Ohio Valley Regional Development Commission

Pike County, Ohio

Financial Statements

For the Year Ended December 31, 2009

WSSR

Whited Seigneur Sams & Rahe, LLP
CERTIFIED PUBLIC ACCOUNTANTS

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Mary Taylor, CPA
Auditor of State

Members of the Commission and Executive Committee
Ohio Valley Regional Development Commission
Suite A
9329 SR 220 East
Waverly, Ohio 45690

We have reviewed the *Independent Auditor's Report* of the Ohio Valley Regional Development Commission, Pike County, prepared by Whited, Seigneur, Sams & Rahe CPAs, LLP, for the audit period January 1, 2009 through December 31, 2009. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Ohio Valley Regional Development Commission is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

June 29, 2010

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Ohio Valley Regional Development Commission
Table of Contents
For the Fiscal Year Ended December 31, 2009

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May 27, 2010

Members of the Board
Ohio Valley Regional Development Commission

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Ohio Valley Regional Development Commission (the Commission), Pike County, as of and for the year ended December 31, 2009, which collectively comprise the Commission's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Commission's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Commission, as of December 31, 2009, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards,* we have also issued our report dated May 27, 2010 on our consideration of the Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 8 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commission's basic financial statements. The Schedule of Federal Awards Expenditures is required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations,* and is not a required part of the basic financial statements. The Schedule of Federal Awards Expenditures 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.

Respectfully submitted,

WHITED SEIGNEUR SAMS & RAHE, CPAs, LLP
Whited Seigneur Sams & Rahe

MANAGEMENT'S DISCUSSION AND ANALYSIS

The discussion and analysis of the Ohio Valley Regional Development Commission's (the Commission) financial performance provides an overall review of the Commission's financial activities for the fiscal year ended December 31, 2009. The intent of this discussion and analysis is to look at the Commission's financial performance as a whole. Readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the Commission's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for fiscal year 2009 are as follows:

- Net assets of governmental activities increased by $31,797.
- Intergovernmental revenues in the form of federal, state, and local grant funds for governmental activities accounted for $764,192 in revenue, or 86 percent of all governmental revenues. Program specific revenues in the form of charges for services accounted for $49,837, or 6 percent of total revenues of $897,572.
- The Commission had $865,775 in expenses related to governmental activities; $814,029 of these expenses was offset by program specific charges for services, grants, and contributions. General revenues were $83,543.
- The general fund, one of the major funds, had $37,701 in revenues and $26,954 in expenditures.

USING THIS ANNUAL FINANCIAL REPORT

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

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

REPORTING THE COMMISSION AS A WHOLE

Statement of Net Assets and Statement of Activities

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

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

REPORTING THE COMMISSION'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

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

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

Notes to the Basic Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 14 to 24 of this report.

THE COMMISSION AS A WHOLE

Recall that the statement of net assets provides the perspective of the Commission as a whole. Table 1 provides a summary of the Commission's net assets as of December 31, 2009, compared to December 31, 2008.

Table 1
Net Assets

	2009	2008*
Assets		
Current and Other Assets	$ 617,394	$ 456,316
Capital Assets	48,249	54,991
Loans receivable, net	890,849	1,004,771
Total assets	1,556,492	1,516,078
Liabilities		
Current and Other Liabilities	183,333	175,376
Long-term Liabilities	12,082	11,422
Total liabilities	195,415	186,798
Net Assets		
Invested in Capital Assets	48,249	54,991
Restricted	1,207,488	1,179,696
Unrestricted	105,340	94,593
Total Net Assets	$ 1,361,077	$ 1,329,280

* As restated- See Note 10

Total assets increased $40,414. Cash and cash equivalents increased by $166,767 due primarily to timely payments of payables with the impact of the economic conditions, new loans have not been disbursed. Loans receivable decreased by $113,922 primarily as a result of loan payoffs and loan losses.

Total liabilities increased $8,617. This resulted primarily from an increase in deferred revenue of $31,696, and a decrease of accounts payable of $11,595. The excess grant funds deferred will be spent in the next budget year as deferred revenue represents the unearned portion of grant funds received. The decrease in accounts payable is due to a timelier manner of paying bills.

