-directed plan and the combined plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information):

Group A Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	Group B 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Group C Members not in other Groups and members hired on or after January 7, 2013
State and Local	State and Local	State and Local
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35

Final average salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

Ohio Valley Regional Development Commission

Notes to the Basic Financial Statements

For the Year Ended December 31, 2015

<i>2015 Statutory Maximum Contribution Rates</i>			
Employer		14.0	%
Employee		10.0	%
<i>2015 Actual Contribution Rates</i>			
Employer:			
Pension		12.0	%
Post-employment Health Care Benefits		2.0	
Total Employer		<u>14.0</u>	<u>%</u>
Employee		<u>10.0</u>	<u>%</u>

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll.

The Commission's contractually required contribution was \$50,268 for 2015.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability for OPERS was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Commission's proportion of the net pension liability was based on the Commission's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

Proportionate Share of the Net Pension Liability	\$314,432
Proportion of the Net Pension Liability	0.002607%
Pension Expense	\$50,131

At December 31, 2015, the Commission reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<i>Deferred Outflows of Resources</i>	
Net difference between projected and actual earnings on pension plan investments	\$19,991
Adjusted for significant change in employee head count	32,507
Commission contributions subsequent to the measurement date	<u>50,268</u>
Total Deferred Outflows of Resources	<u><u>\$102,766</u></u>
<i>Deferred Inflows of Resources</i>	
Differences between expected and actual experience	<u><u>\$5,524</u></u>

Ohio Valley Regional Development Commission

Notes to the Basic Financial Statements

For the Year Ended December 31, 2015

\$50,268 reported as deferred outflows of resources related to pension resulting from Commission contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ending December 31:	
2016	(\$10,576)
2017	(10,576)
2018	(12,699)
2019	<u>(13,123)</u>
Total	<u><u>(\$46,974)</u></u>

Actuarial Assumptions

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Wage Inflation	3.75 percent
Future Salary Increases, including inflation COLA or Ad Hoc COLA	4.25 to 10.05 percent including wage inflation 3 percent, simple
Investment Rate of Return	8 percent
Actuarial Cost Method	Individual Entry Age

Mortality rates were based on the RP-2000 Mortality Table projected 20 years using Projection Scale AA. For males, 105 percent of the combined healthy male mortality rates were used. For females, 100 percent of the combined healthy female mortality rates were used. The mortality rates used in evaluating disability allowances were based on the RP-2000 mortality table with no projections. For males 120 percent of the disabled female mortality rates were used set forward two years. For females, 100 percent of the disabled female mortality rates were used.

The most recent experience study was completed for the five year period ended December 31, 2010.

The long-term rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

OPERS manages investments in four investment portfolios: the Defined Benefits portfolio, the Health Care portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan and the VEBA Trust. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The money weighted rate of return, net of investments expense, for the Defined Benefit portfolio is 6.95 percent for 2014.

Ohio Valley Regional Development Commission

Notes to the Basic Financial Statements

For the Year Ended December 31, 2015

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2014 and the long-term expected real rates of return:

Asset Class	Target		Weighted Average	
	Allocation		Long-Term Expected	
			Real Rate of Return	
			(Arithmetic)	
Fixed Income	23.00	%	2.31	%
Domestic Equities	19.90		5.84	
Real Estate	10.00		4.25	
Private Equity	10.00		9.25	
International Equities	19.10		7.40	
Other investments	18.00		4.59	
Total	100.00	%	5.28	%

Discount Rate The discount rate used to measure the total pension liability was 8 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Commission's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the Commission's proportionate share of the net pension liability calculated using the current period discount rate assumption of 8 percent, as well as what the Commission's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (7 percent) or one-percentage-point higher (9 percent) than the current rate:

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
Commission's proportionate share of the net pension liability	\$578,465	\$314,432	\$92,053

Note 5 – Post-Employment Benefits

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.

Ohio Valley Regional Development Commission

Notes to the Basic Financial Statements

For the Year Ended December 31, 2015

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. OPERS' eligibility requirements for post-employment health care coverage changed for those retiring on and after January 1, 2015. Details are outlined in the OPERS CAFR.

The Ohio Revised Code permits, but does not require, OPERS to provide OPEB benefits to its eligible benefit recipients. Authority to establish and amend health care coverage is provided in Chapter 145 of the Ohio Revised Code.

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

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.

