

Southern Ohio Growth Partnership, Inc. and Affiliates

Scioto County

Regular Audit

January 1, 2006 Through December 31, 2006

Fiscal Year Audited Under GAGAS: 2006

BALESTRA, HARR & SCHERER

CERTIFIED PUBLIC ACCOUNTANTS

528 South West Street, P.O. Box 687

Piketon, Ohio 45661

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Mary Taylor, CPA
Auditor of State

Board of Trustees
Southern Ohio Growth Partnership, Inc. and Affiliates
342 Second Street
Portsmouth, Ohio 45662

We have reviewed the *Independent Auditor's Report* of the Southern Ohio Growth Partnership, Inc. and Affiliates, Scioto County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period January 1, 2006 through December 31, 2006. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

August 1, 2007

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SOUTHERN OHIO GROWTH PARTNERSHIP, INC. AND AFFILIATES
SCIOTO COUNTY

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Ohio Society of Certified Public

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Portsmouth, Ohio 45662

Independent Auditor's Report

We have audited the accompanying statement of financial position of the Southern Ohio Growth Partnership, Inc. and Affiliates, Scioto County, as of December 31, 2006, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Southern Ohio Growth Partnership, Inc. and Affiliates' management. Our responsibility is to express an opinion on these financial statements based on our audit.

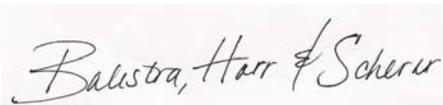
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Southern Ohio Growth Partnership, Inc. and Affiliates, as of December 31, 2006, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 15, 2007, on our consideration of the Southern Ohio Growth Partnership, Inc. and Affiliate'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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Southern Ohio Growth Partnership, Inc. and Affiliates
Independent Auditor's Report
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Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The schedule of functional expenses on pages 12-13 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

A handwritten signature in cursive script that reads "Balestra, Harr & Scherer". The signature is written in black ink on a light-colored background.

Balestra, Harr & Scherer, CPAs, Inc.

June 15, 2007

Southern Ohio Growth Partnership, Inc. and Affiliates
Scioto County

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS OF DECEMBER 31, 2006

	2006
Assets:	
Current Assets:	
Cash	\$ 195,565
Receivables:	
Accounts	26,467
Loans	989,072
Prepaid Asset	3,115
Inventory	5,662
Deposits	2,451
Total Current Assets	1,222,332
Long-Term Loans Receivable	3,159,146
Net Property, Plant & Equipment	1,513,038
Total Assets	\$ 5,894,516
Liabilities and Net Assets:	
Current Liabilities:	
Accounts payable and Accrued Expenses	\$ 20,992
Notes Payable	93,402
Mortgage Payable	27,808
Capital Leases Payable	7,688
Sales Tax Payable	1,116
Accrued Interest Payable	7,507
Deferred Income	132,131
Total Current Liabilities	290,644
Long-term Liabilities:	
Capital Leases Payable	8,952
Notes Payable	2,605,206
Mortgage Payable	448,011
Total Liabilities	3,352,813
Net Assets:	
Unrestricted	1,637,920
Temporarily Restricted	903,783
Total Net Assets	2,541,703
Total Liabilities and Net Assets	\$ 5,894,516

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

Southern Ohio Growth Partnership, Inc. and Affiliates

Scioto County

CONSOLIDATED STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2006

	2006
Changes in Unrestricted Net Assets:	
Unrestricted Revenue:	
Contributions	\$ 134,522
Grants	423,000
Fees	603,737
Dues	77,441
Miscellaneous	93,094
Total Unrestricted Revenue	1,331,794
Net Assets Released from Program Restrictions:	
Satisfaction of Program Restrictions	68,547
Total Unrestricted Revenue and Other Support	1,400,341
Expenses:	
Greater Portsmouth Growth Corporation	347,664
Portsmouth Area Chamber of Commerce	178,238
Portsmouth Murals	29,046
PMI Building Fund	31,240
Gift Shop	18,273
Leadership Portsmouth	3,347
Intermediary Relending Program IV	13,088
Intermediary Relending Program III	12,924
Intermediary Relending Program II	14,105
Intermediary Relending Program I	12,932
Enterprise Community/Empowerment Zone	88
Rural Business Enterprise Grant	7,500
Rural Business Enterprise Grant II	7,910
General and Administration Expenses	277,405
Total Expenses before Depreciation	953,760
Depreciation	41,703
Total Expenses	995,463
Increase in Unrestricted Net Assets	404,878
Changes in Temporarily Restricted Net Assets	
Interest	98,420
Fees	8,786
Net Assets Released from Restrictions	(68,547)
Increase in Temporarily Restricted Net Assets	38,659
Increase in Net Assets	443,537
Net Assets, Beginning of Year	
Unrestricted	1,233,042
Temporarily Restricted	865,124
	2,098,166
Net Assets, End of Year	
Unrestricted	1,637,920
Temporarily Restricted	903,783
Net assets, end of year	\$ 2,541,703

