

Southern Ohio Growth Partnership, Inc. and Affiliates

Scioto County

Single Audit

January 1, 2001 Through December 31, 2001

Fiscal Year Audited Under GAGAS: 2001

BALESTRA & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS
528 S. WEST STREET, P.O. Box 687
PIKETON, OHIO 45661

TELEPHONE (740) 289-4131

FAX (740) 289-3639

E-MAIL-mbalcpa@bright.net



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

35 North Fourth Street, 1st Floor
Columbus, Ohio 43215
Telephone 614-466-4514
800-282-0370
Facsimile 614-728-7398
www.auditor.state.oh.us

Board of Trustees
Southern Ohio Growth Partnership, Inc. & Affiliates
324 Chillicothe Street
Portsmouth, Ohio 45662

We have reviewed the Independent Auditor's Report of the Southern Ohio Growth Partnership, Inc. & Affiliates, Scioto County, prepared by Balestra & Company, for the audit period January 1, 2001 through December 31, 2001. 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 Growth Partnership, Inc. & Affiliates is responsible for compliance with these laws and regulations.

A handwritten signature in black ink, appearing to read "Jim Petro".

JIM PETRO
Auditor of State

September 16, 2002

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SOUTHERN OHIO GROWTH PARTNERSHIP, INC. AND AFFILIATES
SCIOTO COUNTY

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BALESTRA & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

528 South West Street, P.O. Box 687

Piketon, Ohio 45661

Telephone (740) 289-4131

Fax (740) 289-3639 E-Mail: mbalcpa@bright.net

Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants

Board of Trustees
Southern Ohio Growth Partnership, Inc. and Affiliates
324 Chillicothe Street
Portsmouth, Ohio 45662

Independent Auditors' Report

We have audited the accompanying statement of financial position of the Southern Ohio Growth Partnership, Inc. and Affiliates, Scioto County, as of December 31, 2001, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Southern Ohio Growth Partnership, Inc. and Affiliate's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Southern Ohio Growth Partnership, Inc. and Affiliates, as of December 31, 2001, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have issued our report dated July 30, 2002 on our consideration of the Southern Ohio Growth Partnership, Inc. and Affiliate's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying schedule of federal awards expenditures is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Balestra & Company

Balestra & Company

July 30, 2002

SOUTHERN OHIO GROWTH PARTNERSHIP, INC. AND AFFILIATES
SCIOTO COUNTY

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2001

Assets:

Current Assets:

| | |
|----------------------|----------------|
| Cash | \$ 499,601 |
| Accounts Receivable | 2,969 |
| Loans Receivable | <u>258,955</u> |
| Total Current Assets | 761,525 |

| | |
|---------------------------------|---------------|
| Long-Term Loans Receivable | 1,884,174 |
| Net Property, Plant & Equipment | <u>75,769</u> |

Total assets \$2,721,468

Liabilities and Net Assets:

Current Liabilities:

| | |
|---------------------------------------|----------------|
| Accounts Payable and Accrued Expenses | \$ 20,732 |
| Customer Deposits | 1,000 |
| Notes Payable | 94,042 |
| Deferred Income | <u>126,251</u> |
| Total Current Liabilities | 242,025 |

Long-Term Notes Payable 2,195,710

Total Liabilities 2,437,735

Net Assets:

| | |
|------------------------|----------------|
| Unrestricted | (214,628) |
| Temporarily Restricted | <u>498,361</u> |

