Ohio Valley Regional Development Commission

Pike County, Ohio

Financial Statements

For the Year Ended December 31, 2013

Whited Seigneur Sams & Rahe, LLP
CERTIFIED PUBLIC ACCOUNTANTS

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Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Ohio Valley Regional Development Commission, Pike County, prepared by Whited, Seigneur, Sams & Rahe CPAs, LLP, for the audit period January 1, 2013 through December 31, 2013. 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.

Dave Yost
Auditor of State

May 28, 2014

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Ohio Valley Regional Development Commission
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For the Fiscal Year Ended December 31, 2013

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Whited Seigneur Sams & Rahe, LLP

CERTIFIED PUBLIC ACCOUNTANTS

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May 8, 2014

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 Ohio Valley Regional Development Commission (the Commission), Pike County, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Commission, as of December 31, 2013, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commission's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations,* and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards,* we have also issued our report dated May 8, 2014 on our consideration of the Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control over financial reporting and compliance.

Respectfully submitted,

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

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, 2013. 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 2013 are as follows:

- Net position of governmental activities increased by $164,650.
- General revenue accounted for $89,222 or 5% of all revenues. Program specific revenues in the form of charges for services and grants, contributions, and interest accounted for $1,561,395 or 95% of total revenues of $1,650,617.
- The Commission had $1,356,074 in expenses and $129,893 in indirect costs related to governmental activities; all of these expenses and indirect costs were offset by program specific charges for services, grants, contributions, and interest.
- The general fund, one of the major funds, had $97,597 in revenues and $55,222 in expenditures.

Using This Annual Financial Report

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

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

Reporting the Commission as a Whole

Statement of Net Position and Statement of Activities
While this document contains information about the large number of funds used by the Commission to provide programs and activities for citizens, the view of the Commission as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2013?" The statement of net position 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 position and changes in net position. This change in net position is important because it tells the reader whether, for the Commission as a whole, the financial position has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the availability of federal and state grant funding, continued support from member governments, and other factors.

Reporting the Commission's Most Significant Funds

Fund Financial Statements

The analysis of the Commission's major funds is included on page 6. Fund financial statements provide detailed information about the Commission's major funds. The Commission uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the Commission's most significant funds. The Commission's major governmental funds are the General Fund, Appalachian Regional Commission-Local Development District and Regional Work Plan Fund, Community Development Contracts Fund, ODOT Rural Transportation Planning Organization Fund, Economic Development Administration-Revolving Loan Fund, Appalachian Regional Commission-Revolving Loan Fund, and Office Building Capital Projects 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 position and the statement of activities) and governmental funds is reconciled in the financial statements.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The Commission as a Whole

Recall that the statement of net position provides the perspective of the Commission as a whole. Table 1 provides a summary of the Commission's net position as of December 31, 2013, compared to December 31, 2012.

Table 1
Net Position

	2013	2012*
Assets		
Current and Other Assets	$672,351	$1,262,681
Capital Assets, Net	915,550	95,789
Loans Receivable	547,932	460,123
Total Assets	2,135,833	1,818,593
Liabilities		
Current and Other Liabilities	48,534	166,653
Long-Term Liabilities	307,630	11,928
Total Liabilities	356,164	178,581
Deferred Inflows of Resources	29,761	54,754

	2013	2012*
Net Position		
Net Investment in Capital Assets	$620,959	$95,789
Restricted	1,002,638	1,315,057
Unrestricted	126,311	174,412
Total Net Position	$1,749,908	$1,585,258

*As restated. See note 14 of the notes to the basic financial statements.

Total assets increased $317,240. Cash and cash equivalents and restricted cash and cash equivalents decreased due to cash payments for building project expenses and due to the issuance of new loans. Capital assets increased by $819,761 due to building project activity, which was partially offset by depreciation expense. Loans receivable increased $87,809 due to the issuance of new loans, which was partially offset by repayments on existing loans.

Total liabilities increased $177,583. Long-term liabilities increased $295,702 due primarily to the Commission entering into a lease agreement with the Southern Ohio Diversification Initiative (SODI) for the purchase of its building upon completion of the construction. Current and other liabilities decreased by $118,119. Contracts payable was recognized for $37,077 for the building project in the prior year whereas the project was completed during 2013 and therefore no contracts were outstanding at year-end. Intergovernmental payable decreased from $103,493 to $0 due primarily to excess retention of ARC funds due to the grantor agency that were repaid during the year.

