

Southern Ohio Agricultural and Community Development Foundation  
Regular Audit  
For the Year Ended June 30, 2017



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# Dave Yost • Auditor of State

Members of the Board  
Southern Ohio Agricultural and Community Development Foundation  
100 S. High St.  
P.O. Box 47  
Hillsboro, OH 45133

We have reviewed the *Independent Auditor's Report* of the Southern Ohio Agricultural and Community Development Foundation, Highland County, prepared by Millhuff-Stang, CPA, Inc., for the audit period July 1, 2016 through June 30, 2017. 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 Southern Ohio Agricultural and Community Development Foundation is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost  
Auditor of State

November 13, 2017

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**Southern Ohio Agricultural and Community Development Foundation**  
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*For the Year Ended June 30, 2017*

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**Independent Auditor's Report**

Southern Ohio Agricultural and Community Development Foundation  
100 South High Street, PO Box 47  
Hillsboro, Ohio 45133

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and the special revenue fund of the Southern Ohio Agricultural and Community Development Foundation, (the Foundation), a department of the State of Ohio, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Foundation'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 Foundation'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 and the special revenue fund of the Southern

Ohio Agricultural and Community Development Foundation, State of Ohio, as of June 30, 2017, and the respective changes in financial position thereof 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 1, the financial statements of the Foundation present the financial position and changes in financial position thereof for the governmental activities and the special revenue fund of only the transactions of the Southern Ohio Agricultural and Community Development Foundation. They do not purport to, and do not, present fairly the financial position of the State of Ohio as of June 30, 2017, or the changes to its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

***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 proportionate share of the net pension liability, and the schedule of employer contributions on pages 3 through 8, 29, and 30, 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 Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 20, 2017 on our consideration of the Foundation'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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Foundation's 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 Foundation's internal control over financial reporting and compliance.



Robyn Roush, CPA, CITP, Vice-President/Owner  
Millhuff-Stang, CPA, Inc.  
Chillicothe, Ohio  
September 20, 2017



**SOUTHERN OHIO AGRICULTURAL AND COMMUNITY DEVELOPMENT FOUNDATION  
MANAGEMENT'S DISCUSSION & ANALYSIS**

For the Year Ended June 30, 2017  
UNAUDITED

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As management of the Southern Ohio Agricultural & Community Development Foundation (the Foundation), we are providing this overview of the Foundation's financial activities for the fiscal year ended June 30, 2017. Please read the overview in conjunction with the Foundation's basic financial statements, which follow.

The Foundation is included within the State of Ohio's Comprehensive Annual Financial Report as part of the primary government. The Foundation uses a governmental fund to report its financial position and results of operations. We believe these financial statements present all activities for which the Foundation is financially responsible.

### **FINANCIAL HIGHLIGHTS**

Key financial highlights for fiscal year 2017 are as follows:

- The assets and deferred outflows of resources of the Foundation exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by approximately \$7.1 million (net position). Of this amount, approximately \$6.9 million may be used in the Foundation's programs to voluntarily diversify from tobacco production.
- The Foundation's total net position decreased by approximately \$2.9 million during the fiscal year.
- The Foundation continued its grant programs and disbursed approximately \$2.6 million in grants to Southern Ohio farmers and businesses. Grants were awarded for: Agricultural Development; Educational Assistance; Economic Development; Young Farmer; Environmental/Water Quality; and Educational Excellence.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the Foundation's basic financial statements. These basic financial statements are comprised of two components: 1) combined government-wide and fund financial statements, and 2) notes to the financial statements. For most governmental entities, the government-wide and fund financial statements are presented separately; however, since the Foundation is comprised of only one governmental fund, we are presenting both types of financial statements on one combined set of financial statements, as described below:

- ***Governmental Fund Balance Sheet/Statement of Net Position***

The column labeled "Special Revenue Fund" presents information on the Foundation's assets, liabilities, deferred inflows of resources, and fund balance using the modified-accrual basis of accounting. The fund is an accounting device that the State of Ohio uses to keep track of specific sources of funding and spending for particular purposes. The fund balance may serve as a useful measure of the Foundation's net resources available for spending at the end of the fiscal year.

The column labeled "Statement of Net Position" presents information on the Foundation's assets, liabilities, and deferred inflows and outflows of resources, with the difference reported as *net position*. Such information is presented on the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Foundation is improving or deteriorating.

- ***Statement of Governmental Fund Revenues, Expenditures, and Changes in Fund Balance/Statement of Activities***

The column labeled "Special Revenue Fund" presents information on near-term inflows, outflows, and balances of expendable resources. Such information is presented on the modified-accrual basis of accounting.

**SOUTHERN OHIO AGRICULTURAL AND COMMUNITY DEVELOPMENT FOUNDATION  
MANAGEMENT'S DISCUSSION & ANALYSIS**

For the Year Ended June 30, 2017  
UNAUDITED

**OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)**

The column labeled "Statement of Activities" presents information showing how the Foundation's net position changed during the most recent fiscal year. Such information is presented on the accrual basis of accounting. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows.

Because the focus of fund financial statements is narrower than that of government-wide financial statements, it is useful to compare the information presented on a fund basis with similar information presented on a government-wide basis. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. The combined government-wide and fund financial statements include a reconciliation to facilitate this comparison (see column labeled "Adjustments").

**FINANCIAL ANALYSIS OF THE FOUNDATION**

The following is a summary of the Foundation's net position as of June 30, 2017 compared to June 30, 2016.

***Net Position at June 30***

	<u>2017</u>	<u>2016</u>	<u>% Change</u>
<b>Assets</b>			
Current and Other Assets	\$ 7,691,178	\$ 10,330,672	-25.55%
Capital Assets	15,807	25,324	-37.58%
Total Assets	<u>7,706,985</u>	<u>10,355,996</u>	
<b>Deferred Outflow of Resources</b>			
Pension	126,613	110,153	14.94%
Total Liabilities	<u>126,613</u>	<u>110,153</u>	
<b>Liabilities</b>			
Other Liabilities	278,282	36,058	671.76%
Long-Term Liabilities	413,527	351,218	17.74%
Total Liabilities	<u>691,809</u>	<u>387,276</u>	
<b>Deferred Inflow of Resources</b>			
Pension	17,899	6,038	196.44%
Total Liabilities	<u>17,899</u>	<u>6,038</u>	
<b>Net Position</b>			
Net Investment in Capital Assets	15,807	25,324	-37.58%
Restricted for Indemnification Program	163,312	163,312	0.00%
Unrestricted Net Position	6,944,771	9,884,199	-29.74%
	<u>\$ 7,123,890</u>	<u>\$ 10,072,835</u>	

The Foundation received no funding during the fiscal year. The significant decrease in Current and Other Assets represents the amount by which current year administrative and grant expenses exceeded investment income.

The significant increase in Other Liabilities represents grants awarded but not yet disbursed at the end of fiscal year 2017. The significant increase in Deferred Outflows of Resources, Long-Term Liabilities, and Deferred Inflows of Resources are the result of an increase in the Foundation's net pension liability, as reported by the pension system.

