

**Southern Ohio Diversification Initiative**  
Pike County, Ohio

Consolidated Financial Statements  
For the Year Ended September 30, 2015



*Whited Seigneur Sams & Rahe, LLP*  
CERTIFIED PUBLIC ACCOUNTANTS

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# Dave Yost • Auditor of State

Board Members  
Southern Ohio Diversification Initiative  
PO Box 517  
Piketon, Ohio 45661

We have reviewed the *Independent Auditor's Report* of the Southern Ohio Diversification Initiative, Pike County, prepared by Whited, Seigneur, Sams & Rahe CPAs, LLP, for the audit period October 1, 2014 through September 30, 2015. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

June 9, 2016

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**Southern Ohio Diversification Initiative**  
*Table of Contents*  
*For the Fiscal Year Ended September 30, 2015*

<b>Financial</b>	<b>Page</b>
Independent Auditor's Report.....	1
Financial Statements:	
Consolidated Statement of Financial Position.....	3
Consolidated Statement of Activities .....	4
Consolidated Statement of Cash Flows .....	5
Notes to the Basic Financial Statements .....	6
 <b>Compliance and Internal Control</b>	
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 Accordance With <i>Government Auditing Standards</i> .....	11
Schedule of Prior Year Findings and Responses.....	13
 <b>Supplemental Information</b>	
Schedule I - Consolidating Schedule of Financial Position .....	14
Schedule II - Consolidating Schedule of Activities.....	15
Schedule III - Consolidating Schedule of Cash Flows.....	16

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March 25, 2016

Members of the Board  
Southern Ohio Diversification Initiative

### **Independent Auditor's Report**

#### **Report on the Financial Statements**

We have audited the accompanying consolidated financial statements of Southern Ohio Diversification Initiative (a nonprofit organization) (the Initiative) and its subsidiary, which comprise the consolidated statement of financial position as of September 30, 2015, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

#### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these consolidated 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 an opinion on these consolidated 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 consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

### ***Opinion***

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Southern Ohio Diversification Initiative and its subsidiary as of September 30, 2015 and the changes in the net assets and cash flows for the year then ended in conformity with the accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary information identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated 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 March 25, 2016 on our consideration of the Initiative's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Initiative's internal control over financial reporting and compliance.

Respectfully submitted,

WHITED SEIGNEUR SAMS & RAHE, CPAs, LLP

*Whited Seigneur Sams & Rahe*



**Southern Ohio Diversification Initiative**  
*Pike County, Ohio*  
*Consolidated Statement of Financial Position*  
*September 30, 2015*

**Assets**

**Current Assets:**

Cash and Cash Equivalents	\$	325,468
Investments		2,000,000
Accounts Receivable		3,176
Prepaid Expenses		4,092
<b>TOTAL CURRENT ASSETS</b>		<b>2,332,736</b>

**Property and Equipment:**

Construction in Progress		72,742
Land		2,016,600
Land Improvements		895
Building		426,594
Infrastructure		2,526,840
Vehicles		35,189
Equipment		38,165
Furniture and Fixtures		6,688
Less: Accumulated Depreciation		(916,932)
<b>NET PROPERTY AND EQUIPMENT</b>		<b>4,206,781</b>

**Other Assets:**

Lease Receivable		263,869
<b>TOTAL OTHER ASSETS</b>		<b>263,869</b>
 <b>TOTAL ASSETS</b>	 <b>\$</b>	 <b>6,803,386</b>

**Liabilities and Net Assets**

**Current Liabilities:**

Accounts Payable	\$	50,968
Due to Other Governments		411,855
Accrued Expenses		9,456
Note Payable		266,220
<b>TOTAL CURRENT LIABILITIES</b>		<b>738,499</b>

**TOTAL LIABILITIES** 738,499

**Net Assets:**

**Unrestricted**

Noncontrolling Deficit in SOAR, Inc.		(7,863)
Unrestricted		6,072,750
<b>TOTAL NET ASSETS</b>		<b>6,064,887</b>