Employer contributions are expressed as a percentage of the covered payroll of active members. In 2015, the Commission contributed at a rate of 14.0% of earnable salary. This is the maximum employer contribution rate 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 Section 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. The portion of employer contributions allocated to health care for members in the Traditional Plan and Combined Plan was 2.0% during calendar year 2015. Effective January 1, 2016, the portion of employer contributions allocated to health care remains at 2% for both plans, as recommended by OPERS' actuary. 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 provided. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The Commission's contributions to fund post-employment benefits for the years ended December 31, 2015, 2014, and 2013 were \$8,378, \$7,083, and \$3,203, respectively, which were equal to the required contributions for those years.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4% of the employer contributions toward the health care fund after the end of the transition period.

Ohio Valley Regional Development Commission

Notes to the Basic Financial Statements

For the Year Ended December 31, 2015

Note 6 – Capital Assets

Capital asset activity for the Commission for the year ended December 31, 2015 was as follows:

	Balance 12/31/14	Additions	Disposals	Balance 12/31/15
Nondepreciable Capital Assets:				
Land	\$62,500	\$0	\$0	\$62,500
Total Nondepreciable Capital Assets	62,500	0	0	62,500
Capital Assets, Being Depreciated:				
Building and Improvements	809,708	0	0	809,708
Furniture and Equipment	94,819	18,991	(10,481)	103,329
Total Capital Assets Being Depreciated	904,527	18,991	(10,481)	913,037
Less Accumulated Depreciation For:				
Building and Improvements	(24,240)	(16,194)	0	(40,434)
Furniture and Equipment	(53,256)	(14,991)	8,734	(59,513)
Total Accumulated Depreciation	(77,496)	(31,185)	0	(99,947)
Total Capital Assets Being Depreciated	827,031	(12,194)	(1,747)	813,090
Total Capital Assets, Net	\$889,531	(\$12,194)	(\$1,747)	\$875,590

\$546 of depreciation expense was allocated to transportation planning expense on the statement of activities. The remainder was allocated to economic and community development expense.

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 2015, the Commission contracted with Western Reserve for building, business personal property insurance, business automobiles, liability and medical expense coverage. Business personal property is insured with varying coverage dependent upon the specific property.

The office building is insured up to \$754,290. The Commission also has a fire legal liability limit of \$25,000 in place. Business personal property coverage is insured up to \$130,000.

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.

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 year.

Ohio Valley Regional Development Commission

Notes to the Basic Financial Statements

For the Year Ended December 31, 2015

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 receives financial assistance from federal and state agencies in the form of grants. The expenditure 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, 2015.

Litigation

The Commission is not currently party to legal proceedings.

Note 10 – Interfund Activity

The Commission had the following interfund receivables and payables at December 31, 2015.

	<u>Receivables</u>	<u>Payables</u>
<i>Major Funds:</i>		
General	\$93,691	\$0
ARC-Local Development District and Regional Work Plan	0	45,404
ODOT Rural Transportation Planning Organization	0	31,445
EDA-Revolving Loan	0	7,713
Total Major Funds	<u>93,691</u>	<u>84,562</u>
 <i>Nonmajor Fund:</i>		
Economic Development Contracts	<u>0</u>	<u>9,129</u>
 Total All Funds	<u>\$93,691</u>	<u>\$93,691</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.

Ohio Valley Regional Development Commission

Notes to the Basic Financial Statements

For the Year Ended December 31, 2015

The Commission had the following interfund transfers during the year ended December 31, 2015.

	Transfers Out	Transfers In
<i>Major Funds:</i>		
General	\$35,940	\$0
ARC-Local Development District and Regional Work Plan	0	86
ODOT Rural Transportation Planning Organization	0	13,193
Total Major Funds	<u>\$35,940</u>	<u>13,279</u>
<i>Nonmajor Fund:</i>		
EDA-Economic Development District	0	22,661
Total All Funds	<u>\$35,940</u>	<u>\$35,940</u>

The General Fund provided funds to the ARC-Local Development District and Regional Work Plan Fund, EDA-Economic Development District Fund, and ODOT Rural Transportation Planning Organization Fund as matching funds in accordance with grant agreements.

Note 11 – Capital Leases – Lessee Disclosure

The Commission entered into a lease purchase agreement on November 27, 2012 to finance the construction of a building. The proceeds from this lease were received in 2013 in the amount of \$300,000. The lease meets the criteria of a capital lease.

Capital lease payments have been reclassified and are reflected as debt service expenditures in the financial statements for the governmental funds. Principal payments in 2015 totaled \$15,038.