Deferred inflows of resources decreased $24,993 between years due to the recognition of revenue in the current year of unearned revenues from the prior year.

Table 2 shows the changes in net position for the fiscal year ended December 31, 2013, compared to the fiscal year ended December 31, 2012.

Table 2
Change in Net Position

	2013	2012*
Revenues		
Program Revenues:		
Charges for Services	$34,649	$54,042
Operating Grants, Contributions and Interest	660,743	561,783
Capital Grants, Contributions and Interest	866,003	250,000
Total Program Revenues	1,561,395	865,825
General Revenues:		
Grants and Contributions Not Restricted to Specific Programs	88,816	135,918
Investment Earnings	406	589
Total General Revenues	89,222	136,507
Total Revenues	1,650,617	1,002,332
Expenses		
Economic and Community Development and Indirect Costs	1,480,756	730,528
Debt Service:		
Interest and Fiscal Charges	5,211	0
Total Expenses	1,485,967	730,528

	2013	2012*
Change in Net Position	$164,650	$271,804
Net Position, Beginning of Year	1,585,258	1,313,454
Net Position, End of Year	$1,749,908	$1,585,258

*As restated. See note 14 of the notes to the basic financial statements.

Program revenues increased $695,570 due primarily to an increase in intergovernmental revenue for a contribution revenue recognized by the Commission related to the transfer of ownership of the newly constructed building and subsequent lease-back of the building. General revenues decreased $47,285 due primarily to a decrease in revenues from member governments.

Economic and community development activities account for over 99 percent of total program expenses. The increase in economic and community development expenses is due primarily to a contribution expense recognized related to the transfer of ownership of the newly constructed building.

The Commission's Funds

The Commission's major funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other financing sources of $1,251,679 and expenditures and other financing uses of $1,611,088, resulting in an increase total fund balances. The Commission's major funds were the General Fund, Appalachian Regional Commission-Local Development District and Regional Work Plan Fund, Community Development Contracts Fund, ODOT Rural Transportation Planning Organization Fund, Economic Development Administration-Revolving Loan Fund, Appalachian Regional Commission-Revolving Loan Fund, and Office Building Capital Projects Fund.

Fund balances remained fairly consistent for all major funds except the General Fund, the ARC-Revolving Loan Fund, and the Office Building Capital Projects Fund. The General Fund balance decreased due to a decrease in revenues from member governments. The ARC-Revolving Loan Fund balance increased due to an additional grant received during the year. The Office Building Capital Projects Fund balance decreased due to building project activity completed during the year.

Economic Factors

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

Capital Assets and Long-Term Debt

Capital Assets

At December 31, 2013, the Commission had $915,550 invested in land, a building, furniture and equipment. Table 3 shows the fiscal year 2013 balances as compared to 2012.

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

	2013	2012
Construction in Progress	$0	$74,987
Land	62,500	0
Building	796,519	0
Furniture and Equipment	56,531	20,802
Net Capital Assets	$915,550	$95,789

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

Long-Term Liabilities

The Commission has one outstanding capital lease, with a balance of $294,591 at year-end, $11,105 due within one year. See Notes 11 and 12 for additional information. See Note 12 to the basic financial statements for information on other long-term liabilities.

Contacting the Commission's Financial Management

This financial report is designed to provide a general overview of the Commission's finances for all those with an interest in the Commission's finances. Questions concerning any information provided in this report or requests for additional financial information should be addressed to Juanita Bragg, Finance Director, 73 Progress Drive, Waverly, Ohio 45690.

Ohio Valley Regional Development Commission

Statement of Net Position

December 31, 2013

Assets	
Equity in Pooled Cash and Cash Equivalents	$138,171
Loans Receivable, Net	547,932
Interest Receivable	2,883
Intergovernmental Receivable	72,858
Prepaid Items	26,053
Restricted Assets:	
Temporarily Restricted:	
Cash and Cash Equivalents	432,386
Nondepreciable Capital Assets	62,500
Depreciable Capital Assets, Net	853,050
Total Assets	2,135,833
Liabilities	
Accounts Payable	30,276
Accrued Wages and Fringe Benefits	18,258
Long-Term Liabilities:	
Due Within One Year	24,144
Due in More Than One Year	283,486
Total Liabilities	356,164
Deferred Inflows of Resources	29,761
Net Position	
Net Investment in Capital Assets	620,959
Restricted For:	
Loans	547,932
Other Purposes	454,706
Unrestricted	126,311
Total Net Position	$1,749,908

See the accompanying notes to the basic financial statements.