Total Net Assets 283,733

Total Liabilities and Net Assets \$2,721,468

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

SOUTHERN OHIO GROWTH PARTNERSHIP, INC. AND AFFILIATES
SCIOTO COUNTY

CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2001

| | |
|--|-------------------|
| Changes in Unrestricted Net Assets: | |
| Unrestricted Revenue: | |
| Contributions | \$ 39,500 |
| Rent | 3,900 |
| Fees | 380,925 |
| Dues | 82,764 |
| Interest | 108 |
| Miscellaneous | <u>33,853</u> |
| Total Unrestricted Revenue | 541,050 |
| Net Assets Released from Program Restrictions: | |
| Satisfaction of Program Restrictions | <u>41,539</u> |
| Total Unrestricted Revenue and Other Support | <u>582,589</u> |
| Expenses: | |
| Greater Portsmouth Growth Corporation | 196,055 |
| Portsmouth Area Chamber of Commerce | 129,774 |
| Retail Merchants Association | 32,476 |
| Intermediary Relending Program III | 1,321 |
| Intermediary Relending Program II | 24,047 |
| Intermediary Relending Program I | 22,519 |
| USDA Seed | 66 |
| Enterprise Community/Empowerment Zone | 206 |
| General and Administration Expenses | <u>225,595</u> |
| Total Expenses before Depreciation | 632,059 |
| Depreciation | <u>5,793</u> |
| Total Expenses | <u>637,852</u> |
| Decrease in Unrestricted Net Assets | <u>(55,263)</u> |
| Changes in Temporarily Restricted Net Assets: | |
| Interest | 131,049 |
| Fees | 7,868 |
| Net Assets released from Restrictions | <u>(41,539)</u> |
| Increase in Temporarily Restricted Net Assets | <u>97,378</u> |
| Increase in Net Assets | <u>42,115</u> |
| Net Assets Beginning of Year, as Restated - See Note 8 | |
| Unrestricted | (159,365) |
| Temporarily Restricted | <u>400,983</u> |
| | 241,618 |
| Net Assets, End of Year | |
| Unrestricted | (214,628) |
| Temporarily Restricted | <u>498,361</u> |
| | <u>\$ 283,733</u> |

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

SOUTHERN OHIO GROWTH PARTNERSHIP, INC. AND AFFILIATES
SCIOTO COUNTY

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2001

| | Greater Portsmouth Growth Partnership | Portsmouth Area Chamber of Commerce | Retail Merchants Association | USDA Seed | Intermediary Relending Program I | Intermediary Relending Program II |
|------------------------------------|--|--|------------------------------------|--------------|--|---|
| Personnel | \$ 0 | \$ 51,386 | \$ 7,311 | \$ 0 | \$ 0 | \$ 0 |
| Consultants/ Contractual | 37,456 | 6,299 | 2,548 | 0 | 2,025 | 2,075 |
| Travel | 0 | 0 | 0 | 0 | 0 | 0 |
| Training | 0 | 767 | 0 | 0 | 0 | 0 |
| Space | 0 | 12,235 | 909 | 0 | 0 | 0 |
| Supplies | 0 | 12,644 | 5,328 | 0 | 0 | 0 |
| Equipment Lease and maintenance | 0 | 2,671 | 1,112 | 0 | 0 | 0 |
| Promotions/community functions | 0 | 32,475 | 9,833 | 0 | 0 | 0 |
| Interest | 0 | 0 | 0 | 0 | 10,319 | 9,596 |
| Other | <u>158,599</u> | <u>11,297</u> | <u>5,435</u> | <u>66</u> | <u>10,175</u> | <u>12,376</u> |
| Total | <u>\$ 196,055</u> | <u>\$ 129,774</u> | <u>\$ 32,476</u> | <u>\$ 66</u> | <u>\$ 22,519</u> | <u>\$ 24,047</u> |

Continued

SOUTHERN OHIO GROWTH PARTNERSHIP, INC. AND AFFILIATES
SCIOTO COUNTY

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2001

| | Intermediary Relending Program III | Empowerment/ Community Enterprise Zone | Total Programs | General and Administrative | Total Expenses |
|------------------------------------|--|---|-------------------|----------------------------------|-------------------|
| Personnel | \$ 0 | \$ 0 | \$ 58,697 | \$ 88,244 | \$ 146,941 |
| Consultants/ Contractual | 1,271 | 0 | 51,674 | 55,064 | 106,738 |
| Travel | 0 | 0 | 0 | 5,570 | 5,570 |
| Training | 0 | 0 | 767 | 500 | 1,267 |
| Space | 0 | 0 | 13,144 | 17,095 | 30,239 |
| Supplies | 0 | 0 | 17,972 | 12,031 | 30,003 |
| Equipment Lease and maintenance | 0 | 0 | 3,783 | 667 | 4,450 |
| Promotions/community functions | 0 | 0 | 42,308 | 4,181 | 46,489 |
| Interest | 0 | 0 | 19,915 | 15,732 | 35,647 |
| Other | <u>50</u> | <u>206</u> | <u>198,204</u> | <u>26,511</u> | <u>224,715</u> |
| Total | <u>\$ 1,321</u> | <u>\$ 206</u> | <u>\$ 406,464</u> | <u>\$ 225,595</u> | <u>\$ 632,059</u> |