Table 2 shows the changes in net assets for the fiscal year ended December 31, 2009, compared to the fiscal year ended December 31, 2008.

Table 2
Change in Net Assets

	2009	2008*
Revenues		
Program Revenues:		
Charges for Services	$ 49,837	$ 55,619
Operating Grants, Contributions, and Interest	764,192	670,877
Total Program Revenues	814,029	726,496
General Revenues		
Grants and Contributions not restricted to specific programs	33,552	20,414
Investment Earnings	44,106	41,347
Miscellaneous	5,885	2,187
Total General Revenues	83,543	63,948
Total Revenues	897,572	790,444
Expenses		
Economic Development	865,775	859,219
Total Expenses	865,775	859,219
Change in Net Assets	31,797	(68,775)
Net assets, beginning of year	1,329,280	1,398,055
Net assets, end of year	$ 1,361,077	$ 1,329,280

* As restated- See Note 10

In fiscal year 2009, the Commission's revenues were 86 percent of operating grants, compared to 85 percent in fiscal year 2008. Program revenues were 91 percent and 92 percent of the Commission's revenues for 2009 and 2008 respectively. These revenues consist of various federal and state grants and charges for services.

Economic and Community development activities account for 100 percent of total program expenses. The increases in economic and community development expenses are due primarily to an increase in new programs.

THE COMMISSION'S FUNDS

The Commission's major funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of $897,572 and expenditures of $859,033, resulting in an increase in total fund balances of $38,539. The Commission's major funds were the General Fund, Economic Recovery Coordinator Project, Appalachian Regional Commission Local Development District & Regional Work Plan Fund, Economic Development Administration Revolving Loan Fund, and the Appalachian Regional Commission Revolving Loan Fund.

The Revolving Loan Funds' revenues exceeded expenditures by $27,792 in 2009, compared with a decrease of fund balances of $59,831 in 2008.

ECONOMIC FACTORS

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

CAPITAL ASSETS

Capital Assets

At December 31, 2009 the Commission had $48,249 invested in office equipment and leasehold improvements. Table 3 shows the fiscal year 2009 balances as compared to 2008.

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

	2009	2008
Office equipment	$ 6,988	$ 12,207
Leasehold improvements	41,261	42,784
Net capital assets	$ 48,249	$ 54,991

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

CONTACTING THE COMMISSION'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the Commission's finances for all those with an interest in the Commission's finances. Questions concerning any information provided in this report or requests for additional financial information should be addressed to Rebecca Banchy-McIlwain, Finance Director, or Juanita Bragg, Finance Director (effective 05/31/10) 9329 State Route 220 East, Suite A, Waverly, OH 45690-9012.

Ohio Valley Regional Development Commission

Statement of Net Assets
December 31, 2009

Assets		
Equity in Pooled Cash and Cash Equivalents	$	174,416
Cash and Cash Equivalents:		
With Fiscal Agents		5,322
Loans Receivable, net		890,849
Intergovernmental Receivable		110,688
Prepaid Items		15,205
Restricted Assets		
Temporarily restricted:		
Cash and Cash Equivalents		311,763
Depreciable Capital Assets, Net		48,249
Total Assets		1,556,492
Liabilities		
Accounts Payable		13,735
Accrued Wages and Fringe Benefits		13,113
Unearned Revenue		156,485
Long-Term Liabilities:		
Due Within One Year		12,082
Due In More Than One Year		-
Total Liabilities		195,415
Net Assets		
Invested in Capital Assets, Net of Related Debt		48,249
Restricted for:		
Other Purposes		1,207,488
Unrestricted		105,340
Total Net Assets	$	1,361,077

See accompanying notes to the basic financial statements.

Ohio Valley Regional Development Commission

Statement of Activities

For the Year Ended December 31, 2009

			Program Revenues		Net (Expense) Revenue and Changes in Net Assets
					Primary Government
	Expenses	Indirect Costs	Charges for Services	Operating Grants, & Contributions	Governmental Activities
Primary Government					
Governmental Activities:					
Economic & Community Development	$ 733,620	$ 132,155	$ 49,837	$ 764,192	$ (51,746)
Total Governmental Activities	$ 733,620	$ 132,155	$ 49,837	$ 764,192	(51,746)

General Revenues	
Grants and contributions not restricted to specific programs	33,552
Investment Earnings	44,106
Miscellaneous	5,885
Total General Revenues	83,543
Change in Net Assets	31,797
Net Assets Beginning of Year (Restated)	1,329,280
Net Assets End of Year	$ 1,361,077

See accompanying notes to the basic financial statements.