Ohio Valley Regional Development Commission
Statement of Activities
For the Year Ended December 31, 2013

			Program Revenues			Net Revenues (Expenses) and Changes in Net Position
	Expenses	Indirect Costs	Charges for Services	Operating Grants, Contributions and Interest	Capital Grants, Contributions and Interest	Governmental Activities
Governmental Activities						
Economic and Community Development	$1,350,863	$129,893	$34,649	$660,743	$866,003	$80,639
Debt Service:						
Interest and Fiscal Charges	5,211	0	0	0	0	(5,211)
Total Governmental Activities	$1,356,074	$129,893	$34,649	$660,743	$866,003	75,428
	General Revenue					
	Grants and Contributions Not Restricted to Specific Programs					88,816
	Investment Earnings					406
	Total General Revenues					89,222
	Change in Net Position					164,650
	Net Position, Beginning of Year - Restated					1,585,258
	Net Position, End of Year					$1,749,908

See the accompanying notes to the basic financial statements.

Ohio Valley Regional Development Commission
Balance Sheet
Governmental Funds
December 31, 2013

	General	Appalachian Regional Commission-Local Development District and Regional Work Plan	Community Development Contracts	ODOT Rural Transportation Planning Organization	Economic Development Administration-Revolving Loan	Appalachian Regional Commission-Revolving Loan	Office Building Capital Projects	Other Governmental Funds	Total Governmental Funds
Assets									
Equity in Pooled Cash and Cash Equivalents	$75,187	$0	$46,375	$0	$0	$0	$3,065	$13,544	$138,171
Loans Receivable, Net	0	0	0	0	59,899	488,033	0	0	547,932
Interest Receivable	0	0	0	0	1,144	1,739	0	0	2,883
Interfund Receivable	80,510	0	0	0	0	0	0	0	80,510
Intergovernmental Receivable	0	33,724	3,957	31,803	0	0	0	3,374	72,858
Prepaid Items	19,610	5,426	0	66	92	75	0	784	26,053
Restricted Cash and Cash Equivalents	0	0	0	0	397,390	31,076	3,920	0	432,386
Total Assets	$175,307	$39,150	$50,332	$31,869	$458,525	$520,923	$6,985	$17,702	$1,300,793
Liabilities									
Accounts Payable	$21,382	$0	$0	$0	$1,285	$554	$6,985	$70	$30,276
Accrued Wages and Fringe Benefits	14,575	2,552	38	816	0	23	0	254	18,258
Interfund Payable	0	35,929	0	31,053	5,125	5,029	0	3,374	80,510
Total Liabilities	35,957	38,481	38	31,869	6,410	5,606	6,985	3,698	129,044
Deferred Inflows of Resources	0	669	15,088	0	0	0	0	14,004	29,761
Fund Balances									
Unassigned	119,740	(5,426)	0	(66)	0	0	0	(784)	113,464
Restricted for:									
Revolving Loan Programs	0	0	0	0	452,023	515,242	0	0	967,265
Community Development Administration	0	0	35,206	0	0	0	0	0	35,206
Nonspendable:									
Prepaid Items	19,610	5,426	0	66	92	75	0	784	26,053
Total Fund Balances	139,350	0	35,206	0	452,115	515,317	0	0	1,141,988
Total Liabilities, Deferred Inflows, and Fund Balances	$175,307	$39,150	$50,332	$31,869	$458,525	$520,923	$6,985	$17,702	$1,300,793

See the accompanying notes to the basic financial statements.

Ohio Valley Regional Development Commission

Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
December 31, 2013

Fund Balances - Total Governmental Funds		$1,141,988
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		915,550
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Capital Lease	(294,591)	
Compensated Absences	(13,039)	(307,630)
Net Position of Governmental Activities		$1,749,908

See the accompanying notes to the basic financial statements.