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

SOUTHERN OHIO GROWTH PARTNERSHIP, INC. AND AFFILIATES
SCIOTO COUNTY

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2001

| | |
|--|-------------------|
| Cash Flows from Operating Activities: | |
| Change in net assets | \$ 42,115 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | |
| Depreciation | 5,793 |
| Decrease in accounts receivable | 4,472 |
| Decrease in grants receivable | 35,000 |
| Decrease in prepaid assets | 1,608 |
| Increase in accounts payable & accrued expenses | 3,556 |
| Increase in deferred income | <u>20,873</u> |
| Net cash provided by operating activities | <u>113,417</u> |
| Cash Flows from Investing Activities | |
| Principal disbursements on notes receivable | (492,000) |
| Payments received on notes receivable | <u>397,856</u> |
| Net cash used in investing activities | <u>(94,144)</u> |
| Cash Flows from Financing Activities | |
| Payments on long-term debt | (210,906) |
| Proceeds from long-term debt | <u>385,500</u> |
| Net cash provided by financing activities | <u>174,594</u> |
| Net increase in cash and cash equivalents: | 193,867 |
| Cash and cash equivalents at January 1, 2001 | <u>305,734</u> |
| Cash at December 31, 2001 | <u>\$ 499,601</u> |
| Supplemental Cash Flow Information | |
| Cash paid for interest | <u>\$ 35,647</u> |

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

SOUTHERN OHIO GROWTH PARTNERSHIP, INC. AND AFFILIATES
SCIOTO COUNTY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2001

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF THE ENTITY

Southern Ohio Growth Partnership and Affiliates is a private non-profit corporation created in accordance with Section 1702.010et. Seq. of the Ohio Revised Code. The Southern Ohio Growth Partnership and Affiliates was created in 1991 to stimulate area-wide economic growth by acting as an integral part of economic development in southern Ohio, and northern Kentucky in the direction and coordination of the activities of area organizations to accomplish a cohesive, non-duplicating effort.

B. BASIS OF ACCOUNTING

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The financial statements of the Southern Ohio Growth Partnership and Affiliates have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities.

C. CONSOLIDATION OF RELATED ENTITIES

The Southern Ohio Growth Partnership and Affiliates has adopted the provisions of the American Institute of Certified Public Accountants (AICPA) Statement of Position No. 94-3 (SOP 94-3), *Reporting of Related Entities by Not-for profit Organizations*. SOP 94-3 states that a not-for-profit organization should consolidate another not-for-profit organization if the reporting not-for-profit organization has both the control of the other not for profit organization, as evidenced by either majority ownership or a majority voting interest in the board of the other not-for-profit organization, and an economic interest in the other not-for-profit organization.

A brief description of each of the related entities follow:

Greater Portsmouth Growth Corporation

The Greater Portsmouth Growth Corporation ("GPCC") strives to create development in southern Ohio, including developing an industrial land park.

Portsmouth Area Chamber of Commerce

The Portsmouth Area Chamber of Commerce ("PACC") was created to promote business in Portsmouth, Ohio and the surrounding areas.

Retail Merchants Association

The Retail Merchants Association ("RMA") is a business association organized to promote business in downtown Portsmouth, Ohio.