Ohio Valley Regional Development Commission

Balance Sheet
Governmental Funds
December 31, 2009

	General	Economic Recovery Coordinator Project	Local Development District & Regional Work Plan Fund	Economic Development Administration-Revolving Loan Fund	Appalachian Regional Commission-Revolving Loan Fund	Other Governmental Funds	Total Governmental Funds
Assets							
Equity in Pooled Cash and Cash Equivalents	$ 53,947	$ -	$ 83,056	$ 2,508	$ 4,385	$ 30,520	$ 174,416
Cash and Cash Equivalents: With Fiscal Agents	5,322	-	-	-	-	-	5,322
Loans Receivable, net	-	-	-	340,072	550,777	-	890,849
Interfund Receivable	60,994	-	-	-	-	-	60,994
Intergovernmental Receivable	1	27,604	31,908	-	-	51,175	110,688
Prepaid Items	13,339	-	574	454	454	384	15,205
Cash- restricted	-	-	-	162,890	148,873	-	311,763
Total Assets	$ 133,603	$ 27,604	$ 115,538	$ 505,924	$ 704,489	$ 82,079	$ 1,569,237
Liabilities							
Accounts Payable	$ 6,135	$ 3,754	$ 15	$ 1,091	$ 1,638	$ 1,102	$ 13,735
Accrued Wages	10,046	99	1,531	71	125	1,241	13,113
Compensated Absences	12,082	-	-	-	-	-	12,082
Interfund Payable	-	14,305	-	-	-	46,689	60,994
Deferred Revenue	-	9,446	113,992	-	-	33,047	156,485
Total Liabilities	28,263	27,604	115,538	1,162	1,763	82,079	256,409
Fund Balances							
Unassigned	92,001	-	-	-	-	-	92,001
Restricted	-	-	-	504,308	702,272	-	1,206,580
Nonspendable	13,339	-	-	454	454	-	14,247
Total Fund Balances	105,340	-	-	504,762	702,726	-	1,312,828
Total Liabilities and Fund Balances	$ 133,603	$ 27,604	$ 115,538	$ 505,924	$ 704,489	$ 82,079	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	48,249
Net Assets of Governmental Activities	$ 1,361,077

See accompanying notes to the basic financial statements.

Ohio Valley Regional Development Commission

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Year Ended December 31, 2009

	General	Economic Recovery Coordinator Project	Appalachian Regional Commission Local Development District & Regional Work Plan Fund	Economic Development Administration-Revolving Loan Fund	Appalachian Regional Commission-Revolving Loan Fund	Other Governmental Funds	Total Governmental Funds
Revenues							
Intergovernmental	$ 33,552	$ 143,989	$ 387,203	$ -	$ -	$ 233,000	$ 797,744
Interest	1,499	-	-	16,475	26,132	-	44,106
Fees	2,650	10,000	13,156	-	-	24,031	49,837
Miscellaneous	-	-	25	2,523	3,337	-	5,885
Total Revenues	37,701	153,989	400,384	18,998	29,469	257,031	897,572
Expenditures							
Current:							
Economic & Community Development							
Personnel	54,708	16,965	190,820	1,593	3,694	100,529	368,309
Fringe Benefits	22,286	7,531	82,420	534	1,430	41,722	155,923
Travel	6,318	2,867	19,584	143	159	5,920	34,991
Equipment	10,506	-	-	-	-	-	10,506
Supplies	12,900	-	8,948	493	493	4,280	27,114
Contractual	10,353	117,868	-	2,130	2,789	44,994	178,134
Other	42,038	1,520	17,872	2,450	2,624	17,552	84,056
Indirect Costs	(132,155)	7,238	80,740	629	1,514	42,034	-
Total Expenditures	26,954	153,989	400,384	7,972	12,703	257,031	859,033
Net Change in Fund Balances	10,747	-	-	11,026	16,766	-	38,539
Fund Balances Beginning of Year (Restated)	94,593	-	-	493,736	685,960	-	1,274,289
Fund Balances End of Year	$ 105,340	$ -	$ -	$ 504,762	$ 702,726	$ -	$ 1,312,828

See accompanying notes to the basic financial statements.