Ohio Valley Regional Development Commission

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Year Ended December 31, 2013

	General	Appalachian Regional Commission-Local Development District and Regional Work Plan	Community Development Contracts	ODOT Rural Transportation Planning Organization	Economic Development Administration-Revolving Loan	Appalachian Regional Commission-Revolving Loan	Office Building Capital Projects	Other Governmental Funds	Total Governmental Funds
Revenues									
Intergovernmental	$88,816	$424,235	$0	$51,186	$0	$50,000	$0	$103,996	$718,233
Interest	406	0	0	0	4,237	17,089	0	0	21,732
Fees	2,175	0	26,352	0	0	350	0	5,772	34,649
Contributions	0	0	0	0	0	0	62,500	0	62,500
In-Kind Contributions	6,200	3,000	0	0	0	0	0	800	10,000
Total Revenues	97,597	427,235	26,352	51,186	4,237	67,439	62,500	110,568	847,114
Expenditures:									
Current:									
Economic and Community Development:									
Personnel	57,275	193,883	9,468	20,416	0	1,913	0	45,185	328,140
Fringe Benefits	21,976	65,196	2,552	7,062	0	723	0	17,592	115,101
Travel	5,696	20,648	1,203	3,215	0	200	0	3,055	34,017
Supplies	10,451	5,824	0	5,101	0	0	0	0	21,376
Contractual	10,857	0	0	0	1,898	1,960	0	0	14,715
Other	52,422	17,295	754	1,053	29,823	29,297	0	4,170	134,814
Indirect Costs	(129,893)	92,455	4,289	9,806	0	941	0	22,402	0
In-Kind	6,200	3,000	0	0	0	0	0	800	10,000
Capital Outlay	20,238	21,824	0	3,600	0	0	792,078	0	837,740
Debt Service:									
Principal Retirement	0	3,621	139	475	0	72	0	1,102	5,409
Interest and Fiscal Charges	0	3,489	133	458	0	69	0	1,062	5,211
Total Expenditures	55,222	427,235	18,538	51,186	31,721	35,175	792,078	95,368	1,506,523
Revenues Over (Under) Expenditures	42,375	0	7,814	0	(27,484)	32,264	(729,578)	15,200	(659,409)
Other Financing Sources (Uses)									
Inception of Capital Lease	0	0	0	0	0	0	300,000	0	300,000
Transfers In	0	0	0	0	0	0	104,565	0	104,565
Transfers Out	(89,365)	0	0	0	0	0	0	(15,200)	(104,565)
Total Other Financing Sources (Uses)	(89,365)	0	0	0	0	0	404,565	(15,200)	300,000
Net Change in Fund Balances	(46,990)	0	7,814	0	(27,484)	32,264	(325,013)	0	(359,409)
Fund Balances, Beginning of Year - Restated	186,340	0	27,392	0	479,599	483,053	325,013	0	1,501,397
Fund Balances, End of Year	$139,350	$0	$35,206	$0	$452,115	$515,317	$0	$0	$1,141,988

See the accompanying notes to the basic financial statements.

Ohio Valley Regional Development Commission

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

For the Year Ended December 31, 2013

Net Change in Fund Balances - Total Governmental Funds	($359,409)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.	
Capital Asset Additions	837,740
Depreciation	(17,979)
Inception of capital lease reported in the statement of revenues, expenditures and changes in fund balances that are reported as other financing sources are not reported as revenues in the statement of activities.	(300,000)
Repayments of capital lease principal are expenditures in the governmental funds, but the repayments reduce liabilities in the statement of net position and do not result in an expense in the statement of activities.	5,409
Some expenses reported in the statement of activities do not require the use of current financial resources when due.	
Increase in Compensated Absences	(1,111)
Change in Net Position of Governmental Activities	$164,650

See the accompanying notes to the basic financial statements.

Note 1 – Summary of Significant Accounting Policies

Reporting Entity

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

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

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

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

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-Wide Financial Statements

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

Note 1 – Summary of Significant Accounting Policies (Continued)

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

Fund Financial Statements

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

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

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

Fund Accounting

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

Governmental Funds

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

The Commission reports the following major governmental funds:

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

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

Note 1 – Summary of Significant Accounting Policies (Continued)

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

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

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

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

Office Building Capital Projects Fund – This fund was established to account for activity incurred for the construction of the Commission's new office building.

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

Revenues – Exchange and Non-exchange Transactions

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

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

Expenses/Expenditures

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

Note 1 – Summary of Significant Accounting Policies (Continued)

Cash, Cash Equivalents, and Investments

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

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the Commission are presented on the financial statements as "investments." The Commission had no investments as of December 31, 2013.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2013, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the fiscal year in which services are consumed.