**TOTAL LIABILITIES AND NET ASSETS** **\$ 6,803,386**

SEE THE ACCOMPANYING NOTES AND AUDITOR'S REPORT

**Southern Ohio Diversification Initiative**  
*Pike County, Ohio*  
*Consolidated Statement of Activities*  
*For the Fiscal Year Ended September 30, 2015*

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Changes in Unrestricted Net Assets

**Revenues, Gains, and Other Support:**

Charges for Services	\$ 99,183
Rent Income	29,400
Contributions & Donations	30,000
Interest Income	<u>13,296</u>
TOTAL REVENUES, GAINS, AND OTHER SUPPORT	<u>171,879</u>

**Expenses:**

Personnel Costs	183,081
Professional Fees	177,428
Contract Labor	55,464
Property Tax	27,082
Utilities	17,044
Administrative	39,267
Interest Expense	6,077
Depreciation	<u>94,151</u>
TOTAL EXPENSES	<u>599,594</u>

CHANGE IN NET ASSETS (427,715)

Net assets, beginning of year 6,492,602

Net assets, end of year \$ 6,064,887

SEE THE ACCOMPANYING NOTES AND AUDITOR'S REPORT

**Southern Ohio Diversification Initiative**  
*Pike County, Ohio*  
*Consolidated Statement of Cash Flows*  
*For the Fiscal Year Ended September 30, 2015*

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<b>Cash Flows From Operating Activities:</b>	
Cash Received from Customers	\$ 92,555
Cash received from Rent	29,400
Cash Received from Other Sources	30,000
Cash Paid to Suppliers	(288,682)
Cash Paid to Employees for Services and Benefits	(183,273)
Net Cash Provided by Operating Activities	<u>(320,000)</u>
<b>Cash Flows From Capital and Related Financing Activities:</b>	
Interest Payments	(6,077)
Principal Payments	(15,161)
Net Cash Used for Capital and Related Financing Activities	<u>(21,238)</u>
<b>Cash Flows From Investing Activities:</b>	
Capital Outlay	(75,502)
Interest Income	13,296
Principal Repayment on Lease Receivable	17,402
Net Cash Provided By Investing Activities	<u>(44,804)</u>
Net Increase in Cash and Investments	(386,042)
Cash and Investments Beginning of Year	<u>711,510</u>
Cash and Investments End of Year	<u>\$ 325,468</u>
<b>Reconciliation of Change in Net Assets to Net Cash Provided By Operating Activities:</b>	
Net Income	\$ (427,715)
Depreciation	94,151
Interest Income Not Included in Operating Activities	(13,296)
Deficit Investment in SOAR	7,536
Interest Payment Not Included in Operating Activities	6,077
Adjustments to Reconcile Net Loss to Net Cash Used for Operating Activities:	
Decrease in Accounts Receivable	(6,628)
Increase in Prepaid Expenses	1,062
Decrease in Accounts Payable	19,005
Increase in Accrued Expenses	(192)
Total Adjustments	<u>13,247</u>
Net Cash Provided By Operating Activities	<u>\$ (320,000)</u>

SEE THE ACCOMPANYING NOTES AND AUDITOR'S REPORT

**Southern Ohio Diversification Initiative**  
*Pike County*  
*Notes to the Consolidated Financial Statements*  
*For the Fiscal Year Ended September 30, 2015*

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. DESCRIPTION OF THE ENTITY**

The Southern Ohio Diversification Initiative (the Initiative) was chartered in July of 1997 as a non-profit Ohio corporation organized under Title XVII, Chapters 1724 and 1702, Ohio Revised Code, the Not for Profit Corporation Law of Ohio filed with the Secretary of State. The sole purpose for which the Initiative was formed is to advance, encourage, and promote the industrial, economic, commercial and civic development of Pike, Scioto, Jackson and Ross Counties, in the State of Ohio. The Initiative acts as a Community Reuse Organization (CRO) to deal with the impact of the planned closing of the Portsmouth Gaseous Diffusion Plant located in Pike County, Ohio. The Initiative has been officially recognized by the U.S. Department of Energy as a CRO. The Initiative operates under the direction of a fifteen member board of trustees. An appointed staff consisting of an executive director and a financial manager are responsible for fiscal control of the resources of the Initiative. The Initiative serves Jackson, Pike, Ross and Scioto Counties.