Ohio Valley Regional Development Commission

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities

For the Year Ended December 31, 2009

Net Change in Fund Balances - Total Governmental Funds	$	38,539
Amounts reported for governmental activities in the statement of activities are different because		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		(6,742)
Change in Net Assets of Governmental Activities	$	31,797

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

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

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

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

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

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

Government-Wide and Fund Financial Statements

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

Fund Accounting

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

Governmental Funds

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

The Commission reports the following major governmental funds:

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

Economic Recovery Coordinator Project- This fund accounts for an Economic Development Administration grant for the creation of an Economic Recovery Coordinator position to assist Fayette, Highland and Clinton counties in developing a regional Economic Recovery Strategy related to the job losses at employers located in the Wilmington Ohio DHL Air Park, to assist Clinton County in developing a CEDS (Comprehensive Economic Development Strategy) document, and for the initial implementation of projects identified with those strategies.

Local Development District Administrative and Regional Work Program Fund- This fund accounts for an Appalachian Regional Commission grant used for administrative support and to provide community and economic development assistance to the region.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Revenues – Exchange and Non-exchange Transactions

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

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

Expenses/Expenditures

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

Interfund Transactions

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

Intergovernmental Revenues

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The Commission maintains a capitalization threshold of $5,000. The Commission does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized.

Reservation of Fund Balance

The Commission records reservations for portions of fund equity which are legally segregated for specific future use or which do not represent available expendable resources and, therefore, are not available for appropriations or expenditure in the governmental fund balance sheet. Fund balances can be in five possible classifications: nonspendable, restricted, committed, assigned, and/or unassigned. Nonspendable fund balance represents amounts that cannot be spent due to form (inventories or prepaid amounts) or amounts that must be maintained intact legally or contractually. Restricted fund balance represents amounts constrained for a specific purpose by external parties or enabling legislation. Committed fund balance represents amounts constrained for a specific purpose by a government using its highest level of decision-making authority, requiring action to remove or change the constraints placed on the resources. Assigned fund balance represents amounts in the general fund constrained for the intent to be used for a specific purpose by a governing board or a body or official that has been delegated authority to assign amounts. For all governmental funds other than the general fund, any remaining positive balance not classified as nonspendable, restricted, or committed is assigned. If restricted and unrestricted assets are available for the same purpose, then restricted assets will be used before unrestricted assets.

Net Assets

Net assets represent the difference between assets and liabilities in the statement of net assets. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are legal limitations imposed on their use by Commission legislation or through external restrictions imposed by creditors, grantors, laws, or regulations of other governments.

The Commission applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. Of the Commission's restricted net assets of $1,207,488 none is restricted by enabling legislation.

Estimates

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Unearned/Deferred Revenues

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

Budgetary Process

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

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

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

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

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

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

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

Cost Allocation

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

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

The Commission chose the direct salary cost method because management determined that the more salary costs a grant has been charged, the more indirect costs the grant would have. Management and administrative salaries and indirect costs are allocated to the various programs using the actual rate as determined by the method shown in the Commission's cost allocation plan. The indirect cost rate for 2009 was 29.55%.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Allowance for Loan Losses

The allowance for loan losses in the amount of $0 at December 31, 2009, is based upon management's assessment of current and historical loss experience, loan portfolio trends, prevailing economic and business conditions, specific loan review, and other relevant factors. Specific allowances are established for any impaired loan for which the recorded investment in the loan exceeds the measured value of the loan. In management's opinion, the provision is sufficient to maintain the allowance for loan losses at a level that adequately provides for potential losses.

Compensated Absences

The Commission reports compensated absences in accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences" as interpreted by Interpretation No. 6 of the GASB, "Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements".