Restricted Assets

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

Interfund Transactions

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

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

Intergovernmental Revenues

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

Capital Assets

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

Note 1 – Summary of Significant Accounting Policies (Continued)

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

All reported capital assets, except land and construction in progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Description	Useful Lives
Building	50 years
Furniture and Equipment	5 years

Fund Balances

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

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

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

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

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

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

Note 1 – Summary of Significant Accounting Policies (Continued)

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

Net Position

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

The Commission applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. Of the Commission's restricted net position of $1,002,638, 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.

Deferred Inflows of Resources

The Commission reports deferred inflows of resources on the government-wide and fund financial statements when monies have been received but for which time requirements have not been met. Deferred inflows represent resources related to an EDA Planning grant and community development contracts.

Budgetary Process

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

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

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

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

Note 1 – Summary of Significant Accounting Policies (Continued)

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

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

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

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 2013 was 37.9453%.

Allowance for Loan Losses

The allowance for loan losses in the amount of $56,906 at December 31, 2013, is based upon management's assessment of current and historical loss experience, loan portfolio trends, prevailing economic and business conditions, specific loan review, and other relevant factors. Specific allowances are established for any impaired loan for which the recorded investment in the loan exceeds the measured value of the loan. In management's opinion, the provision is sufficient to maintain the allowance for loan losses at a level that adequately provides for potential losses.

Compensated Absences

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

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

On the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "matured compensated absences payable" in the fund from which the employees who have accumulated leave are paid. The Commission had no matured compensated absences payable at December 31, 2013.

Note 2 – Deposits and Investments

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

Deposits

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

As of December 31, 2013, the carrying amount of the Commission's deposits was $570,557 as compared to a bank balance of $579,920. Total depository balances of $178,466 were not covered by federal depository insurance, but were covered by pooled collateral.

Note 3 – Operating Leases

In July 2011, the Commission entered into a lease agreement for a Xerox Workcentre copier. The terms of this lease call for 60 monthly payments of $610 beginning in October 2011 and ending September 2016. Additionally, the equipment can be purchased at fair market value at the end of the lease. Total paid to Xerox for this lease for 2013 was $7,315.

In November 2011, the Commission entered into a lease agreement with Pitney Bowes for a postage machine. The terms of the lease call for 60 monthly payments of $193. Total lease expense for 2013 was $2,316.

Future minimum lease payments are:

2014	$9,636
2015	9,636
2016	7,613
Total	$26,885

Note 4 – Defined Benefit Pension Plan

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

1) The Traditional Pension Plan – a cost-sharing, multiple-employer defined benefit pension plan.
2) The Member-Directed Plan – a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings.
3) The Combined Plan – a cost-sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

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

C. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

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

E. The Ohio Revised Code provides statutory authority for member and employer contributions. For 2013, member and employer contribution rates were consistent across all three plans.

The member contribution rates were 10.0%, 10.0%, and 10.0% for 2013, 2012, and 2011, respectively, for the Commission.

The employer contribution rates were 14.0%, 14.0%, and 14.0% of covered payroll for 2013, 2012, and 2011, respectively, for the Commission.

F. The Commission's contributions to OPERS for the years ended December 31, 2013, 2012, and 2011 were $41,633, $33,094, and $22,191, respectively, which were equal to the required contributions for those years.

Note 5 – Post-Employment Benefits

A. Plan Description

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

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

Note 5 – Post-Employment Benefits (Continued)

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

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

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

B. Funding Policy

The Ohio Revised Code provides the statutory authority requiring public employers to fund post retirement health care coverage 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 coverage.

Employer contributions are expressed as a percentage of the covered payroll of active members. In 2013, the Commission contributed at a rate of 14.0% of covered payroll. This is the maximum employer contribution rate permitted by the Ohio Revised Code. Active members do not make contributions to the OPEB Plan.

OPERS' Post Employment Health Care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 1.0% during calendar year 2013. The portion of employer contributions allocated to health care for members in the Combined Plan was 1.0% during calendar year 2013. Effective January 1, 2014, the portion of employer contributions allocated to health care was raised to 2% for both plans, as recommended by the OPERS Actuary. The OPERS Board of Trustees is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care benefits provided. Payment amounts vary depending on the number of covered dependents and the coverage selected.

C. The employer contributions that were used to fund post-employment benefits were $3,203 for 2013, $13,238 for 2012, and $8,877 for 2011.