SOUTHERN OHIO GROWTH PARTNERSHIP, INC. AND AFFILIATES
SCIOTO COUNTY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2001

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. FINANCIAL STATEMENT PRESENTATION

The Southern Ohio Growth Partnership and Affiliates has adopted Statement of Financial Accounting Standards (SFAS) No. 116, *Accounting of Contributions Received and Made*, and SFAS No. 117, *Financial Statement for Not-Profit Organizations*. SFAS No. 117 establishes standards for external financial reporting by not-for-profit organizations and requires that resources be classified for accounting and reporting purposes into three net asset categories according to externally (donor) imposed restrictions. SFAS No. 116 requires that unconditional promises to give (pledges) be recorded as receivables and revenues and requires the organization to distinguish between contributions received and for each net asset category in accordance with donor imposed restrictions. A description of the three net asset categories follows:

Permanently Restricted Net Assets - gifts of cash and other assets are reported as permanently restricted support if they are received with donor stipulations that limit the use of the donated assets in perpetuity.

Temporarily Restricted net Assets - The Southern Ohio Growth Partnership and Affiliates reports gifts of cash, grants and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Unrestricted Net Assets - The Southern Ohio Growth Partnership and Affiliates reports gifts of cash, land, buildings and equipment as unrestricted unless explicit donor stipulations specify how the donated assets must be used.

E. FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities.

Costs are allocated between management and general or the appropriate program based on evaluations of the related benefits. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Southern Ohio Growth Partnership and Affiliates.

F. ESTIMATES

The preparation of financial statements requires management to make estimates and assumptions that affect the reporting of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

Actual results could differ from those estimates.

SOUTHERN OHIO GROWTH PARTNERSHIP, INC. AND AFFILIATES
SCIOTO COUNTY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2001

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. INCOME TAXES

The Southern Ohio Growth Partnership and Affiliates, is a not for profit corporation and is exempt from income taxes under Section 501(c)(4) of the Internal Revenue Code. The Southern Ohio Growth Partnership and Affiliates is also exempt from Ohio income tax.

The Greater Portsmouth Growth Corporation is a not-for-profit organization exempt from income taxes under Section 501(c)(4) of the Internal Revenue Code. The Portsmouth Area Chamber of Commerce and the Retail Merchants Association are not-for-profit organizations exempt from income taxes under Section 501(c)(6) of the Internal Revenue Code. These related organizations are also exempt from Ohio franchise or income tax.

H. REVENUES

Revenues are recognized in the accompanying financial statements as follows:

1. Grants and Reimbursement Contracts

The funds from various funding sources under reimbursement contracts are recognized as revenue in the accounting period in which the grant is awarded.

2. Interest Income

Interest Income is recognized in the accounting period when it is earned. The Southern Ohio Growth Partnership and Affiliates, maintains funds received from the various sources in interest bearing checking accounts. The portion of interest earned on advances of direct federal funds is remitted to the federal funding sources in accordance with OMB Circular A-110, Attachment D, Uniform Administrative Requirements of Grants and Agreements with Nonprofit Organizations. The interest earned on other funds is included in unrestricted funds and is used to support the Southern Ohio Growth Partnership and Affiliate's programs.

3. Contributions

Private sector contributions are recognized as revenue in the accounting period in which they are earned.

4. Fees

Fees for services are recognized as revenue in the accounting period in which they are earned.

5. Dues

Dues for memberships in various organizations are recognized as revenue in the accounting period in which they are earned.

6. Rental Income

Rental Income received for nonrelated organizations is recognized as revenue in the accounting period in which it is earned.

SOUTHERN OHIO GROWTH PARTNERSHIP, INC. AND AFFILIATES
SCIOTO COUNTY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2001

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. EXPENDITURES

Disbursements for goods, services, materials and equipment are recorded as expenses when incurred.

NOTE 2 - CASH

Protection of the Southern Ohio Growth Partnership and Affiliate's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment or by a single collateral pool established by the financial institution to secure the repayment of all public money deposited with the institution.

Cash on Hand At December 31, 2001, the Southern Ohio Growth Partnership and Affiliates had \$250 in undeposited cash on hand which is included on the statement of financial position of the Southern Ohio Growth Partnership and Affiliates as part of "cash and cash equivalents".