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

Southern Ohio Growth Partnership, Inc. and Affiliates
Scioto County
CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2006

Cash Flows From Operating Activities:	
Change in net assets	\$ 443,537
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	41,703
Increase in accounts receivable	(13,798)
Decrease in deposits	20,207
Increase in Inventory	(5,662)
Increase in Deferred Revenue	4,128
Decrease in accounts payable and accrued expenses	<u>(10,281)</u>
Net cash provided by operating activities	<u>479,834</u>
 Cash Flows From Investing Activities:	
Payments for Capital Acquisitions	(218,420)
Principal disbursements on notes receivable	(473,000)
Payments received on notes receivable	<u>311,819</u>
Net cash used in investing activities Activities	<u>(379,601)</u>
 Cash Flows From Financing Activities:	
Payments on long-term debt	<u>(116,323)</u>
Net cash provided by financing activities	<u>(116,323)</u>
Net Increase In Cash	(16,090)
Cash at January 1, 2006	<u>211,655</u>
Cash at December 31, 2006	<u><u>\$ 195,565</u></u>

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

SOUTHERN OHIO GROWTH PARTNERSHIP, INC. AND AFFILIATES
SCIOTO COUNTY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF THE ENTITY

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

B. BASIS OF ACCOUNTING

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

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

C. CONSOLIDATION OF RELATED ENTITIES

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

A brief description of each of the related entities follow:

Greater Portsmouth Growth Corporation

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

Portsmouth Area Chamber of Commerce

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

Retail Merchants Association

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

Portsmouth Murals, Inc.

Portsmouth Murals Inc (PMI) is a business association organized to promote the historic preservation of the Portsmouth area through the painting of murals on various buildings and landmarks inside the city limits.

SOUTHERN OHIO GROWTH PARTNERSHIP, INC. AND AFFILIATES
SCIOTO COUNTY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2006

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. FINANCIAL STATEMENT PRESENTATION

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

Permanently Restricted Net Assets – The Southern Ohio Growth Partnership and Affiliates reports gifts of cash and other assets as permanently restricted support if they are received with donor stipulations that limit the use of the donated assets in perpetuity. The Partnership did not report any permanently restricted net assets as of December 31, 2006.

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

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

E. FUNCTIONAL ALLOCATION OF EXPENSES

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

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

F. ESTIMATES

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

Actual results could differ from those estimates.

G. PROPERTY, PLANT & EQUIPMENT

Fixed assets acquired for the general use of the Southern Ohio Growth Partnership and Affiliates in providing service are recorded at cost. Depreciation of fixed assets of the Southern Ohio Growth Partnership and Affiliates is calculated utilizing the straight line method. All assets reported in the financial statements are at cost less accumulated depreciation.

SOUTHERN OHIO GROWTH PARTNERSHIP, INC. AND AFFILIATES
SCIOTO COUNTY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2006

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. PROPERTY, PLANT & EQUIPMENT (Continued)

The estimated useful lives by major fixed asset class are as follows:

Buildings	40 years
Equipment	5 years
Furniture & Fixtures	5 years

H. INCOME TAXES

Southern Ohio Growth Partnership

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

Southern Ohio Growth Partnership Affiliates

The Greater Portsmouth Growth Corporation is a not-for-profit organization exempt from income taxes under Section 501(c)(4) of the Internal Revenue Code. The Portsmouth Area Chamber of Commerce and the Retail Merchants Association are not-for-profit organizations exempt from income taxes under Section 501(c)(6) of the Internal Revenue Code and the Portsmouth Murals, Inc. is a not-for-profit organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. These related organizations are also exempt from Ohio franchise or income tax.

I. REVENUES

Revenues are recognized in the accompanying financial statements as follows:

1. Grants and Reimbursement Contracts

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

2. Interest Income

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

3. Contributions

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

4. Fees

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

5. Dues

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

SOUTHERN OHIO GROWTH PARTNERSHIP, INC. AND AFFILIATES
SCIOTO COUNTY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2006

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. REVENUES

6. Rental Income

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

J. EXPENSES

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

K. CASH AND CASH EQUIVALENTS

Investments with original maturities of three months or less at the time they are purchased by the Southern Ohio Growth Partnership and Affiliates are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months not purchased from the pool are reported as investments.