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

Note 6 – Capital Assets

Capital asset activity for the Commission for the year ended December 31, 2013, was as follows:

	Balance 12/31/12	Additions	Disposals	Balance 12/31/13
Nondepreciable Capital Assets:				
Construction in Progress	$74,987	$792,078	($867,065)	$0
Land	0	62,500	0	62,500
Total Nondepreciable Capital Assets	74,987	854,578	(867,065)	62,500
Capital Assets, Being Depreciated:				
Building	0	804,565	0	804,565
Furniture and Equipment	49,157	45,662	0	94,819
Total Capital Assets Being Depreciated	49,157	850,227	0	899,384
Less Accumulated Depreciation For:				
Building	0	(8,046)	0	(8,046)
Furniture and Equipment	(28,355)	(9,933)	0	(38,288)
Total Accumulated Depreciation	(28,355)	(17,979)	0	(46,334)
Total Capital Assets Being Depreciated	20,802	832,248	0	853,050
Total Capital Assets, Net	$95,789	$1,686,826	($867,065)	$915,550

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 2013, the Commission contracted with Western Reserve for building, business personal property insurance, business automobiles, liability and medical expense coverage. Business personal property is insured with varying coverage dependent upon the specific property.

The office building is insured for up to $725,000. The Commission also has a fire legal liability limit of $50,000 in place. Business personal property coverage was added in the amount of $130,000 with the completion of the building in 2013.

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

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

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

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

Note 7- Risk Management (Continued)

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, 2013.

Litigation

The Commission is not currently party to legal proceedings.

Note 10 – Interfund Activity

The Commission had the following interfund receivables and payables at December 31, 2013.

	Receivables	Payables
Major Funds:		
General	$80,510	$0
ARC-Local Development District and Regional Work Plan	0	35,929
ODOT Rural Transportation Planning Organization	0	31,053
EDA-Revolving Loan	0	5,125
ARC-Revolving Loan	0	5,029
Total Major Funds	80,510	77,136
Nonmajor Fund:		
AOGDP GIS	0	3,374
Total All Funds	$80,510	$80,510

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

Note 10 – Interfund Activity (Continued)

The Commission had the following interfund transfers during the year ended December 31, 2013.

	Transfers Out	Transfers In
Major Funds:		
General	$89,365	$0
Office Building	0	104,565
Total Major	89,365	104,565
Nonmajor Fund:		
OH Seed Loan	15,200	0
Total Nonmajor	15,200	0
Total	$104,565	$104,565

The General Fund and OH Seed Loan Fund provided funds to the Office Building Capital Projects Fund for matching funds for the office building project.

Note 11 – Capital Leases – Lessee Disclosure

The Commission entered into a lease purchase agreement on November 27, 2012 to finance the construction of a building. The proceeds from this lease were received in 2013. The lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, “Accounting for Leases,” which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee.

Capital lease payments have been reclassified and are reflected as debt service expenditures in the financial statements for the governmental funds. Principal payments in fiscal year 2013 totaled $5,409.

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the minimum lease payments as of December 31, 2013.

Fiscal Year Ending December 31,	
2014	$21,239
2015	21,239
2016	21,239
2017	21,239
2018	21,239
2019-2023	106,195
2024-2028	106,195
2029-2033	85,231
Total Minimum Lease Payments	403,816
Less: Amounts Representing Interest	(109,225)
Present Value of Minimum Lease Payments	$294,591

Note 12 – Long-Term Liabilities

Changes in the Commission's long-term obligations during 2013 were as follows:

	Amount Outstanding 12/31/12	Additions	Deductions	Amount Outstanding 12/31/13	Due Within One Year
Governmental Activities:					
Capital Lease	$0	$300,000	$5,409	$294,591	$11,105
Compensated Absences	11,928	48,841	47,730	13,039	13,039
Total	$11,928	$348,841	$53,139	$307,630	$24,144

The capital lease obligation will be paid from various funds in accordance with the Commission's cost allocation plan. Compensated absences will be paid from the General Fund.