**SOUTHERN OHIO AGRICULTURAL AND COMMUNITY DEVELOPMENT FOUNDATION  
MANAGEMENT'S DISCUSSION & ANALYSIS**

For the Year Ended June 30, 2017  
UNAUDITED

**FINANCIAL ANALYSIS OF THE FOUNDATION (Continued)**

The following is a summary of the Foundation's Statement of Activities for the year ending June 30, 2017 compared to the year ending June 30, 2016.

***Statement of Activity for the year ending June 30***

	<u>2017</u>	<u>2016</u>	<u>% Change</u>
<b>Revenues</b>			
Investment Income	\$ 69,471	\$ 138,409	-49.81%
Settlement Income	-	25,000	-100.00%
Total Revenues	<u>69,471</u>	<u>163,409</u>	
<b>Expenses</b>			
Salaries and Benefits	317,222	359,025	-11.64%
Purchased Services	85,438	109,415	-21.91%
Materials, Supplies and Other	48,274	49,930	-3.32%
Depreciation	9,517	10,092	-5.70%
Grants	2,557,965	1,922,422	33.06%
Total Expenses	<u>3,018,416</u>	<u>2,450,884</u>	
<b>Change in Net Position</b>	(2,948,945)	(2,287,475)	-28.92%
<b>Net Position, Beginning of Year</b>	10,072,835	12,360,310	
<b>Net Position, End of Year</b>	<u>\$ 7,123,890</u>	<u>\$ 10,072,835</u>	

**Revenues**

Investment Income decreased significantly in comparison with the prior fiscal year. This decrease is the result of poor market conditions for corporate bonds, coupled with a decrease in amounts available for investment.

**Expenses**

Salaries and Benefits expense decreased significantly in comparison with the prior fiscal year. This decrease is the result of a decrease in the number of employees from four to three, offset by an increase in pension expense, as reported by the pension systems.

Purchased Services expense also decreased significantly. This decrease is primarily the result of a decrease in audit fees due to a change in vendors.

Grants expense increased significantly in comparison with the prior fiscal year. This increase is the result of a new Environmental/Water Quality program, as well as increases in four of the five recurring programs.

**BUDGET VARIANCES**

The majority of the Foundation's assets are maintained in unappropriated accounts requiring no budgetary monitoring or reporting. The remaining assets of the Foundation are maintained in a governmental fund within the Ohio Administrative Knowledge System (OAKS), OAKS Fund 5M90. Although appropriated, OAKS Fund 5M90 is not a major fund, and therefore, budgetary reporting is not required.

**SOUTHERN OHIO AGRICULTURAL AND COMMUNITY DEVELOPMENT FOUNDATION  
MANAGEMENT'S DISCUSSION & ANALYSIS**

For the Year Ended June 30, 2017  
UNAUDITED

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**CAPITAL ASSETS**

The following is a summary of the Foundation's net capital assets at the end of fiscal year 2017, compared to the end of fiscal year 2016:

	<u>2017</u>	<u>2016</u>
Vehicles	\$ 14,984	\$ 22,374
Equipment	823	2,950
Total Capital Assets, net	<u>\$ 15,807</u>	<u>\$ 25,324</u>

The Foundation's Total Capital Assets (net) decreased by \$9,517 during the fiscal year. This decrease represents current year depreciation.

**ECONOMIC FACTORS**

The Foundation continues to believe in its mission: "To help create and enhance economic opportunities for Ohio's burley tobacco farm families and their rural communities. Monies not used for administrative expenses and programs will be available for new programs as they are developed and are approved by the Board, or for investment."

For fiscal year 2017 the Foundation's Board approved the following grant programs for farmers and rural communities in 22 southern counties of Ohio:

- **Educational Assistance:** The Foundation's Educational Assistance Program assists farmers who live within the communities that suffered the economic impact of reductions in tobacco quota. The Educational Assistance program is an investment in Appalachian Ohio that will pay dividends well into the future. These grants are to be awarded on a competitive basis based on essay questions, community and school activities and a minimum 2.0 cumulative college g.p.a. unless they are incoming freshmen. Award recipients are to apply their assistance toward tuition, on campus room and board, lab fees and books for in-state or out-of-state accredited institutions of higher education. For the 2016-2017 academic year, the Foundation Educational Assistance Program provides up to \$3,000 for undergraduate or graduate degree programs. The actual amount awarded to an individual may not exceed the calculated need determined by the educational institution. The total assistance provided to any family may not exceed \$10,000 per academic year. In addition, a \$12,000 lifetime maximum per individual was put into effect in fiscal year 2013. The Foundation budgeted \$300,000 for Educational Assistance in fiscal year 2017.
- **Educational Excellence Competitive Grant:** The Educational Excellence Competitive program was offered to eligible recipients for the purpose of making investments in the future in communities that were affected by the reduction in the demand for tobacco by providing education and training. Individuals who have a current Farm Service Number on record with the Farm Service Agency and reside in the 22 counties the Foundation serves or tobacco quota owners, quota owners/growers, or grower/tenants of Farm Service Agency record in any single crop year from 1997 through 2004, and their immediate family dependents, that are enrolled at an accredited institution and are seeking a Bachelor degree are eligible. Applicants must be enrolled as a full-time sophomore, junior or senior in the 2017-2018 school year to be eligible. These grants are to be awarded on a competitive basis based on essay questions, interview, community and school activities and a 2.8 cumulative college g.p.a. Applicants may only receive the Foundation's Educational Excellence Competitive Grant one time. The Foundation budgeted \$150,000 for Educational Excellence Competitive Grant in fiscal year 2017.

**SOUTHERN OHIO AGRICULTURAL AND COMMUNITY DEVELOPMENT FOUNDATION  
MANAGEMENT'S DISCUSSION & ANALYSIS**

For the Year Ended June 30, 2017  
UNAUDITED

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**ECONOMIC FACTORS (Continued)**