To facilitate the efficient processing of excess personal property received from the Portsmouth Gaseous Diffusion Plant, the Initiative has a 51% ownership interest in a limited liability company, Southern Ohio Asset Recovery, LLC. These consolidated financial statements incorporate the financial statements for Southern Ohio Asset Recovery, LLC.

**B. BASIS OF ACCOUNTING**

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

For financial statement presentation purposes, the Initiative utilizes the accrual basis of accounting and the accompanying consolidated financial statements included the accounts of the Initiative and Southern Ohio Asset Recovery, LLC. Inter-organization balances and transactions have been eliminated in consolidation. Southern Ohio Asset Recovery, LLC has a fiscal year end of December 31 while the Initiative has a fiscal year end of September 30. Any material inter-organization balances and transactions have been eliminated between the September 30 year end and the December 31 year end. Under this method of accounting, revenues are recognized when they are earned. The Initiative reports gifts of cash, grants and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Expenses are recognized under the accrual basis of accounting when the liability is incurred.

**C. FINANCIAL STATEMENT PRESENTATION**

Topic 958 of the *Financial Accounting Standards Board Accounting Standards Codification*, requires that the amounts for each of three classes of net assets: unrestricted, temporarily restricted and permanently restricted, be presented in an aggregated statement of financial assets and that the amounts of changes in each of those classes of net assets be presented in a statement of activities. This statement requires that resources be classified into three net asset categories according to donor-imposed restriction. A description of each of the categories is as follows:

**Unrestricted Net Assets**

Assets which are free of donor-imposed restrictions; all revenues, expenses, gains and losses that are not changes in temporarily or permanently restricted net assets.

**Southern Ohio Diversification Initiative**  
*Pike County*  
*Notes to the Consolidated Financial Statements*  
*For the Fiscal Year Ended September 30, 2015*

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**C. FINANCIAL STATEMENT PRESENTATION** (continued)

**Temporarily Restricted Net Assets**

Assets which include gifts and pledges receivable for which donor-imposed restrictions have not been met and for which the ultimate purpose of the proceeds are not permanently restricted.

**Permanently Restricted Net Assets**

Assets that are subject to restrictions of gift instruments requiring that the principal be invested in perpetuity. The income from these assets is included in the investment income of unrestricted and restricted funds, as appropriate, in the accompanying statement of activities.

When a donor restriction expires, that is, when a stipulated time restriction expires or purpose restriction is accomplished, restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. There were no restrictions on the Initiative's net assets as of September 30, 2015.

**D. COMPENSATED ABSENCES**

Accumulated vacation leave and accumulated compensatory time are recorded as an expense and liability of the Initiative as the benefits accrue to the employees. Sick leave is accrued at 3.7 hours of sick leave per pay period to a maximum accrual of 960 hours. Vacation leave is accrued according to years of service with a maximum accrual of 160 hours. There were no unpaid accruals as of fiscal year end.

**E. CASH AND INVESTMENTS**

The Initiative's cash and investments consist of cash on hand, deposits and certificates of deposit.