Note 13 – Capital Contributions

The Commission entered into an agreement with the Southern Ohio Diversification Initiative (SODI) on November 27, 2012 for the lease-purchase of the office building under construction. During 2013, SODI provided funding for a portion of the construction costs for the office building project. During the course of the construction, SODI and the Commission co-owned the property, and upon completion the Commission relinquished ownership and SODI took full ownership. Concurrently, SODI leased the property back to the Commission for a cost equal to the debt service payments required for SODI to repay the loan it obtained to provide the original contribution for its portion of the construction costs. This lease has been recorded as a capital lease in the Commission's financial statements (See Note 11). Further, a contribution expense has been recorded in the government-wide financial statements to recognize the relinquishing of ownership by the Commission and a corresponding contribution revenue has been recognized to account for the original contribution from SODI as well as the difference between the cost of the building and the lease proceeds that will actually be repaid by the Commission.

Note 14 – Restatement of Beginning Balances

An error was identified in previously reported deferred inflows of resources which required a restatement of beginning net position and fund balance and had the following effect on those balances.

	Governmental Activities	Community Development Contracts
Balance Reported at December 31, 2012	$1,557,866	$0
Restatement	27,392	27,392
Balance as Corrected at January 01, 2013	$1,585,258	$27,392

OHIO VALLEY REGIONAL DEVELOPMENT COMMISSION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2013

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	$ 4,990
Total USDA Rural Development			4,990
U.S. Department of Commerce			
Economic Development Administration			
Economic Development- Support for Planning Organizations	11.302	06-83-05796	50,479
Economic Adjustment Assistance (RLF)	11.307	06-39-02181	366,784
Total U.S. Department of Commerce			417,263
U.S. Department of Transportation			
Federal Highway Administration (FHWA)			
Highway Planning and Construction	20.205	17716	40,950
Total U.S. Department of Transportation			40,950
Appalachian Regional Commission			
Local Development District Assistance	23.009	OH-0707D-C40	211,024
Appalachian Research, Technical Assistance, and Demonstration Project (RLF)	23.011	85-97 OH-9322-99	658,960
Total Appalachian Regional Commission			869,984
Total Expenditures of Federal Awards			$ 1,333,187

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

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 2 – REVOLVING LOAN FUND

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

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

2013 revolving loan fund expenditures are based upon the following calculations, per ARC and EDA guidance.

	ARC
Outstanding loan balance at 1/1/2013	$ 451,543
Loan disbursement	200,000
RLF income earned & expended on eligible admin costs	
loan application and origination fees	7,417
	$ 658,960

	Total EDA	Federal Share
Outstanding loan balance at 12/31/2013	$ 88,352	$ 66,264
Cash and investment balance in the RLF at the end of year	397,390	298,043
Admin expenses paid out of the RLF income during the year	3,304	2,478
	$ 489,046	$ 366,784

Federal share calculation:	
sum of all EDA dollars from all of grantee's RLF awards	$ 300,000
sum of all project dollars for all of grantee's RLF awards	400,000
Federal share	75%

NOTE 3– MATCHING REQUIREMENTS

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

WSSR

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CERTIFIED PUBLIC ACCOUNTANTS

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May 8, 2014

Members of the Board
Ohio Valley Regional Development Commission

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCRODANCE WITH *GOVERNMENT AUDITING STANDARDS*

We have audited, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Ohio Valley Regional Development Commission, Pike County, Ohio, (the Commission) as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated May 8, 2014.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

Purpose of this Report

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

Respectfully submitted,

WHITED SEIGNEUR SAMS & RAHE CPAs, LLP

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May 8, 2014

Members of the Board
Ohio Valley Regional Development Commission

INDEPENDENT AUDITOR'S BEPORT ON COMPLIANCE FOR EACH MAJOR PBOGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REOUIRED BY OMB CIRCULAR A-133

Report on Compliance for Each Major Federal Program

We have audited Ohio Valley Regional Development Commission's (the Commission) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Commission's major federal programs for the year ended December 31, 2013. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on the compliance for each of the Commission’s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 on compliance for each major federal program. However, our audit does not provide a legal determination on the Commission’s compliance.

Opinion on Each Major Federal Program

In our opinion, the Commission complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2013.

Report on Internal Control Over Compliance

Management of the Commission is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Commission's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,

WHITED SEIGNEUR SAMS & RAHE CPAs, LLP

Whited Seigneur Sams & Rahe

OHIO VALLEY REGIONAL DEVELOPMENT COMMISSION
DECEMBER 31, 2013
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	Unmodified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other significant control deficiencies reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other significant control deficiencies reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(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?	Yes

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

None.

3. FINDING AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

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Dave Yost • Auditor of State

OHIO VALLEY REGIONAL DEVELOPMENT COMMISSION

PIKE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JUNE 10, 2014

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