Vacation time benefit is accrued as a liability as the benefit is earned. The entire compensated absence liability is reported in the government-wide financial statements and in the governmental funds.

NOTE 2 - DEPOSITS AND INVESTMENTS

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

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)

Deposits

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

As of December 31, 2009, the carrying amount of the Commission's deposits was $491,501 as compared to a bank balance of $518,746. Depository balance of $61,763 was not covered by federal depository insurance, but was covered by pooled collateral.

NOTE 3 – LEASES

Operating Lease

In January 2007, the Commission extended the lease agreement for its office facilities for an additional five years. The terms of the lease requires monthly payments of $1,950, with the lease rate to increase by $600 each year.

In June 2006, the Commission entered into a lease agreement for a Xerox document center copier. The terms of this lease call for 60 monthly payments of $867 beginning in August 2006 and ending July 2011. Additionally, the equipment can be purchased at fair market value at the end of the lease.

In November 2006, the Commission entered into a lease agreement with Pitney Bowes, for a postage machine. The terms of the lease call for 60 monthly payments of $234 paid in quarterly payments.

Future minimum lease payments are:

2010	$	38,413
2011		34,209
thereafter		-
total	$	72,622

NOTE 4 – DEFINED BENEFIT PENSION PLAN

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

1. The Traditional Pension Plan – a cost sharing, multiple-employer defined benefit pension plan.

2. The Member-Directed Plan – a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan, members accumulate retirement asset equal to the value of member and (vested) employer contributions plus any investment earnings.

NOTE 4 – DEFINED BENEFIT PENSION PLAN (Continued)

3. The Combined Plan – a cost sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

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

Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code. OPERS issued a stand-alone financial report. Interested parties may obtain a copy by writing to OPERS, Attention: Finance Director, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2009, member and employer contribution rates were consistent across all three plans. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Pension Plan.

The 2009 member contribution rate was 10% for members in state and local classifications. The employer contribution rate for local government employer units was 14% of covered payroll.

Total required employer contributions for 2009, 2008 and 2007 were $51,275, $53,081, and $51,651, respectively; 100% has been contributed for 2009, 2008 and 2007.

NOTE 5 – POST-EMPLOYMENT BENEFITS

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

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

In order to qualify for post-retirement health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability recipients and qualified survivor benefit recipients is available. The health care coverage provided by the retirement system meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement No. 45.

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

NOTE 5 – POST-EMPLOYMENT BENEFITS (Continued)

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

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2009, employer contribution rate was 14% of covered payroll for employees not engaged in law enforcement. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14% of covered payroll for state and local employer units. Active members do not make contributions to the OPEB Plan.

OPERS' Post Employment Health Care plan was established under, and is administrated in accordance with Internal Revenue Code 401(h). Each year the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. The portion of the employer contributions allocated to the health care plan was 7% from January 1 through March 31, 2009 and 5.5% from April 1 through December 31, 2009. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The Commission's contributions made to fund postemployment benefits for the year ended December 31, 2009, 2008, and 2007 was $21,380, $26,541 and $25,826, respectively; which were equal to the required contributions for each year.

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

NOTE 6 – CAPITAL ASSETS

Capital asset activity for the Commission for the year ended December 31, 2009, was as follows:

	Balance 12/31/2008	Additions	Disposals	Balance 12/31/2009
Capital assets, being depreciated:				
Equipment	$ 56,031	$ -	$ 13,469	$ 42,562
Leasehold Improvements	60,935	-	-	60,935
Total capital assets being depreciated	116,966	-	13,469	103,497
Less accumulated depreciation for:				
Equipment	43,824	5,219	13,469	35,574
Leasehold Improvements	18,151	1,523	-	19,674
Total Accumulated Depreciation	61,975	6,742	13,469	55,248
Total capital assets being depreciated, net	$ 54,991	$ (6,742)	$ -	$ 48,249

NOTE 7- RISK MANAGEMENT

The Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Commission maintains commercial insurance covering each of the above risks of loss.

During 2009, the Commission contracted with State Automobile Mutual Insurance Companies for business personal property insurance, business automobiles, liability and medical expense coverage. Business personal property is insured with varying coverage dependent upon the specific property.