For purposes of the statement of cash flows and for presentation on the statement of financial assets, investments with a maturity of three months or less at the time of purchase are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

**F. PROPERTY AND EQUIPMENT**

The property and equipment values were determined based on original acquisition costs at the time of purchase. Donated property and equipment are capitalized at estimated fair market value on the date donated. The Initiative has established \$500 as the threshold for which property and equipment are to be reported. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements that extend the useful life or increase the capacity of operating efficiency of the asset are capitalized at cost. Depreciation has been provided based on the MACRS method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	5 years
Buildings	40 years
Infrastructure	40 years
Vehicles	5 years
Furniture and Fixtures	7 years

**Southern Ohio Diversification Initiative**  
*Pike County*  
*Notes to the Consolidated Financial Statements*  
*For the Fiscal Year Ended September 30, 2015*

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**G. INCOME TAXES**

The Initiative is a not for profit corporation and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Initiative is also exempt from Ohio income tax. All IRS Form 990, Return of Organization Exempt from Income Tax, have been timely filed and are subject to examination by the IRS, generally for three years after they are filed. The Initiative's subsidiary is a limited liability company that files separate partnership tax returns. All subsidiary tax returns have been timely filed and are subject to examination by the IRS, generally for three years after they are filed.

**H. ESTIMATES**

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

**I. ACCOUNTS RECEIVABLE AND DUE TO OTHER GOVERNMENTS**

Accounts receivable and revenue are recorded when services are performed. The Initiative reports receivables at net realizable value. Management does not book an allowance for doubtful accounts due to past experience of collectability.

**J. DUE TO OTHER GOVERNMENTS**

The Initiative receives excess personal property by the United States Department of Energy (DOE) from the Portsmouth Gaseous Diffusion Plant. The Initiative may transfer the property to businesses, municipalities, or organizations in the region in order to create new employment opportunities or provide assistance to residents affected by the plant downsizing. The Initiative may also sell the property if it would have limited value in job creation. In consideration for the property transferred, DOE is due 50% of the value of assets with an original acquisition cost of \$50,000-\$250,000. Property with a value of \$50,000 or less is provided at no cost to the Initiative. Consideration for excess personal property with an initial acquisition value of more than \$250,000 will be determined on a case by case basis, using 50% of estimated fair market value as a starting point. As of September 30, 2015, the Initiative has determined that \$411,855 was due back to the United States Department of Energy.

**K. DATE OF MANAGEMENT'S REVIEW**

In preparing these financial statements, management has evaluated subsequent events and transactions for potential recognition through March 25, 2016 the date the financial statements were available to be issued.

**NOTE 2 - CASH AND INVESTMENTS**

Deposits - Custodial credit risk for deposits is the risk that in the event of bank failure, the Initiative's deposits may not be returned. According to state law, public depositories must give security for all public funds on deposit in excess of those funds that are insured by the Federal Deposit Insurance Corporation (FDIC) or by any other agency or instrumentality of the federal government. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the FDIC, or may pledge a pool of government securities valued at least 105% of the total value of public monies on deposit at the institution. The Initiative's policy is to deposit money with financial institutions that are able to abide by the laws governing insurance and collateralization of public funds.

**Southern Ohio Diversification Initiative**  
*Pike County*  
*Notes to the Consolidated Financial Statements*  
*For the Fiscal Year Ended September 30, 2015*

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**NOTE 2 - CASH AND INVESTMENTS** (continued)

**Deposits** At September 30, 2015, the carrying amount of the Initiative's deposits was \$2,325,468 and the bank balance was \$2,328,919. Of the bank balance:

1. \$500,000 was covered by federal depository insurance.
2. \$1,828,919 was collateralized by the financial institutions' public entity deposit pools in the manner described above.

**NOTE 3 - RISK MANAGEMENT**

The Initiative 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. For fiscal year 2015, the Initiative contracted with Cincinnati Insurance Company for real property, building contents, and vehicle insurance coverage.

Coverages provided by the program are as follows:

General Liability	\$2 million Annual Aggregate Limit
Automobile	\$1 million
Property	\$1.114 million
Crime	\$500 thousand
Directors & Officers Liability	\$1 million
Umbrella	\$2 million

Health insurance was provided by a private carrier, Medical Mutual of Ohio, for the year. Workers' compensation benefits are provided through the State Bureau of Workers' Compensation. The Initiative has not incurred significant reductions in insurance coverage from coverage in the prior year by major category of risk. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

**NOTE 4 - PENSION PLAN**

All employees of the Initiative are eligible to contribute into a simple IRA, a privately defined benefit pension plan. The Initiative contributes 3% of an employee's gross wages into the plan. An hourly employee must work six months prior to becoming eligible for the plan. A member is fully vested immediately and can retire at the age of 62. One employee was participating in the plan in 2015.