Deposits At year end, the carrying amount of the Southern Ohio Growth Partnership and Affiliate's deposits was \$499,601 and the bank balance was \$498,362. Of the bank balance:

1. \$302,797 was covered by federal depository insurance.
2. \$195,565 was collateralized by securities held by the financial institution in the institution's name.

NOTE 3 - PROPERTY, PLANT & EQUIPMENT

The balance of property and equipment at December 31, 2001, consists of the following:

| | |
|--------------------------|------------------|
| Land | \$ 55,000 |
| Equipment | 67,125 |
| Furniture and fixtures | 21,402 |
| Leased equipment | <u>16,605</u> |
| Total | 160,132 |
| Accumulated depreciation | <u>(84,363)</u> |
| Net | <u>\$ 75,769</u> |

NOTE 4 - LOANS RECEIVABLE

The loans receivable balance at December 31, 2001, consists of the following:

| | <u>Current</u> | <u>Long-Term</u> |
|---|----------------|------------------|
| The Marting Brothers Corporation, due September 2006, 6.5% interest, collateralized by a second lien on all accounts receivable, inventory, fixtures and equipment. | \$ 15,526 | \$ 67,089 |

SOUTHERN OHIO GROWTH PARTNERSHIP, INC. AND AFFILIATES
SCIOTO COUNTY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2001

(Continued)

NOTE 4 - LOANS RECEIVABLE (Continued)

| | <u>Current</u> | <u>Long-Term</u> |
|---|----------------|------------------|
| Portsmouth Mixed Concrete, due September 2006, 6.25% interest, collateralized by a second lien on all assets of the business. | 15,421 | 65,244 |
| Lute Supply, due March 2007, 6.25% interest, collateralized by all goods, equipment, machinery, furnishings and other personal property owned or acquired and all inventory, merchandise and accounts receivable owned or acquired. | 15,004 | 75,093 |
| Arnett Automotive, due August, 2003, 8.5% interest, collateralized by mortgage on building, all goods equipment, machinery, accounts receivable, merchandise and inventory | 5,092 | 15,554 |
| City Limits Family Center, due November 2003, 6.5% interest, collateralized by mortgage on building, all goods, equipment, machinery, accounts receivable, merchandise and inventory | 8,771 | 127,539 |
| Grafco Hardwood Floors, due June, 2005, 7.75% interest, collateralized by mortgage on building, all goods, equipment, machinery, accounts receivable, merchandise and inventory. | 24,051 | 61,963 |
| Specialty Lighting, Inc., due June, 2000, 11.25% interest, collateralized by all inventory, goods and equipment and a Welder SP125 Plus. | 8,844 | - |
| Alley Chiropractic Clinic, due June, 2010, 7.0% interest, collateralized by all business assets. | 5,817 | 60,371 |
| Barefoot in the Glass, due November, 2009, 7.5% interest, collateralized by all business assets. | 4,379 | 38,678 |
| Market Street Hardware, due May, 2009, 6.5% interest, collateralized by all business assets. | 8,315 | 86,597 |

SOUTHERN OHIO GROWTH PARTNERSHIP, INC. AND AFFILIATES
SCIOTO COUNTY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)

NOTE 4 - LOANS RECEIVABLE (Continued)

| | <u>Current</u> | <u>Long-Term</u> |
|---|----------------|------------------|
| Scioto Plastics, due November, 2014, 6.0% interest, collateralized by all business assets. | 12,981 | 215,157 |
| Southern Ohio Truss, due November, 2009, 6.5% interest, collateralized by all business assets. | 12,605 | 113,617 |
| Wolery Insurance Agency, due March, 2004, 11.25% interest, collateralized by all business assets. | 3,039 | 8,318 |
| Horizon Utilities Group, Inc., due December, 2006, 11.50% interest, collateralized by all business assets. | 9,992 | 20,008 |
| Ace Pest Free, due March, 2005, 10.05% interest collateralized by all personal and business assets. | 5,202 | 15,907 |
| LS Services, Inc., due April, 2016, 7.00% interest, collateralized by all business assets. | 7,825 | 79,956 |
| The Millenium Agency, Inc., due July, 2007, 7.00% interest, collateralized by all business assets. | 8,814 | 48,471 |
| Country Living Residential, due August, 2010, 8.00% interest, collateralized by all personal and business assets. | 5,608 | 62,746 |
| Portsmouth Insurance Agency, Inc., due August, 2010, 7.00% interest, collateralized by all business assets. | 11,653 | 124,369 |
| RX Plus, Inc., due November, 2005, 7.00% interest, collateralized by all business assets. | 8,534 | 63,466 |
| Urgent Care Transport, Inc., due July, 2007, 7.00% interest, collateralized by all business assets. | 9,041 | 46,171 |