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

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

Blanket commercial crime coverage is provided by Continental Casualty Company. The coverage has a $500,000 aggregate limit and a $1,000 deductible.

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

Management believes that the coverage is adequate to preclude any significant uninsured risk exposure to the Commission. Settled claims have not exceeded coverage in any of the last three years. There has been no significant reduction in coverage from the prior fiscal year.

NOTE 8- DEFERRED COMPENSATION

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

NOTE 9 – CONTINGENCIES

Grants

The Commission received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Commission at December 31, 2009.

NOTE 10 – RESTATEMENT OF FUND BALANCES AND CHANGE IN ACCOUNTING PRINCIPLES

Restatement of Fund Balances

A prior period adjustment was made to correct an accounting error relating to the allowance for uncollectable revolving loans. The table below illustrates the effect on the net assets and fund balances.

Net Assets, December 31, 2008	$ 1,353,751
Prior Period Adjustment	(24,471)
Net Assets, January 1, 2009	$ 1,329,280

Change in Accounting Principles

For the fiscal year 2009, the Commission implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions". The statement is intended to improve the usefulness of the amount reported in fund balance by providing more structured classification. The statement also clarifies the definition of existing governmental fund types. This approach is intended to provide users more consistent and understandable information about a fund's net resources. The hierarchy of five possible classifications of fund balance is: nonspendable, restricted, committed, assigned, and unassigned. The application of these new standards had no effect on the basic financial statements, nor did their implementation require a restatement of prior year balances.

OHIO VALLEY REGIONAL DEVELOPMENT COMMISSION
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
YEAR ENDED DECEMBER 31, 2009

Federal grantor Pass-through grantor Program title	Federal CFDA Number	Direct Grant or Pass-through Number	Federal Expenditures
U.S. Department of Agriculture			
Rural Development			
Rural Community Development Initiative Grant (RCDI)	10.446	257266271	$ 2,998
Rural Business Opportunity Grant (RBOG)	10.773	N/A	6,805
Total USDA Rural Development			9,803
U.S. Department of Commerce			
Economic Development Administration			
Economic Development- Support for Planning Organizations	11.302	06-83-05167	67,259
Economic Adjustment Assistance	11.307	06-69-05334	115,492
Economic Adjustment Assistance (RLF)	11.307	06-39-02181	406,886
	Total 11.307		522,378
Total U.S. Department of Commerce			589,637
U.S. Dept. of Housing & Urban Development			
Rural Housing & Economic Development	14.250	RH-05-OH-C-0082	15,161
Appalachian Regional Commission			
Governor's Intern Program	23.001	CO-15387-C1	2,750
2009 ARC Fall Conference	23.001	CO-16510-10	18,826
Ohio Adventure Trail Technical Assistance	23.001	CO-15486-06	13,232
	Total 23.001		34,808
Local Development District Assistance	23.009	OH-0707D-C36	213,000
Appalachian Research, Technical Assistance, and Demonstration Project (RLF)	23.011	85-97 OH-9322-99	695,235
Total Appalachian Regional Commission			943,043
Total Expenditures of Federal Awards			$ 1,557,644

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

Ohio Valley Regional Development Commission
Notes to the Schedule of Federal Awards Expenditures
For the Fiscal Year Ended December 31, 2009

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 2 – REVOLVING LOAN FUND

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

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

NOTE 3– MATCHING REQUIREMENTS

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

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May 27, 2010

Members of the Board
Ohio Valley Regional Development Commission

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Ohio Valley Regional Development Commission, Pike County, Ohio, (the Commission) as of and for the year ended December 31, 2009, which collectively comprise the Commission's basic financial statements and have issued our report thereon dated May 27, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Commission's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in the internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings, we identified a deficiency in internal control over financial reporting that we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency Finding 2009-01 as described in the accompanying schedule of findings and questioned costs to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted a certain matter that we reported to management of the Commission in a separate letter dated May 27, 2010.

The Commission's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the Commission's response and, accordingly, we express no opinion on it.

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

Respectfully submitted,
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May 27, 2010

Members of the Board
Ohio Valley Regional Development Commission

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

Compliance

We have audited the compliance of Ohio Valley Regional Development Commission (the Commission) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2009. The Commission's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Commission's management. Our responsibility is to express an opinion on the Commission's compliance based on our audit.