- **Agricultural Development:** The Agricultural Development program is offered to eligible applicants for the purpose of assisting farmers in diversifying from tobacco into non-tobacco areas, including; expansion of an existing agricultural enterprise, diversification into a new agricultural enterprise, commercial agribusiness, and marketing/processing of value added agriculture. Applicants who received grant awards for Agriculture Development in fiscal year 2015 or 2016 are ineligible. Approved applicants are eligible for up to \$25,000. 1<sup>st</sup> time recipients are eligible for up to 50% reimbursement, 2<sup>nd</sup> time up to 40% and 3<sup>rd</sup> time up to 30%. The Foundation will require a minimum ownership retention period of two years from date of purchase for all goods, products, or equipment obtained with grant funds. The Foundation budgeted program allocation for the Agricultural Development Program was up to \$650,000.
- **Young Farmer Program:** The Young Farmer Program is offered to eligible producers in the 22 counties that the Foundation serves. Applicants must be 20-38 years of age as of August 1, 2016. Applicants must reside and the project must be located within the 22 counties that the Foundation serves. Copy of Ohio Driver's license is required to confirm age and residency. Approved applicants are eligible for up to 50% reimbursement with a \$25,000 maximum grant payment. Awards are based on the highest scoring business plans and personal interviews. Project criteria for Young Farmer Program are similar to the Agricultural Development Program. The Foundation budgeted program allocation for the Young Farmer Program was \$500,000.
- **Economic Development Program:** The Economic Development Program is offered to eligible recipients for the purpose of making strategic investments in communities that were affected by the reduction in the demand for tobacco. A total of \$750,000 was allocated by the Foundation for these projects during fiscal year 2017. A total of \$650,000 has been allocated by the Foundation's Board of Trustees for Economic Development projects for fiscal year 2017 for the following major counties of Adams, Brown, Clermont, Gallia, Highland, Jackson, Lawrence, Pike and Scioto. There will be 3 competitive rounds. Any funds not used in one round will rollover to the next round. There is a maximum of \$200,000 any one applicant may apply for in fiscal year 2017. No major county may receive more than \$200,000 in fiscal year 2017. A total of \$100,000 has been allocated by the Foundation's Board of Trustees for Economic Development projects in fiscal year 2017 for the following Appalachian Regional Commission (ARC) designated counties of Athens, Meigs, Monroe, Morgan, Noble, Ross, Vinton and Washington. \$100,000 will be available in the first round and any unused monies will rollover to subsequent rounds until awarded. There is a maximum of \$50,000 any one ARC designated county applicant may apply for in fiscal year 2017. No ARC designated county may receive more than \$50,000 in fiscal year 2017. The requirements for this grant are as follows: Eligible applicants are political sub-divisions; public non-profits including Port Authorities and Community Improvement Corporations; private sector businesses/industries with job creation/retention as a component of the project; and colleges and universities when projects are private sector driven. Eligibility guidelines are as follows: To be eligible for the grant an applicant must meet the Board approved PROJECT GRANT GUIDELINES. The Foundation will provide grants for up to a maximum of 35% of a total project cost for projects based upon job creation or retention for residents in the traditional tobacco producing counties of Southern Ohio not to exceed the availability of remaining funds. Private sector applicants may only receive the Economic Development Grant twice. A maximum of up to \$10,000 will be awarded for each year-round full-time job created, defined as a minimum of 32 hours per week. No credit will be given for part time (less than 32 hours per week), seasonal, or indirect job creation. A maximum of up to \$10,000 for each full-time job truly retained and it is the applicant's responsibility to prove true job retention. It is the goal of the Foundation to improve the economic base of communities and families by attracting companies with higher paying jobs. Foundation funds may be used for capital improvements, fixed assets or land acquisitions where the end purpose is for manufacturing, distribution, warehousing or health care.

**SOUTHERN OHIO AGRICULTURAL AND COMMUNITY DEVELOPMENT FOUNDATION  
MANAGEMENT'S DISCUSSION & ANALYSIS**

For the Year Ended June 30, 2017  
UNAUDITED

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**ECONOMIC FACTORS (Continued)**

- **Environmental/Water Quality Program:** The Environmental/Water Quality program is offered to producers who were quota owners, quota owner/growers or grower/tenants in any crop year from 1997-2004. Applicants must reside and the project must be located within the 22 counties the Foundation serves. The program is designed to assist producers who need to install fuel/chemical/fertilizer containment systems, heavy use feed pads, access roads, manure storage facilities, etc. The Foundation budgeted \$150,000 for the Environmental/Water Quality program in FY17.

**Investments** – The Board's investment policy was last updated in November 2016. The Board, in concert with recommendations from its investment manager Hartland & Company, has concentrated on more conservative, lower risk fixed income investments. In total, approximately \$7.1 million is in the investment portfolio.

**Future Funding** – Over nine years ago the State of Ohio securitized its future income stream from the Tobacco Master Settlement Agreement for one-time monies. This prematurely ended funding to the Foundation and created critical sustainability issues. The Board has begun a strategic planning process to identify future sources of funding to sustain its efforts.

**CONTACTING THE FOUNDATION'S FINANCIAL MANAGEMENT**

This financial report is designed to provide an overview of the Foundation's finances and its accountability for the money it receives. If you have questions about this report or need additional financial information, contact Don Branson, Executive Director, Southern Ohio Agricultural & Community Development Foundation, 100 South High St., PO Box 47, Hillsboro, Ohio 45133.

**SOUTHERN OHIO AGRICULTURAL AND COMMUNITY DEVELOPMENT FOUNDATION**  
**GOVERNMENTAL FUND BALANCE SHEET / STATEMENT OF NET POSITION**  
As of June 30, 2017

	<b>Special Revenue Fund</b>	<b>Adjustments (See Note 12)</b>	<b>Statement of Net Position</b>
<b>Assets:</b>			
Cash .....	\$ 419,089	\$ —	\$ 419,089
Investments.....	7,191,230	—	7,191,230
Interest Receivable.....	40,518	—	40,518
Settlement Receivable.....	8,704	—	8,704
Collateral on Lent Securities.....	28,118	—	28,118
Other Receivable.....	259	—	259
Capital Assets, net of accumulated depreciation.....	—	15,807	15,807
Amount on Deposit for Compensated Absences.....	3,260	—	3,260
<b>Total Assets.....</b>	<b>7,691,178</b>	<b>15,807</b>	<b>7,706,985</b>
<b>Deferred Outflows of Resources:</b>			
Pension.....	—	126,613	126,613
<b>Total Deferred Outflows of Resources.....</b>	<b>—</b>	<b>126,613</b>	<b>126,613</b>
<b>Liabilities:</b>			
Accounts Payable.....	237,502	—	237,502
Accrued Liabilities.....	12,662	—	12,662
Obligations under Lent Securities.....	28,118	—	28,118
Long-Term Liabilities:			
Due in one year:			
Compensated Absences.....	—	11,522	11,522
Due in more than one year:			
Net Pension Liability.....	—	367,648	367,648
Compensated Absences.....	—	34,357	34,357
<b>Total Liabilities.....</b>	<b>278,282</b>	<b>413,527</b>	<b>691,809</b>
<b>Deferred Inflows of Resources:</b>			
Unavailable Revenue.....	34,190	(34,190)	—
Pension.....	—	17,899	17,899
<b>Total Deferred Inflows of Resources.....</b>	<b>34,190</b>	<b>(16,291)</b>	<b>17,899</b>
<b>Fund Balance/Net Position:</b>			
Restricted - Community and Economic Development	163,312	(163,312)	—
Committed - Community and Economic Development	7,215,394	(7,215,394)	—
<b>Total Fund Balance.....</b>	<b>7,378,706</b>	<b>(7,378,706)</b>	<b>—</b>
<b>Total Liabilities and Fund Balance.....</b>	<b>\$ 7,691,178</b>		
<b>Net Position:</b>			
Net Investment in Capital Assets.....		15,807	15,807
Restricted - Community and Economic Development		163,312	163,312
Unrestricted.....		6,944,771	6,944,771
<b>Total Net Position.....</b>		<b>\$ 7,123,890</b>	<b>\$ 7,123,890</b>

The notes to the financial statements are an integral part of this statement.