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the minimum lease payments as of December 31, 2015.

<u>Fiscal Year Ending December 31,</u>	
2016	\$21,305
2017	21,312
2018	21,318
2019	21,326
2020	21,333
2021-2025	106,789
2026-2030	107,021
2031-2033	<u>39,622</u>
Total Minimum Lease Payments	360,026
Less: Amounts Representing Interest	<u>(91,578)</u>
Present Value of Minimum Lease Payments	<u>\$268,448</u>

Ohio Valley Regional Development Commission

Notes to the Basic Financial Statements

For the Year Ended December 31, 2015

Note 12 – Long-Term Liabilities

Changes in the Commission’s long-term obligations during 2015 were as follows:

	Amount Outstanding 12/31/14*	Additions	Deductions	Amount Outstanding 12/31/15	Due Within One Year
<i>Governmental Activities:</i>					
Capital Lease	\$283,486	\$0	\$15,038	\$268,448	\$11,909
Compensated Absences	10,046	65,210	59,318	15,938	15,938
Net Pension Liability	307,330	7,102	0	314,432	0
Total	<u>\$600,862</u>	<u>\$72,312</u>	<u>\$74,356</u>	<u>\$598,818</u>	<u>\$27,847</u>

*As restated. See note 13 for more information.

The capital lease obligation will be paid from various funds in accordance with the Commission’s cost allocation plan. Compensated absences will be paid from the General Fund. The Commission pays obligations related to employee compensation from the fund benefitting from their service.

Note 13 – New GASB Implementations and Restatement of Beginning Balances

For 2015, the Commission implemented the Governmental Accounting Standards Board (GASB) Statement No. 68, “Accounting and Financial Reporting for Pensions-an Amendment of GASB Statement No. 27,” and GASB Statement No 71, “Pension Transition for Contributions Made Subsequent to the Measurement Date-an Amendment of GASB Statement No. 68.” GASB 68 established standards for measuring and recognizing pension liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditure. The implementation of the new accounting pronouncements had the following effect on net position as reported December 31, 2014:

Net Position December 31, 2014	\$1,844,123
Adjustments:	
Net Pension Liability	(307,330)
Deferred Outflows-Payments Subsequent to Measurement Date	<u>90,003</u>
Restated Net Position December 31, 2014	<u>\$1,626,796</u>

Other than employer contributions subsequent to the measurement date, the Commission made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

Ohio Valley Regional Development Commission
Required Supplementary Information
Schedule of the Commission's Proportionate Share of the Net Pension Liability
Last Two Years (1)

	2013	2014
<i>Ohio Public Employees Retirement System</i>		
Commission's proportion of the net pension liability	0.002607%	0.002607%
Commission's proportionate share of the net pension liability	\$307,330	\$314,432
Commission's covered-employee payroll	\$320,254	\$354,150
Commission's proportionate share of the net pension liability as a percentage of its covered-employee payroll	95.964453%	88.784978%
Plan fiduciary net position as a percentage of the total pension liability	86.357587%	86.450903%

The amounts presented for each year were determined as of December 31 of the previous year, which is the Commission's measurement date.

(1) Information not available prior to 2013.

Ohio Valley Regional Development Commission
Required Supplementary Information
Schedule of Commission Contributions
Last Ten Years

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<i>Ohio Public Employees Retirement System</i>										
Contractually required contribution	\$24,591	\$25,826	\$26,541	\$29,895	\$26,628	\$22,191	\$33,094	\$41,633	\$42,498	\$50,268
Contributions in relation to the contractually required contribution	24,591	25,826	26,541	29,895	26,628	22,191	33,094	41,633	42,498	50,268
Contribution deficiency (excess)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Commission's covered-employee payroll	\$258,853	\$303,835	\$312,247	\$351,706	\$295,867	\$221,910	\$330,940	\$320,254	\$354,150	\$418,900
Contributions as a percentage of covered-employee payroll	9.50%	8.50%	8.50%	8.50%	9.00%	10.00%	10.00%	13.00%	12.00%	12.00%

Ohio Valley Regional Development Commission
Schedule of Federal Awards Expenditures
For the Year Ended December 31, 2015