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

In our opinion, the Commission complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2009.

Internal Control Over Compliance

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

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

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

Respectfully submitted,

WHITED SEIGNEUR SAMS & RAHE CPAs, LLP

Whited Seigneur Sams & Rahe

OHIO VALLEY REGIONAL DEVELOPMENT COMMISSION
DECEMBER 31, 2009
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 SECTION .505

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	Yes
(d)(1)(ii)	Were there any other significant control deficiencies reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other significant control deficiencies reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under section .510?	No
(d)(1)(vii)	Major Programs (list):	CFDA #11.307, Economic Adjustment Assistance; CFDA # 23.011, Appalachian Research, Technical Assistance, and Demonstration Project
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	$300,000
(d)(1)(ix)	Low Risk Auditee?	No

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

Material Weakness
Finding 2009-01 Internal Controls over Financial Reporting System

Condition:
The Commission does not have an adequate internal control procedure in place to convert the GMS software information into a GASB 34 reporting model set of financial statements without material misstatement.

The EDA and ARC Revolving Loan Funds project balances do not agree to the individual project bank balances.

Criteria:
The responsibility of the financial reporting process lies with the Commission's management. This responsibility includes presenting for audit financial statements that are free of material misstatements. Internal controls should be in place over financial reporting that prevent material misstatements, allow management to detect and correct misstatements in a timely manner.

Effect:
Restatement of 2008's financial statements was necessary to correct a material error in the ARC Revolving Loan fund.

Cash was not properly allocated between the General fund, EDA Revolving Loan fund, and the ARC Revolving Loan fund in the prior year. Cash was not properly allocated between these same funds in the current year and was identified by the audit process. The misallocation of cash in the current year was material to the General fund.

Cause:
The GMS software is project (fund)-driven in terms of revenue and expense reporting only. Balance sheet data is consolidated and must be allocated to the funds manually at year end as part of the financial statement preparation.

Bank service charges are being withdrawn from the bank account twice: once by the bank and again by the Commission via the periodic administrative fees withdrawn from the bank account.

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

Material Weakness
Finding 2009-01 Internal Controls over Financial Reporting System (Continued)

Recommendation:
The Commission should consider seeking the assistance of a qualified individual or firm who is knowledgeable about governmental reporting requirements. The assistance can range from complete preparation of the annual financial statements to troubleshooting problems or reviewing financial statements prepared by management. The Commission should consider whether any of the members of the Full Commission have this particular expertise.

The revolving loan bank accounts should be reconciled not only to the general ledger cash accounts but also to the project balance per the Revenue and Expense Reports. The revolving loan bank accounts should be reimbursed for the bank service charges withdrawn twice.

Management's Response:
The Commission confirms that we are responsible for the fair presentation of financial statements in conformity with U.S. generally accepted accounting principles and that we are also responsible for adopting sound accounting policies, establishing and maintaining effective internal control over financial reporting, and preventing and detecting fraud.

The Commission confirms that the internal control system is adequate and is functioning as intended and that an adequate internal control procedure is in place to convert the Grants Management System (GMS) software information into a GASB 34 reporting model set of financial statements without material misstatement. We also confirm that the responsibility of the financial reporting process lies with the Commission's management. This responsibility includes the presenting for audit financial statements that are free of material misstatements.

The Commission's management is satisfied with the current financial accounting system software. The Commission's management will take into consideration seeking assistance of a qualified individual or firm who is knowledgeable about governmental reporting requirements to help with the preparation and presentation for the audit the financial statements for the future years ending December 31. The Commission will correct and reimburse the revolving loan fund accounts for the bank service charges. The commission has met with Bank representatives' to assist with this process for future periods.

The Commission is an excellent organization and is committed to continuous improvement and growth and recognizes its continued responsibilities for the fair presentation of financial statements for audit that are free of material misstatements.

3. FINDING AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

Mary Taylor, CPA
Auditor of State

OHIO VALLEY REGIONAL DEVELOPMENT COMMISSION

PIKE COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JULY 13, 2010