**SOUTHERN OHIO AGRICULTURAL AND COMMUNITY DEVELOPMENT FOUNDATION**  
**STATEMENT OF GOVERNMENTAL FUND REVENUES, EXPENDITURES**  
**AND CHANGE IN FUND BALANCE / STATEMENT OF ACTIVITIES**  
For the Year Ended June 30, 2017

	<u>Special Revenue Fund</u>	<u>Adjustments (See Note 12)</u>	<u>Statement of Activities</u>
<b>Revenues:</b>			
Investment Income.....	\$ 83,352	\$ (13,881)	\$ 69,471
Settlement Income.....	6,796	(6,796)	—
<b>Total Revenues.....</b>	<u>90,148</u>	<u>(20,677)</u>	<u>69,471</u>
<b>Expenditures/Expenses:</b>			
Current:			
Salaries and Benefits.....	259,512	57,710	317,222
Purchased Services.....	85,438	—	85,438
Materials, Supplies, and Other.....	48,274	—	48,274
Depreciation.....	—	9,517	9,517
Grants.....	2,557,965	—	2,557,965
<b>Total Expenditures/Expenses.....</b>	<u>2,951,189</u>	<u>67,227</u>	<u>3,018,416</u>
<b>Excess of Revenues Under Expenditures....</b>	(2,861,041)	2,861,041	—
Change in Net Position.....	—	(2,948,945)	(2,948,945)
<b>Fund Balance/Net Position:</b>			
Beginning of the year.....	10,239,747	(166,912)	10,072,835
End of the year.....	<u>\$ 7,378,706</u>	<u>\$ (254,816)</u>	<u>\$ 7,123,890</u>

The notes to the financial statements are an integral part of this statement.



# SOUTHERN OHIO AGRICULTURAL AND COMMUNITY DEVELOPMENT FOUNDATION

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2017

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### 1. DESCRIPTION OF THE REPORTING ENTITY

#### Introduction

The Southern Ohio Agricultural and Community Development Foundation (the Foundation) was created by amended Senate Bill No. 192, effective June 2000, to "...endeavor to replace the production of tobacco in southern Ohio with the production of other agricultural products and to mitigate the adverse economic impact of reduced tobacco production in the region by preparing, implementing, and keeping current a plan to develop means for tobacco growers to grow other agricultural products voluntarily..." The Bill further describes a variety of means by which the Foundation is to develop its plan and carry out its charge.

Pursuant to its legislative mandate, the Foundation's Board is created in Ohio Rev. Code Section 183.12 and is enabled through Ohio Rev. Code Sections 183.11 to 183.17, inclusive. The Foundation's Board is composed of twelve voting members and four nonvoting members as set forth in Section 183.12 of the Ohio Rev. Code. Voting members include six active farmers and two persons with community development experience, all from Ohio's major tobacco growing counties, and four state officials sitting ex officio.

#### Method of Operation

The Foundation shall make grants or loans to individuals, public agencies, or privately owned companies to carry out the plan. The Foundation shall also adopt rules under Chapter 119 of the Ohio Rev. Code regarding conflicts of interest in the making of grants or loans.

Upon inception of the Foundation, a separate endowment fund was created in the custody of the Treasurer of State, but not part of the State Treasury, to carry out the duties of the Foundation. The Foundation was the trustee of the endowment fund. Disbursements from the fund were paid by the Treasurer of State only upon instruments duly authorized by the Board of Trustees of the Foundation or its designee.

The endowment fund was responsible for covering administrative expenditures such as staff salaries, equipment purchases, rental payments and program expenses. As a result of the legislation defining the Foundation's employees as state employees, the State established an appropriation to provide payroll for the Foundation, which is reimbursed by the Foundation's endowment fund.

At the request of the Foundation, the Treasurer of State shall select and contract with one or more investment managers to invest all money credited to the fund that is not currently needed for carrying out the functions of the Foundation. The eligible list of investments, as well as limitations and other requirements shall be the same as for the Public Employees Retirement System under Section 145.11 of the Revised Code.

#### Reporting Entity

Within the State of Ohio's Comprehensive Annual Financial Report, the Southern Ohio Agricultural and Community Development Foundation is included as part of the primary government. The Foundation's management believes these financial statements present all activities for which the Foundation is financially responsible.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the Southern Ohio Agricultural and Community Development Foundation present the financial position and results of operations of the Foundation. The financial statements conform with accounting principles generally accepted in the United States of America as applied to governments. The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing governmental accounting and financial reporting principles. The GASB's Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification) documents these principles.

# SOUTHERN OHIO AGRICULTURAL AND COMMUNITY DEVELOPMENT FOUNDATION

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2017

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Foundation follows GASB Statement No. 34 "*Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments.*" Under GASB Statement No. 34 the financial statements include separate Statement of Net Position and Statement of Activities columns reporting the financial activities using the accrual basis of accounting, in addition to the Governmental Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balance columns reporting the financial activities using the modified accrual basis of accounting. The Foundation's other significant accounting policies are as follows.

#### A. Fund Accounting

The Foundation uses a governmental fund to report its financial position and results of operations. The fund is an independent fiscal and accounting entity with a self-balancing set of accounts. The fund is established to account for all activity of the Foundation.

#### B. Measurement Focus and Basis of Presentation

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets, current liabilities, and certain deferred inflows of resources generally are included on the balance sheet. Operating statements of these funds present increases (e.g., revenues) and decreases (e.g., expenditures) in net current assets, and unassigned fund balance is a measure of available expendable resources. This measurement focus has been applied to the Governmental Fund Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balance columns on the accompanying financial statements.

The "Statement of Net Position" and "Statement of Activities" columns on the accompanying financial statements have been prepared using the economic resources measurement focus. This is the same approach used in the preparation of proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. The financial statements therefore present an adjustment column to identify reconciling items to arrive at the "Statement of Net Position" and the "Statement of Activities" columns.

#### C. Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. The Governmental Fund Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balance columns on the accompanying financial statements were prepared using the modified accrual basis of accounting. Under the modified accrual basis of accounting, the Foundation recognizes revenues when susceptible to accrual (i.e., when they are "measurable and available"). "Measurable" means the amount of the transaction is determinable, and "available" means the amount is collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Foundation considers revenues as available when collected within 60 days after year-end.

Under the modified accrual basis, expenditures are recorded when related fund liabilities are incurred, which are recognized as expenditures when due. Significant revenue sources susceptible to accrual under the modified accrual basis of accounting may include interest income.

The "Statement of Net Position" and the "Statement of Activities" columns on the accompanying financial statements were prepared using the accrual basis of accounting. Under the accrual basis of accounting, expenses are recorded at the time they are incurred and revenues are recognized when measurable.

**SOUTHERN OHIO AGRICULTURAL AND COMMUNITY DEVELOPMENT FOUNDATION**

**NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended June 30, 2017

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Budgetary Data**

The majority of the Foundation's assets are maintained in unappropriated accounts requiring no budgetary monitoring or reporting. The remaining assets of the Foundation are maintained in a governmental fund within the Ohio Administrative Knowledge System (OAKS), OAKS Funds 5M90. Although appropriated, OAKS Fund 5M90 is not a major fund, and therefore, budgetary reporting is not required.

**E. Cash**

Cash of the Foundation includes amounts held in a custodial account with the Treasurer of State, OAKS Fund 5M90 and petty cash.

**F. Investments**

Investments of the Foundation are reported at fair value. Fair value is the price that would be received in an orderly transaction between market participants at the measurement date. Fair value is a market-based measurement, not an entity-specific measurement. If quoted market price is available for an investment, the fair value to be used is the total number of trading units of the instrument times the market price per unit.