SOUTHERN OHIO GROWTH PARTNERSHIP, INC. AND AFFILIATES
SCIOTO COUNTY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)

NOTE 4 - LOANS RECEIVABLE (Continued)

| | <u>Current</u> | <u>Long-Term</u> |
|---|------------------|--------------------|
| BG Family Food Mart, Inc., due May, 2010, 6.50% interest, collateralized by all business assets and a personal guarantee. | 12,072 | 122,640 |
| Vandervort Supply Co., due December, 2011, 5.50% interest, collateralized by a second lien on commercial real estate and business assets and a personal guarantee | 4,861 | 58,139 |
| Southern Ohio Flight Service, due November, 2011, 7.00% interest, collateralized by a second lien on business assets and a corporate guarantee | 6,612 | 78,388 |
| Signs Plus Inc., due December, 2006, 10.00% interest, collateralized by lien on 1992 Ford bucket truck | 1,461 | 7,540 |
| Outer Space Signs, due July 2011, 7.00% interest, collateralized by a second lien on equipment and leases and a personal guarantee | 7,712 | 92,631 |
| Cardo's Pizza, due March 2011, 7.50% interest, collateralized by a second lien on business assets and a personal guarantee | 3,621 | 38,533 |
| Appalachian Wood Floors, due March 2007, 6.50% interest, collateralized by a second lien on inventory and receivables and a personal guarantee | 10,446 | 47,098 |
| Bevins & Schork, D.C., due November 2008, 7.00% interest, collateralized by a second lien on business assets and a personal guarantee | <u>5,656</u> | <u>42,891</u> |
| | <u>\$258,955</u> | <u>\$1,884,174</u> |

NOTE 5 - NOTES PAYABLE

Notes payable at December 31, 2001 consists of the following:

| | |
|--|------------|
| Note payable to United States Department of agriculture at 1.0% interest with annual payments of \$42,450 (plus interest). The note is secured by a UCC lien on the revolving loan fund. | \$ 933,601 |
|--|------------|

SOUTHERN OHIO GROWTH PARTNERSHIP, INC. AND AFFILIATES
SCIOTO COUNTY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)

NOTE 5 - NOTES PAYABLE (Continued)

| | |
|--|--------------------|
| Note payable to United States Department of Agriculture at 1.0% interest with annual payments of \$42,450 (plus interest), starting in 2003. The note is secured by a UCC lien on the revolving loan fund. | 1,000,000 |
| Note payable to United States Department of Agriculture at 1.0% interest with annual payments of \$42,450 (plus interest), starting at loan closing. The note is secured by a UCC lien on the revolving loan fund. | 187,500 |
| Note payable to bank at 1.8% interest with quarterly payments of \$14,956 (principal and interest). The note is secured by water contract revenues. | 160,000 |
| Lease payable to lessor at 7.81% interest with monthly payments of \$404 (principal and interest). The lease is secured by a copier. | <u>8,651</u> |
| | 2,289,752 |
| Less current maturities | <u>(94,042)</u> |
| | <u>\$2,195,710</u> |

The aggregate maturities on long-term debt as of December 31, 2001, are as follows:

| | |
|------------|--------------------|
| 2002 | \$ 94,042 |
| 2003 | 128,673 |
| 2004 | 111,519 |
| 2005 | 67,226 |
| 2006 | 67,898 |
| Thereafter | 1,820,394 |
| | <u>\$2,289,752</u> |

NOTE 6 - RELATED PARTIES

A member of the Executive Committee is owner of Quality Car and Truck Leasing, Inc. The Southern Ohio Growth Partnership and Affiliates is leasing a 1999 Chevy Lumina with monthly payments of \$391 from Quality Car and Truck Leasing, Inc. The operating lease expired in January, 2002.