**NOTE 5 - CONTINGENCIES**

The Initiative was not involved in any litigation as of September 30, 2015.

**Southern Ohio Diversification Initiative**  
*Pike County*  
*Notes to the Consolidated Financial Statements*  
*For the Fiscal Year Ended September 30, 2015*

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**NOTE 6 – LOANS PAYABLE**

During fiscal year 2013 the Initiative entered into a loan agreement in the amount of \$300,025 for the purpose of constructing a facility for the Ohio Valley Regional Development Commission (OVRDC). This loan was originally issued in December 2012 at 2.5% interest for an eight month period and then it was renegotiated and extended into a twelve month loan at 2.3% interest. The note matured in 2015 and was subsequently renewed with the principal and interest being payable in full at maturity on September 25, 2016. However, the Initiative is making monthly payments of \$1,769.91. The loan is being secured with the certificate of deposit.

The facility is owned by the Initiative; however, the Initiative entered into a long term capital lease with OVRDC whereby OVRDC will make monthly rental payments to the Initiative in the amount of \$1,769.91 which provides the Initiative with sufficient cash flow to make the principal and interest payments on the loan. OVRDC utilizes the facility and the Initiative has recorded a lease receivable on their financial statements which will be amortized over twenty years using the same interest rate as the loan. The Initiative has not recorded the facility on their financial statements as it is structured as a long term capital lease.





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**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 ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

March 25, 2016

Members of the Board  
Southern Ohio Development Commission

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 Southern Ohio Diversification Initiative (a nonprofit organization) (the Initiative), which comprise the consolidated statement of financial position as of September 30, 2015, and the related consolidated statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 25, 2016.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the consolidated financial statements, we considered the Initiative'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of ABC Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of ABC Organization's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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 internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Initiative's consolidated 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 instance 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 organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,

WHITED SEIGNEUR SAMS & RAHE CPAs, LLP

*Whited Seigneur Sams & Rahe*

**Southern Ohio Diversification Initiative**  
*Pike County*  
*Schedule of Prior Year Audit Findings*  
*For the Fiscal Year Ended September 30, 2015*

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**Finding 2014-001 Material Noncompliance and Significant Deficiency in Internal Controls**

*Criteria:* Internal controls should be in place to insure timely and correct filing of (unaudited) annual GAAP financial reports to the Auditor of State (Ohio Rev Code § 1726.11). The corporation must file the annual report within 120 days of fiscal year end. Additionally, a time table for meetings and deadlines is incorporated as part of the contract for audit services between the Auditor of State, the audit firm, and the Initiative. The date for delivery of the financial statements was December 1, 2015.

*Cause:* Management is unable to identify and compile consolidation and elimination entries in a timely manner.

*Management's Response:* Management plans to work closely with SOAR and their accountant to make sure that future financial reports are filed on time.

*Status:* Corrected.

**Southern Ohio Diversification Initiative**  
*Pike County, Ohio*  
*Consolidating Statement of Financial Position*  
*September 30, 2015*