Ohio Revised Code Section 183.16 restricts the types of investments the Foundation may purchase to those types of investments permitted for the public employees retirement system under section 145.11 of the Ohio Revised Code. All investments shall be subject to the same limitations and requirements as the retirement system under that section and Sections 145.112 and 145.113 of the Ohio Revised Code.

During fiscal year 2017, the Foundation invested in the State Treasury Asset Reserve of Ohio (STAR Ohio). STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The City measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides a NAV per share that approximates fair value.

For the fiscal year 2017, there were no limitation or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$50 million, requiring the excess amount to be transacted the following business day(s), but only to the \$50 million limit. All accounts of the participant will be combined for these purposes.

**G. Securities Lending Transactions**

GASB Statement No. 28, *Accounting and Financial Reporting for Securities Lending Transactions*, requires disclosure of assets and liabilities arising from securities lending transactions. The Foundation's investments with the State's cash and investment pool are subject to lending transactions by the Treasurer of State. In accordance with paragraph 9 of GASB Statement No. 28, the Foundation's recording of assets and liabilities for securities lending transactions is based on their share of the cash and investment pool, as of the balance sheet date, as calculated by the Office of Budget and Management.

**SOUTHERN OHIO AGRICULTURAL AND COMMUNITY DEVELOPMENT FOUNDATION**

**NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended June 30, 2017

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**H. Capital Assets and Depreciation**

It is the Foundation's policy to capitalize all assets with an initial cost of \$1,000 or more. Capital assets are reported in the "Statement of Net Position" column, but are not reported in the "Balance Sheet" column on the accompanying Governmental Fund Balance Sheet/Statement of Net Position. All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year.

All reported capital assets of the Foundation are depreciated. Depreciation is computed using the straight-line method of depreciation over the applicable useful life of the asset and commences the year after the asset is purchased. The useful life for each asset category noted in Note 5 is 5 years.

**I. Revenues and Receivables**

The Foundation recognizes realized and unrealized gains and losses, as well as interest and dividend income, from investments with STAR Ohio and Boyd Watterson. The net of these gains and losses and interest and dividend income is reported as investment income on the Foundation's Statement of Revenues, Expenditures, and Changes in Fund Balances/Statement of Activities. In fiscal year 2017, the Foundation's investment income was \$69,471.

The Foundation records Interest Receivable on fixed income securities.

**J. Administrative Expenditures and Accounts Payable**

Administrative expenditures include operating and overhead items such as salaries and benefits, equipment purchases, and other miscellaneous expenditures.

**K. Self-Insurance and Accrued Liabilities**

The State of Ohio serves as the Foundation's primary government and is self-insured for claims covered under its traditional healthcare, vehicle liability, public fidelity blanket bonds, property losses, and tort liability insurance plans. Additionally, the State of Ohio participates in a public entity risk pool that covers liabilities associated with claims submitted to the Bureau of Workers' Compensation.

The Foundation's share of the self-insurance plans' net deficit is reported as Accrued Liabilities.

**L. Compensated Absences**

The State of Ohio, which governs employee leave benefits and policies, pays compensation to separated employees for sick, vacation, and personal leave balances accumulated during the employee's term of service. The Foundation's compensated absences liability is calculated and reported in accordance with the guidance set forth in GASB Statement No. 16, *Accounting for Compensated Absences*.

**M. Deferred Outflows/Inflows of Resources**

In addition to assets, the statements of financial position 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 will not be recognized as an outflow of resources (expense/expenditure) until then. For the Foundation, deferred outflows of resources are reported on the statement of net position for pensions (see Note 7).

**SOUTHERN OHIO AGRICULTURAL AND COMMUNITY DEVELOPMENT FOUNDATION**

**NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended June 30, 2017

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the Foundation, deferred inflows of resources include unavailable revenue and pensions. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the availability period. For the Foundation, unavailable revenue includes interest income. This amount is deferred and recognized as an inflow of resources in the period the amount become available. Deferred inflows of resources related to pensions are reported on the government-wide statement of net position (See Note 7).

**N. Fund Balance/Net Position**

In accordance with GASB Statement No. 54, *Fund Balance Reporting*, the Foundation classifies its fund balance based on the purpose for which the resources were received and the level of constraint placed on the resources. The Foundation may use the following categories:

Nonspendable – resources that cannot be spent because they are either (a) not in spendable form; or (b) legally or contractually required to be maintained intact.

Restricted – resources with constraints that are either (a) externally imposed by creditors (such as through debt covenants), grantors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed – resources with constraints imposed by formal action (House or Senate Bill) of the Foundation's highest level of decision making authority (State Legislature/Controlling Board).

Assigned – resources that are constrained by the Foundation's intent to be used for specific purposes, but are neither restricted nor committed. Intent should be expressed by (a) the Foundation Board itself; or (b) a body or official to which the Board has delegated the authority to assign amounts to be used for specific purposes. The Foundation has not adopted a policy delegating the authority to assign amounts to be used for specific purposes.

In accordance with GASB Statements No. 34 and No. 46, net position will be reported as unrestricted, except for the amount restricted for indemnification payments. The Foundation applies restricted resources first when an expense is incurred for purposes which both restricted and unrestricted net position/fund balance is available. The Foundation considers committed and assigned balances, respectively, to be spent when expenditures are incurred for purposes for which any of the unrestricted fund balance classifications could be used.

**O. 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 Ohio Public Employees Retirement System (OPERS) and additions to/deductions from the OPERS fiduciary net position have been determined on the same basis as they are reported by the OPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

# SOUTHERN OHIO AGRICULTURAL AND COMMUNITY DEVELOPMENT FOUNDATION

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2017

### 3. DEPOSITS AND INVESTMENTS

**Deposits** - At fiscal year end, the carrying amount of the Foundation's deposits was \$422,149 and the bank balance was the same. Of the bank balance, \$102,881 was held on deposit by the State of Ohio and \$319,268 was maintained in a custodial account held by the Treasurer of State. In addition to these deposits, the Foundation maintained a petty cash account totaling \$200.

**Investments** - At fiscal year end, the fair values of investments were as follows:

Investment Type	Fair Value
U.S. Government Obligations	\$ 1,053,615
U.S. Government Agency Obligations	1,380,645
Corporate Bonds and Notes	3,994,722
Money Market Funds	710,806
STAR Ohio	51,442
Total Investments	\$ 7,191,230

The Foundation categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. All of the Foundation's investments are valued using Level 2 inputs.

**Custodial Credit Risk** – Custodial credit risk is the risk that, in the event of a failure of a depository institution or counterparty to a transaction, the Foundation will be unable to recover the value of deposits, investments, or collateral securities in the possession of an outside party. At June 30, 2017, the Foundation's deposits and investments, including the collateral on lent securities, had no exposure to custodial credit risk. The Foundation does not have a policy to limit custodial credit risk.

**Foreign Currency Risk** – Foreign currency risk is the risk that changes in exchange rates between the U.S. Dollar and foreign currencies could adversely affect an investment's fair value. Pursuant to the Foundation's investment policy, investment managers are prohibited from purchasing foreign securities, with the exception of American Depository Receipts. The Foundation had no exposure to foreign currency risk at fiscal year-end.