Two members of the Board of Trustees are employed by companies receiving funds from the Intermediary Relending Program (IRP). The Marting Brothers Company received a \$150,000 note from the Southern Ohio Growth Partnership and Affiliates dated September, 1996. The unpaid balance at December 21, 2001 was \$82,615. Lute Supply received a \$150,000 note from the Southern Ohio Growth Partnership and Affiliates dated March, 1997. The unpaid balance at December 31, 2001 was \$90,097.

One trustee has part ownership in a company receiving funds from IRP. Grafco Hardwood Floors received a \$150,000 note from the Southern Ohio Growth Partnership and Affiliates dated July, 1999. The unpaid balance at December 31, 2001 was \$86,014.

NOTE 7 - CONCENTRATIONS

The Southern Ohio Growth Partnership and Affiliates depends on grants from federal, state and local sources for its continued existence.

SOUTHERN OHIO GROWTH PARTNERSHIP, INC. AND AFFILIATES
SCIOTO COUNTY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2001

(Continued)

NOTE 8 - RESTATEMENT OF NET ASSETS

Due to grant revenue match adjustments, the beginning net assets were restated as follows:

| | |
|-------------------------------------|-------------------|
| Balance as of December 31, 2000 | \$ 252,241 |
| Grant Match Adjustments | <u>(10,623)</u> |
| Restated Balance at January 1, 2001 | <u>\$ 241,618</u> |

Southern Ohio Growth Partnership, Inc. and Affiliates
Scioto County

Schedule of Federal Awards Expenditures
For the Year Ended December 31, 2001

| Federal Grantor/ Pass Through Grantor/ Program Title | Pass Through Entity Number | Federal CFDA Number | Disbursements |
|--|----------------------------------|---------------------------|------------------------|
| U. S. Department of Agriculture | | | |
| <i>Direct from Federal Government</i> | | | |
| Intermediary Relending Program - IRP 2 | N | 10.767 | <u>\$38,000</u> |
| Total U. S. Department of Agriculture | | | <u>38,000</u> |
| Total Federal Financial Assistance | | | <u><u>\$38,000</u></u> |

N - Direct from Federal Government

See Accompanying Notes to the Schedule of Federal Awards Expenditures

SOUTHERN OHIO GROWTH PARTNERSHIP, INC. AND AFFILIATES
NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2001

NOTE A - - SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of federal awards expenditures is a summary of the activity of the Southern Ohio Growth Partnership and Affiliate's federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B - - USDA LOAN PROGRAM

The Southern Ohio Growth Partnership and Affiliates participates in the United States Department of Agriculture Intermediary Relending Program. The objective of the Intermediary Relending Program is to finance business facilities and community development projects in rural areas. The outstanding loan balance for the Intermediary Relending Program totaled \$2,121,101 at December 31, 2001.

BALESTRA & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

528 South West Street, P.O. Box 687

Piketon, Ohio 45661

Telephone (740) 289-4131

Fax (740) 289-3639 E-Mail: mbalcpa@bright.net

Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants

Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Board of Trustees
Southern Ohio Growth Partnership, Inc. and Affiliates
324 Chillicothe Street
Portsmouth, Ohio 45662

We have audited the financial statements of the Southern Ohio Growth Partnership, Inc. and Affiliates, Scioto County, as of and for the year ended December 31, 2001, and have issued our report thereon dated July 30, 2002. 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.

Compliance

As part of obtaining reasonable assurance about whether the Southern Ohio Growth Partnership and Affiliate's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

Board of Trustees
Southern Ohio Growth Partnership, Inc. and Affiliates
Portsmouth, Ohio 45662
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit
of Financial Statements Performed in Accordance With *Government Auditing Standards*
Page 2

However, we noted other matters involving the internal control over financial reporting that we have reported to the management of the Southern Ohio Growth Partnership and Affiliates in a separate letter dated July 30, 2002.