	<b>Parent Company Southern Ohio Diversification Initiative</b>	<b>Subsidiary Company Southern Ohio Asset Recovery, Inc.</b>	<b>Eliminations</b>	<b>Consolidated Totals</b>
<b>Assets</b>				
<b>Current Assets:</b>				
Cash and Cash Equivalents	\$ 321,555	\$ 3,913	\$ -	\$ 325,468
Investments	2,000,000	-	-	2,000,000
Accounts Receivable	17,073	-	(13,897)	3,176
Prepaid Expenses	4,092	-	-	4,092
TOTAL CURRENT ASSETS	<u>2,342,720</u>	<u>3,913</u>	<u>(13,897)</u>	<u>2,332,736</u>
<b>Property and Equipment:</b>				
Construction in Progress	72,742	-	-	72,742
Land	2,016,600	-	-	2,016,600
Land Improvements	895	-	-	895
Building	426,594	-	-	426,594
Infrastructure	2,526,840	-	-	2,526,840
Vehicles	35,189	-	-	35,189
Equipment	38,165	-	-	38,165
Furniture and Fixtures	6,688	-	-	6,688
Less: Accumulated Depreciation	(916,932)	-	-	(916,932)
NET PROPERTY AND EQUIPMENT	<u>4,206,781</u>	<u>-</u>	<u>-</u>	<u>4,206,781</u>
<b>Other Assets:</b>				
Lease Receivable	263,869	-	-	263,869
TOTAL OTHER ASSETS	<u>263,869</u>	<u>-</u>	<u>-</u>	<u>263,869</u>
TOTAL ASSETS	<u>\$ 6,813,370</u>	<u>\$ 3,913</u>	<u>\$ (13,897)</u>	<u>\$ 6,803,386</u>
<b>Liabilities and Net Assets</b>				
<b>Current Liabilities:</b>				
Accounts Payable	\$ 37,370	\$ 19,959	\$ (6,361)	\$ 50,968
Due to Other Governments	411,855	-	-	411,855
Accrued Expenses	9,456	-	-	9,456
Note Payable	266,220	-	-	266,220
Deficit Investment in SOAR, Inc.	8,183	-	(8,183)	-
TOTAL CURRENT LIABILITIES	<u>733,084</u>	<u>19,959</u>	<u>(14,544)</u>	<u>738,499</u>
TOTAL LIABILITIES	733,084	19,959	(14,544)	738,499
<b>Net Assets:</b>				
<b>Unrestricted</b>				
Noncontrolling Interest in SOAR, Inc.	-	-	(7,863)	(7,863)
Unrestricted	6,080,286	(16,046)	8,510	6,072,750
TOTAL NET ASSETS	<u>6,080,286</u>	<u>(16,046)</u>	<u>647</u>	<u>6,064,887</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 6,813,370</u>	<u>\$ 3,913</u>	<u>\$ (13,897)</u>	<u>\$ 6,803,386</u>

**Southern Ohio Diversification Initiative**  
*Pike County, Ohio*  
*Consolidating Statement of Activities*  
*For the Fiscal Year Ended September 30, 2015*

	<b>Parent Company Southern Ohio Diversification Initiative</b>	<b>Subsidiary Company Southern Ohio Asset Recovery, Inc.</b>	<b>Eliminations</b>	<b>Consolidated Totals</b>
Changes in Unrestricted Net Assets				
<b>Revenues, Gains, and Other Support:</b>				
Charges for Services	\$ 97,442	\$ 81,617	\$ (79,876)	\$ 99,183
Intergovernmental	-	-	-	-
Rent Income	29,400	-	-	29,400
Other	0	-	-	-
Contributions & Donations	30,000	-	-	30,000
Interest Income	13,296	-	-	13,296
<b>TOTAL REVENUES, GAINS, AND OTHER SUPPORT</b>	<b>170,138</b>	<b>81,617</b>	<b>(79,876)</b>	<b>\$ 171,879</b>
<b>Expenses:</b>				
Personnel Costs	183,081	-	-	183,081
Professional Fees	167,203	10,225	-	177,428
Contract Labor	1,363	126,441	(72,340)	55,464
Property Tax	27,082	-	-	27,082
Utilities	17,044	-	-	17,044
Administrative	34,245	5,022	-	39,267
Interest Expense	6,077	-	-	6,077
Depreciation	94,151	-	-	94,151
<b>TOTAL EXPENSES</b>	<b>530,246</b>	<b>141,688</b>	<b>(72,340)</b>	<b>599,594</b>
<b>CHANGE IN NET ASSETS</b>	<b>(360,108)</b>	<b>(60,071)</b>	<b>(7,536)</b>	<b>(427,715)</b>
Net assets, beginning of year	6,471,030	44,025	(22,453)	6,492,602
Equity in Loss of SOAR, Inc. - Subsidiary Distributions	(30,636)	-	30,636	-
SODI - Parent Company	-	-	-	-
Other	-	-	-	-
<b>TOTAL OTHER ITEMS</b>	<b>(30,636)</b>	<b>-</b>	<b>30,636</b>	<b>-</b>
Net assets, end of year	<u>\$ 6,080,286</u>	<u>\$ (16,046)</u>	<u>\$ 647</u>	<u>\$ 6,064,887</u>