**Credit Risk** – Credit risk is the risk that an issuer or counterparty to an investment will be unable to fulfill its obligations. Pursuant to the Foundation's investment policy, domestic fixed income investment managers must adhere to the following guidelines: (1) mortgage-backed and asset-backed securities not issued by an agency of the Federal Government must be rated A or better by a Nationally Recognized Statistical Rating Organization (NRSRO); (2) the average quality rating of the fixed income portfolio shall be AA or better by a NRSRO; and (3) only corporate debt issues that hold a rating in one of the four highest classifications by a NRSRO may be purchased.

**SOUTHERN OHIO AGRICULTURAL AND COMMUNITY DEVELOPMENT FOUNDATION**

**NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended June 30, 2017

**3. DEPOSITS AND INVESTMENTS (Continued)**

At fiscal year-end, the Foundation's exposure to credit risk was as follows:

Quality Rating	STAR Ohio	Federal Agency Obligations	Corporate Bonds/Notes	Federal Government Obligations	Money Market Funds	Total
AAA	\$ 51,442	\$ 1,380,645	\$ -	\$ 1,053,615	\$ 710,806	\$ 3,196,508
AA	-	-	540,603	-	-	540,603
A	-	-	2,155,976	-	-	2,155,976
BBB	-	-	1,298,143	-	-	1,298,143
Total	<u>\$ 51,442</u>	<u>\$ 1,380,645</u>	<u>\$ 3,994,722</u>	<u>\$ 1,053,615</u>	<u>\$ 710,806</u>	<u>\$ 7,191,230</u>

**Interest Rate Risk** – Interest rate risk is the risk that an interest rate change could adversely affect an investment's fair value. The Foundation does not have a policy to limit interest rate risk.

The reporting of effective duration in the table below quantifies, to the fullest extent possible, the interest rate risk of the Foundation's fixed income assets at fiscal year-end.

Investment Type	Investment Maturities (in years)				Total Fair Value
	Less than 1	1-5	6-10	More than 10	
U.S. Government Obligations	\$ 1,053,615	\$ -	\$ -	\$ -	\$ 1,053,615
U.S Government Agency Obligations	1,371,815	-	-	8,830	1,380,645
Corporate Bonds and Notes	3,994,722	-	-	-	3,994,722
STAR Ohio	51,442	-	-	-	51,442
Money Market Funds	710,806	-	-	-	710,806
Total Investments	<u>\$ 7,182,400</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,830</u>	<u>\$ 7,191,230</u>

**Concentration of Credit Risk** – Concentration of credit risk is the risk of inability to recover the value of deposits, investments, or collateral securities in the possession of an outside party caused by a lack of diversification. Investment managers are expected to maintain diversified portfolios by sector and issuer. Pursuant to the Foundation's investment policy, investment managers can invest no more than five percent of the total market value of the domestic equity portfolio in any single company and no more than five percent of the total market value of the fixed income portfolio in the securities of any one issuer, other than direct issues of the U.S. Treasury, U.S. Government Agencies or Instrumentalities including Mortgage Backed Securities and their derivative products.

**SOUTHERN OHIO AGRICULTURAL AND COMMUNITY DEVELOPMENT FOUNDATION**

**NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended June 30, 2017

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**3. DEPOSITS AND INVESTMENTS (Continued)**

At fiscal year-end, the Foundation's exposure to concentration of credit risk was as follows:

Investment Type/Issuer	Fair Value	Concentration Percentage
U.S Government Agency Obligations - Fannie Mae	\$ 766,872	11%
U.S Government Agency Obligations - Freddie Mac	613,773	9%
Money Market Funds	710,806	10%

**4. SECURITIES LENDING TRANSACTIONS**

The Foundation, through the Treasurer of State's Investment Department, participates in a securities lending program for securities included in the "Equity in State of Ohio common cash and investments" and STAR Ohio accounts. These lending programs, authorized under Sections 135.143, 135.45 and 135.47, Ohio Revised Code, are administered by custodial agent banks, whereby certain securities are transferred to independent broker-dealers (borrowers) in exchange for collateral. The State has minimized its exposure to credit risk due to borrower default by requiring the custodial agent to ensure that the lent securities are collateralized at no less than 102 percent of the market value at the time of the loan. Furthermore, at no point in time can the value of the collateral be less than 100 percent of the value of the underlying securities on loan. The market value of the loaned securities shall not represent more than fifty percent of the Total Average Portfolio (TAP). The TAP is equal to the average month-end market value of all marketable securities in the portfolio for the prior twelve-month period.

During the fiscal year, the State funds lending program lent Corporate Bonds and Notes, U.S. government obligations (excluding strips) and U.S. government agency obligations (excluding strips) in exchange for collateral consisting of cash. The State cannot sell securities received as collateral unless the borrower defaults. At fiscal year-end, the collateral the State had received for securities lent consisted entirely of cash. For State funds, the weighted average maturity of all loans was 6.47 days, while the weighted average maturity of all collateral was 32.04 days. The STAR Ohio lending program had no lent securities at fiscal year-end.

For State funds, the securities lending agent shall indemnify the Treasurer of State for any losses resulting from either the default of the borrower or any violations of the securities lending policy. For the STAR Ohio program, the agent agrees to indemnify the Treasurer for losses resulting from the failure of the borrower to return the loaned securities in accordance with the terms of the loan agreement, provided, however, that the agent's obligation to indemnify the Treasurer shall be limited to an indemnification amount equal to the difference between the market value of the loaned securities on the date that such loaned securities should have been returned to the agent and the greater of (1) the cash collateral received from the borrower or (2) the value of investments of collateral. There were no recoveries during the fiscal year due to prior-period losses.

For the State funds lending program, since the lender owes the borrower more than the borrower owes the lender, there is no credit risk to the lender as of fiscal year-end. The State's Office of Budget and Management allocates the State's pooled cash collateral to various funds within the State's Accounting System (OAKS) based on cash balances at fiscal year-end. The Foundation's Allocated Collateral on Lent Securities and related Allocated Obligations Under Securities Lending as of fiscal year-end was \$28,118.



**SOUTHERN OHIO AGRICULTURAL AND COMMUNITY DEVELOPMENT FOUNDATION**

**NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended June 30, 2017

**5. CAPITAL ASSETS**

A summary of capital asset activity during the fiscal year follows:

<b>Asset Category</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Deletions</b>	<b>Ending Balance</b>
Equipment	\$ 23,111	\$ -	\$ -	\$ 23,111
Vehicles	36,953	-	-	36,953
Subtotal	<u>60,064</u>	<u>-</u>	<u>-</u>	<u>60,064</u>
<i>Accumulated Depreciation:</i>				
Equipment	(20,161)	(2,127)	-	(22,288)
Vehicles	(14,579)	(7,390)	-	(21,969)
Subtotal	<u>(34,740)</u>	<u>(9,517)</u>	<u>-</u>	<u>(44,257)</u>
Net Capital Assets	<u>\$ 25,324</u>	<u>\$ (9,517)</u>	<u>\$ -</u>	<u>\$ 15,807</u>

**6. LONG-TERM LIABILITIES**

Changes in long-term liabilities for the year ended June 30, 2017, are as follows:

	<b>Beginning Balance</b>	<b>Increase</b>	<b>Decrease</b>	<b>Ending Balance</b>	<b>Amount Due in One Year</b>
Compensated Absences	\$ 38,742	\$ 25,546	\$ (18,409)	\$ 45,879	\$ 11,522
Net Pension Liability	312,476	55,172	-	367,648	-
Total	<u>\$ 351,218</u>	<u>\$ 80,718</u>	<u>\$ (18,409)</u>	<u>\$ 413,527</u>	<u>\$ 11,522</u>

For the purpose of calculating the compensated absences liability, vacation, personal, sick, and compensatory leaves only are considered. The current portion of the liability consists of the amount of compensated absences that is due to be paid within one year of the balance sheet date, as estimated by analyzing data from the previous fiscal year.