Federal Grantor/Pass Through Grantor/Program Title	Direct Grant or Pass Through Entity Number	Federal CFDA Number	Disbursements
U.S. Department of Commerce			
Economic Development Administration			
Economic Development-Support for Planning Organizations	06-83-05796	11.302	\$ 54,427
Economic Adjustment Assistance: Revolving Loan Program	06-39-02181	11.307	<u>369,812</u>
Total U.S. Department of Commerce			424,239
U.S. Department of Transportation			
Federal Highway Administration (FHWA)			
Highway Planning and Construction	18881	20.205	58,669
Highway Planning and Construction	17716	20.205	<u>52,760</u>
Total U.S. Department of Transportation			111,429
Appalachian Regional Commission			
Local Development District Assistance	OH-0707D-C42	23.009	209,000
Appalachian Research, Technical Assistance, and Demonstration Projects: Revolving Loan Program	85-97-OH-9322-99	23.011	<u>510,159</u>
Total Appalachian Regional Commission			719,159
Total Federal Financial Assistance			\$ <u>1,254,827</u>

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

Ohio Valley Regional Development Commission
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2015

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Ohio Valley Regional Development Commission (the Commission) under programs of the federal government for the year ended December 31, 2015. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Commission, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Commission.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87 Cost Principles for State, Local, and Indian Tribal Governments (codified in 2 CFR Part 225) or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Commission has elected not to use the 10-percent de minimis indirect cost rate as allowed under Uniform Guidance.

NOTE 3 - 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 loans are included as expenditures on the schedule.

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

2015 revolving loan fund expenditures are based upon the following calculations, per ARC and EDA guidance.

	ARC	
Outstanding loan balance at the beginning of year	\$ 416,294	
New loans disbursed during year	90,000	
Total expended on eligible admin costs	3,865	
	\$ 510,159	
	Total EDA	Federal Share
Outstanding loan balance at the end of year	\$ 80,950	\$ 60,713
Cash and investment balance in the RLF at the end of year	409,029	306,772
Administrative expenses paid out of the RLF income during the year	3,103	2,327
	\$ 493,082	\$ 369,812
<i>Federal Share Calculation:</i>		
sum of all EDA dollars from all grantee's RLF awards	\$ 300,000	
sum of all project dollars from all grantee's RLF awards	400,000	
Federal share		75%

NOTE 4 - MATCHING REQUIREMENTS

Certain federal programs require that the Commission contribute non-Federal funds (matching funds) to support the Federally-funded programs. The Commission has met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.

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*

Independent Auditor's Report

Executive Board
Ohio Valley Regional Development Commission
73 Progress Drive
Waverly, Ohio 45690

We have audited, in accordance with the 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, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Ohio Valley Regional Development Commission, Pike County, Ohio (the Commission) as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated June 17, 2016, wherein we noted the Commission adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68," and restated beginning net position as a result of the implementation.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Commission's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control.

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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Commission's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission's financial statements are free from 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Commission's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Natalie Millhuff-Stang, CPA, CITP
President/Owner
Millhuff-Stang, CPA, Inc.
Portsmouth, Ohio

June 17, 2016

**Report on Compliance For Each Major Federal Program and on Internal Control Over Compliance
Required by the Uniform Guidance**

Independent Auditor's Report

Executive Board
Ohio Valley Regional Development Commission
73 Progress Drive
Waverly, Ohio 45690

Report on Compliance for Each Major Federal Program

We have audited Ohio Valley Regional Development Commission's (the Commission) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Commission's major federal program for the year ended December 31, 2015. The Commission's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Commission's major federal program based on our audit of the types of compliance requirements referred to above. 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 on compliance for the major federal program. However, our audit does not provide a legal determination of the Commission's compliance.

Opinion on Each Major Federal Program

In our opinion, the Commission complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2015.

Report on Internal Control Over Compliance

Management of the Commission is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Commission's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Natalie Millhuff-Stang, CPA, CITP
President/Owner
Millhuff-Stang, CPA, Inc.
Portsmouth, Ohio

June 17, 2016

Ohio Valley Regional Development Commission
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2015

Section I – Summary of Auditor’s Results

<i>Financial Statements</i>	
Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	No
Noncompliance material to financial statements noted?	No
<i>Federal Awards</i>	
Internal control over major program(s):	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	No
Type of auditor’s report issued on compliance for major federal programs:	Unmodified
Any auditing findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No
Identification of major federal program(s):	Appalachian Research, Technical Assistance, and Demonstration Projects, CFDA #23.011
Dollar threshold used to distinguish between type A and type B programs:	\$750,000
Auditee qualified as low-risk auditee?	Yes

Section II – Financial Statement Findings

None

Section III – Federal Award Findings and Questioned Costs

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 2, 2016**