**Southern Ohio Diversification Initiative**  
*Pike County, Ohio*  
**Consolidated Statement of Cash Flows**  
*For the Fiscal Year Ended September 30, 2015*

	<b>Parent Company Southern Ohio Diversification Initiative</b>	<b>Subsidiary Company Southern Ohio Asset Recovery, Inc.</b>	<b>Eliminations</b>	<b>Consolidated Totals</b>
<b>Cash Flows From Operating Activities:</b>				
Cash Received from Customers	\$ 90,814	\$ 81,617	\$ (79,876)	\$ 92,555
Cash received from Rent	29,400	-	-	29,400
Cash Received from Other Sources	30,000	-	-	30,000
Cash Paid to Suppliers	(242,151)	(126,407)	79,876	(288,682)
Cash Paid to Employees for Services and Benefits	(183,273)	-	-	(183,273)
Net Cash Provided by Operating Activities	<u>(275,210)</u>	<u>(44,790)</u>	<u>-</u>	<u>(320,000)</u>
<b>Cash Flows From Capital and Related Financing Activities:</b>				
Interest Payments	(6,077)	-	-	(6,077)
Principal Payments	(15,161)	-	-	(15,161)
Net Cash Used for Capital and Related Financing Activities	<u>(21,238)</u>	<u>-</u>	<u>-</u>	<u>(21,238)</u>
<b>Cash Flows From Investing Activities:</b>				
Capital Outlay	(75,502)	-	-	(75,502)
Interest Income	13,296	-	-	13,296
Principal Repayment on Lease Receivable	17,402	-	-	17,402
Net Cash Provided By Investing Activities	<u>(44,804)</u>	<u>-</u>	<u>-</u>	<u>(44,804)</u>
Net Increase (Decrease) in Cash and Investments	(341,252)	(44,790)	-	(386,042)
Cash and Investments Beginning of Year	<u>662,807</u>	<u>48,703</u>	<u>-</u>	<u>711,510</u>
Cash and Investments End of Year	<u>\$ 321,555</u>	<u>\$ 3,913</u>	<u>\$ -</u>	<u>\$ 325,468</u>
<b>Reconciliation of Change in Net Assets to Net Cash Provided By Operating Activities:</b>				
Net Income	\$ (360,108)	\$ (60,071)	\$ (7,536)	\$ (427,715)
Depreciation	94,151	-	-	94,151
Interest Income Not Included in Operating Activities	(13,296)	-	-	(13,296)
Deficit Investment in SOAR	-	-	7,536	7,536
Interest Payment Not Included in Operating Activities	6,077	-	-	6,077
Adjustments to Reconcile Net Loss to Net Cash Used for Operating Activities:				
Decrease in Accounts Receivable	(6,628)	-	-	(6,628)
Decrease in Prepaid Expenses	(271)	1,333	-	1,062
Decrease in Accounts Payable	5,057	13,948	-	19,005
Increase in Due to Other Governments	-	-	-	-
Decrease in Accrued Expenses	(192)	-	-	(192)
Total Adjustments	<u>(2,034)</u>	<u>15,281</u>	<u>-</u>	<u>13,247</u>
Net Cash Provided By Operating Activities	<u>\$ (275,210)</u>	<u>\$ (44,790)</u>	<u>\$ -</u>	<u>\$ (320,000)</u>



# Dave Yost • Auditor of State

## SOUTHERN OHIO DIVERSIFICATION INITIATIVE

### 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 21, 2016