# SOUTHERN OHIO AGRICULTURAL AND COMMUNITY DEVELOPMENT FOUNDATION

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2017

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### 7. DEFINED BENEFIT PENSION PLANS

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 Foundation'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 Foundation's obligation for this liability to annually required payments. The Foundation cannot control benefit terms or the manner in which pensions are financed; however, the Foundation 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 plans 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 would be included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting. The Foundation had no such liability at fiscal year-end.

#### **Plan Description**

Foundation 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. Foundation employees) may elect the member-directed plan and the combined plan, all employee members are in OPERS' traditional plan; therefore, the following disclosure focuses on the traditional pension 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):

**SOUTHERN OHIO AGRICULTURAL AND COMMUNITY DEVELOPMENT FOUNDATION**

**NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended June 30, 2017

**7. DEFINED BENEFIT PENSION PLANS (Continued)**

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

**2016 Statutory Maximum Contribution Rates**

Employer	14.0 %
Employee	10.0 %

**2016 Actual Contribution Rates**

Employer:	
Pension	12.0 %
Post-employment Health Care Benefits	<u>2.0</u>
Total Employer	<u>14.0 %</u>
Employee	<u>10.0 %</u>

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Foundation's contractually required pension contribution for fiscal year 2017 was \$23,706.

**SOUTHERN OHIO AGRICULTURAL AND COMMUNITY DEVELOPMENT FOUNDATION**

**NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended June 30, 2017

**7. DEFINED BENEFIT PENSION PLANS (Continued)**

***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, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Foundation's proportion of the net pension liability was based on the Foundation'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	\$ 367,648
2016 Proportion of the Net Pension Liability	0.001619%
2015 Proportion of the Net Pension Liability	0.001804%
2016 Change in Proportionate Share	<u>-0.000185%</u>
Pension Expense	\$ 61,953

At June 30, 2017, the Foundation reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**Deferred Outflows of Resources**

Differences between expected and actual experience	\$ 498
Changes of assumptions	58,313
Net difference between projected and actual earnings on pension plan investments	54,751
Changes in proportionate share	1,671
Foundation contributions subsequent to the measurement date	<u>11,380</u>
Total Deferred Outflows of Resources	<u>\$ 126,613</u>

**Deferred Inflows of Resources**

Differences between expected and actual experience	\$ 2,188
Change in proportionate share	<u>15,711</u>
Total Deferred Inflows of Resources	<u>\$ 17,899</u>

\$11,380 reported as deferred outflows of resources related to pension resulting from Foundation contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal Year Ending June 30:	Amount
2018	\$ 39,839
2019	40,285
2020	18,816
2021	<u>(1,606)</u>
Total	<u>\$ 97,334</u>

SOUTHERN OHIO AGRICULTURAL AND COMMUNITY DEVELOPMENT FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2017

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7. DEFINED BENEFIT PENSION PLANS (Continued)

**Actuarial Assumptions - OPERS**

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, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation at 3.25 percent
COLA or Ad Hoc COLA	Pre-1/7/13 Retirees: 3 percent, simple; Post-1/7/13 Retirees: 3 percent, simple through 2018, then 2.15 percent simple
Investment Rate of Return	7.50 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, 2015.

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 8.3 percent for 2016.

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 2016 and the long-term expected real rates of return:

**SOUTHERN OHIO AGRICULTURAL AND COMMUNITY DEVELOPMENT FOUNDATION**

**NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended June 30, 2017

**7. DEFINED BENEFIT PENSION PLANS (Continued)**

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	23.00 %	2.75 %
Domestic Equities	20.70	6.34
Real Estate	10.00	4.75
Private Equity	10.00	8.97
International Equities	18.30	7.95
Other investments	18.00	4.92
Total	100.00 %	5.66 %

**Discount Rate** The discount rate used to measure the total pension liability was 7.5 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 Foundation's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** The following table presents the Foundation's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.5 percent, as well as what the Foundation's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.5 percent) or one-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Foundation's proportionate share of the net pension liability	\$ 561,663	\$ 367,648	\$ 205,969

# SOUTHERN OHIO AGRICULTURAL AND COMMUNITY DEVELOPMENT FOUNDATION

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2017

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### 8. OTHER POST-EMPLOYMENT BENEFITS

#### Plan Description

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

In March 2016, OPERS received two favorable rulings from the Internal Revenue Service (IRS) allowing OPERS to consolidate all health care assets into the OPERS 115 Health Care Trust. Transition to the new health care trust structure was completed July 1, 2016. As of December 31, 2016, OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the Traditional Pension and the Combined plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including OPERS sponsored health care coverage. OPERS funds a Retiree Medical Account (RMA) for participants in the Member-Directed Plan. At retirement or refund, participants can be reimbursed for qualified medical expenses from their vested RMA balance.

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 20 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. Please see the Plan Statement in the OPERS 2016 CAFR for details.

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. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml#CAFR>, by writing OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 1-800-222-7377.

#### Funding Policy

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

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In fiscal year 2017, the Foundation contributed at a rate of 14 percent of earnable salary. The Ohio Revised Code currently limits the employer contribution rate not to exceed 14 percent of covered payroll. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.0% during calendar year 2016. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2017 decreased to 1.0% for both plans. The OPERS Board 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 employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2016 was 4.0%.

In fiscal year 2017, the Foundation's required contributions to OPERS totaled \$26,548. Of this amount, \$2,844 was allocated to fund health care. The portion of the Foundation's fiscal year 2016 and 2015 contributions that were allocated to fund health care plan were \$4,561 and \$4,434, respectively.

**SOUTHERN OHIO AGRICULTURAL AND COMMUNITY DEVELOPMENT FOUNDATION**

**NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended June 30, 2017

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**9. LEASES**

The Foundation has entered into an operating lease for office space. The current lease agreement commenced on July 1, 2015 and ended on June 30, 2017 at an annual rate of \$21,747. According to the Foundation's lease agreement for office space, provided the Foundation is in compliance with the existing terms of the contract, the Foundation has the option to renew the lease for up to three successive and continuous terms of two years each upon the same terms and conditions except that the base rent during said renewal terms will be negotiated in good faith by both parties. In March 2017, the Foundation renewed the lease for the same annual rate for another two years. Leased properties not having elements of ownership are classified as operating leases and likewise are recorded as expenditures when payable.

For fiscal year 2017, total operating lease expenses for the office space was \$21,747. The following schedule details future lease payments of the Foundation.