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

Balestra & Company
Balestra & Company

July 30, 2002

BALESTRA & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

528 South West Street, P.O. Box 687

Piketon, Ohio 45661

Telephone (740) 289-4131

Fax (740) 289-3639 E-Mail: mbalcpa@bright.net

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Trustees

Southern Ohio Growth Partnership, Inc. and Affiliates

324 Chillicothe Street

Portsmouth, Ohio 45662

Compliance

We have audited the compliance of the Southern Ohio Growth Partnership, Inc. and Affiliates with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended December 31, 2001. The Southern Ohio Growth Partnership and Affiliate's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the Southern Ohio Growth Partnership and Affiliate's management. Our responsibility is to express an opinion on the Southern Ohio Growth Partnership and Affiliate's compliance based on our audit.

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

In our opinion, the Southern Ohio Growth Partnership and Affiliates complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2001. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that we have reported to the management of Southern Ohio Growth Partnership and Affiliates in a separate letter dated July 30, 2002.

Internal Control over Compliance

The management of the Southern Ohio Growth Partnership and Affiliates is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Southern Ohio Growth Partnership and Affiliate's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Board of Trustees
Southern Ohio Growth Partnership, Inc. and Affiliates
Portsmouth, Ohio 45662
Report on Compliance with Requirements Applicable to each Major Program and Internal Control over Compliance in Accordance
with OMB Circular A-133
Page 2

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be a material weakness. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. However, we noted other matters involving internal control that do not require inclusion in this report, that we have reported to management of the Southern Ohio Growth Partnership and Affiliates in a separate letter dated July 30, 2002.

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

Balestra & Company
Balestra & Company

July 30, 2002

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 SECTION .505

SOUTHERN OHIO GROWTH PARTNERSHIP, INC. AND AFFILIATES
SCIOTO COUNTY
DECEMBER 31, 2001

1. SUMMARY OF AUDITOR'S RESULTS

| | | |
|--------------|--|---|
| (d)(1)(i) | Type of Financial Statement Opinion | Unqualified |
| (d)(1)(ii) | Were there any material control weakness conditions reported at the financial statement level (GAGAS)? | No |
| (d)(1)(ii) | Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)? | No |
| (d)(1)(iii) | Was there any reported noncompliance at the financial statement level (GAGAS)? | No |
| (d)(1)(iv) | Were there any material internal control weakness conditions reported for major federal programs? | No |
| (d)(1)(iv) | Were there any other reportable internal control weakness conditions reported for major federal programs? | No |
| (d)(1)(v) | Type of Major Programs' Compliance Opinion | Unqualified |
| (d)(1)(vi) | Are there any reportable findings under section .510? | No |
| (d)(1)(vii) | Major Programs (list): | Intermediary Relending Program CFDA #10.767 |
| (d)(1)(viii) | Dollar Threshold: Type A\B Programs | Type A: > \$300,000 Type B: all others |
| (d)(1)(ix) | Low Risk Auditee? | No |

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 SECTION .505

SOUTHERN OHIO GROWTH PARTNERSHIP, INC. AND AFFILIATES
SCIOTO COUNTY
DECEMBER 31, 2001

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

| | |
|----------------|------|
| Finding Number | None |
|----------------|------|

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

| | |
|---------------------------|------|
| Finding Number | None |
| CFDA Title and Number | |
| Federal Award Number/Year | |
| Federal Agency | |
| Pass-Through Agency | |

SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 SECTION .505

SOUTHERN OHIO GROWTH PARTNERSHIP, INC. AND AFFILIATES
SCIOTO COUNTY
DECEMBER 31, 2001

| Finding Number | Finding Summary | Fully Corrected | Not Corrected; Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i> |
|----------------|-----------------|-----------------|--|
| 00-1 | Cost Allocation | Yes | |
| 00-2 | Cost Allocation | Yes | |



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

SOUTHERN OHIO GROWTH PARTNERSHIP, INC. AND AFFILIATES

SCIOTO 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
OCTOBER 10, 2002**