<u>Term</u>	<u>Office Space</u>
Fiscal year 2018	\$ 21,747
Fiscal year 2019	\$ 21,747

**10. CONTINGENCIES**

As of June 30, 2017, the Foundation's management, in consultation with the Ohio Attorney General's Office was unaware of any pending litigation which could result in a material unfavorable outcome requiring amounts to be reported or disclosed in the Foundation's financial statements.

**11. SETTLEMENT RECEIVABLE**

On August 17, 2015, a consent judgment was entered in favor of the Foundation whereas Spine Center Chiropractic agreed to damages in the amount of \$60,000. Spine Center Chiropractic was required to pay \$5,000 by September 15, 2015, \$500 per month the 15<sup>th</sup> of each month beginning September 2015 and continuing for 29 consecutive months, thereafter, and \$5,000 before February 15, 2018 for a total amount paid of \$25,000.

If Spine Center Chiropractic makes all payments on time the Judgment shall be considered satisfied. If, however, Spine Center Chiropractic fails to make or is late in making any of the payments, a Judgment shall be entered against Spine Center Chiropractic in the full amount of \$60,000 (minus any payments already made) which will become immediately due and payable. As of fiscal year-end, Spine Center Chiropractic was current with monthly payments.



**SOUTHERN OHIO AGRICULTURAL AND COMMUNITY DEVELOPMENT FOUNDATION**

**NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended June 30, 2017

**12. EXPLANATION OF ADJUSTMENTS**

The following is a detailed description of the amounts included in the "Adjustments" column of the accompanying financial statements:

**Governmental Fund Balance Sheet/Statement of Net Position**

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the Special Revenue Fund column; however, capital assets are reported in the Statement of Net Position column	\$15,807
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Receivables that are not available to pay for current period expenditures are unavailable in the Special Revenue Fund column	
Accrued Interest	(\$26,486)
Settlement	(\$7,704)

Long-term liabilities, such as net pension liability and compensated absences, are not due and payable in the current period and, therefore, are not reported in the Special Revenue Fund column. However, long-term liabilities are reported in the Statement of Net Position column.	
Compensated Absences	\$45,879
Net Pension Liability	\$367,648

Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.

Deferred Outflow of Resources – Pension Plan Experience	\$498
Deferred Outflow of Resources – Pension Plan Investments	\$54,751
Deferred Outflow of Resources – Pension Plan Change of Assumptions	\$58,313
Deferred Outflow of Resources – Employer Contributions	\$11,380
Deferred Outflow of Resources – Change in Proportionate Share	\$1,671
Deferred Inflow of Resources – Pension Plan Experience	\$2,188
Deferred Inflow of Resources – Change in Proportionate Share	\$15,711

**Statement of Revenues, Expenditures, and Change in Fund Balance/Statement of Activities**

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the Special Revenue Fund column.	(\$20,677)
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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. No depreciation expense is recorded in the Special Revenue Fund column.	
Depreciation	\$9,517

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the Special Revenue Fund column.	
Compensated Absences	\$7,137

Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.	
Pension Expense	\$61,953
Pension Contributions	(\$11,380)

**SOUTHERN OHIO AGRICULTURAL AND COMMUNITY DEVELOPMENT FOUNDATION**

**NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended June 30, 2017

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**13. CHANGE IN ACCOUNTING PRINCIPLES/ACCOUNTABILITY**

For fiscal year 2017, the Foundation has implemented the following:

GASB Statement No. 73, "*Accounting and Financial Reporting for Pension and Related Assets that are not within the scope of GASB 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*". The implementation of this statement did not have an effect on the financial statements of the Foundation.

GASB Statement No. 74, "*Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*". The implementation of this statement did not have an effect on the financial statements of the Foundation.

GASB Statement No. 77, "*Tax Abatement Disclosures*" which improves disclosure of tax abatement information, such as how the tax abatements affect their financial statements and operations and the government's ability to raise resources in the future, by reporting (1) the government's own tax abatement agreements; and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues. The implementation of this statement did not have an effect on the financial statements of the Foundation.

GASB Statement No. 78, "*Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*", which amended the scope and applicability of GASB Statement No. 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer. The implementation of this statement did not have an effect on the financial statements of the Foundation.

GASB Statement No. 79, "*Certain External Investment Pools and Pool Participants*" which establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. The implementation of this statement did not have a significant effect on the financial statements of the Foundation.

GASB Statement No. 80, "*Blending Requirements for Certain Component Units – and amendment of GASB Statement No. 14*". The implementation of this statement did not have an effect on the financial statements of the Foundation.

GASB Statement No. 82, "*Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73*". The implementation of this statement did not have an effect on the financial statements of the Foundation.

**SOUTHERN OHIO AGRICULTURAL AND COMMUNITY DEVELOPMENT FOUNDATION  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
 OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM**

**AS OF THE CURRENT MEASUREMENT DATE FOR THE LAST FOUR YEARS (1)**

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Proportion of the net pension liability	0.001619%	0.001804%	0.001765%	0.001765%
Proportionate share of the net pension liability	\$ 367,648	\$ 312,476	\$ 212,879	\$ 208,071
Covered-employee payroll	\$ 209,246	\$ 224,558	\$ 211,851	\$ 232,914
Proportionate share of the net pension liability as a percentage of covered-employee payroll	175.70%	139.15%	100.49%	89.33%
Plan fiduciary net position as a percentage of the total pension liability	77.25%	81.08%	86.45%	86.36%

(1) Information prior to 2013 is not available.

Amounts presented as of the Foundation's measurement date, which is December 31.

**SOUTHERN OHIO AGRICULTURAL AND COMMUNITY DEVELOPMENT FOUNDATION  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF EMPLOYER CONTRIBUTIONS  
 OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM**

**LAST TEN FISCAL YEARS**

	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
Contractually required contribution	\$ 23,706	\$ 27,366	\$ 26,053	\$ 25,824	\$ 29,812	\$ 28,797	\$ 27,536	\$ 23,295	\$ 20,798	\$ 23,224
Contributions in relation to the contractually required contribution	\$ 23,706	\$ 27,366	\$ 26,053	\$ 25,824	\$ 29,812	\$ 28,797	\$ 27,536	\$ 23,295	\$ 20,798	\$ 23,224
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 189,648	\$ 228,050	\$ 217,108	\$ 206,593	\$ 259,236	\$ 303,121	\$ 314,700	\$ 300,586	\$ 297,107	\$ 294,536
Contributions as a percentage of covered-employee payroll	12.50%	12.00%	12.00%	12.50%	11.50%	9.50%	8.75%	7.75%	7.00%	7.89%

**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

Southern Ohio Agricultural and Community Development Foundation  
100 South High Street, PO Box 47  
Hillsboro, Ohio 45133

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 and the special revenue fund of the Southern Ohio Agricultural and Community Development Foundation, (the Foundation), a department of the State of Ohio, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Foundation's basic financial statements, and have issued our report thereon dated September 20, 2017.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Foundation'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 Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation'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 Foundation'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 Foundation'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 Foundation'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 Foundation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Robyn Roush, CPA, CITP, Vice-President/Owner  
Millhuff-Stang, CPA, Inc.  
Chillicothe, Ohio  
September 20, 2017



# Dave Yost • Auditor of State

**SOUTHERN OHIO AGRICULTURAL AND COMMUNITY DEVELOPMENT FOUNDATION**

**HIGHLAND 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  
NOVEMBER 28, 2017**