L. DEFERRED INCOME

Revenue received before the period it is earned in is recorded as deferred income by the Partnership.

NOTE 2 - CASH

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

Cash on Hand At December 31, 2006, the Southern Ohio Growth Partnership and Affiliates had \$250 in undeposited cash on hand which is included on the statement of financial position of the Southern Ohio Growth Partnership and Affiliates as part of cash.

Deposits At year end, the carrying amount of the Southern Ohio Growth Partnership and Affiliate's deposits was \$195,315 and the bank balance was \$231,549, all of which was covered by FDIC.

NOTE 3 - PROPERTY, PLANT & EQUIPMENT

The balance of property and equipment at December 31, 2006, consists of the following:

Buildings	\$1,451,906
Land	65,000
Furniture and fixtures	<u>37,835</u>
Total	1,554,741
Accumulated depreciation	<u>(41,703)</u>
Net	<u>\$1,513,038</u>

SOUTHERN OHIO GROWTH PARTNERSHIP, INC. AND AFFILIATES
SCIOTO COUNTY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2006

(Continued)

NOTE 4 - LOANS RECEIVABLE

The loans receivable balance consists of loans to various local and regional businesses. Interest rates were based on the current rates and risk at the time of the loans ranging from 5% to 11.5%. The loans have various lengths and maturity dates and all loans are collateralized by one or more of the following: business assets, personal assets or personal guarantees of the borrowers. Loans are considered fully collectible unless the borrower files bankruptcy. The changes in the Loans Receivable balances during 2006 are as follows:

Balance at 12/31/05	New Loans During 2006	Principal Paid in 2006	Balance at 12/31/06	Current Portion
\$3,987,037	\$473,000	\$(311,819)	\$4,148,218	\$989,072

NOTE 5 - NOTES PAYABLE

Notes payable at December 31, 2006 consists of the following:

Note payable to United States Department of Agriculture at 1.0% interest with annual payments of \$42,450 (including interest). The note is secured by a UCC lien on the revolving loan fund.	\$764,375
Note payable to United States Department of Agriculture at 1.0% interest with annual payments of \$42,450 (including interest). The note is secured by a UCC lien on the revolving loan fund.	868,173
Note payable to United States Department of Agriculture at 1.0% interest with annual payments of \$31,838 (including interest), starting in 2004. The note is secured by a UCC lien on the revolving loan fund.	701,060
Note payable to United States Department of Agriculture at 1.0% interest with annual payments of \$31,855 (including interest), starting in 2008. The note is secured by a UCC lien on the revolving loan fund.	365,000

SOUTHERN OHIO GROWTH PARTNERSHIP, INC. AND AFFILIATES
SCIOTO COUNTY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2006
(Continued)

NOTE 5 - NOTES PAYABLE (Continued)

Note payable to Oak Hill Banks at 7.00% interest for the next one-year period. Quarterly principal and interest payments of \$14,163.33 beginning January 30, 2006 and continuing quarterly thereafter until the loan is paid in full.	475,819
Lease payable to Imagistics with monthly payments of \$648. The lease is secured by a copier.	3,492
Car lease payable to GMAC with monthly payments of \$375.96 for 36 months	4,561
Car lease payable to GMAC with monthly payments of \$330.27 for 36 months	<u>8,587</u>
Total	3,191,067
Less current maturities	<u>(128,898)</u>
Long Term Portion	<u><u>\$3,062,169</u></u>

The aggregate maturities on long-term debt as of December 31, 2006 are as follows:

2007	\$128,898
2008	124,455
2009	142,064
2010	138,121
2011	141,288
Thereafter	<u>2,516,241</u>
	<u><u>\$ 3,191,067</u></u>

NOTE 6 - RELATED PARTIES

A Board of Trustee member has part ownership in Portsmouth Insurance Agency which has a loan outstanding with SOGP through the Intermediary Relending Program. In September 2000, Portsmouth Insurance Agency received a \$150,000 note from SOGP. The unpaid balance at 12/31/06 was \$71,052.

NOTE 7 - CONCENTRATIONS

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

SOUTHERN OHIO GROWTH PARTNERSHIP, INC. AND AFFILIATES
SCIOTO COUNTY

SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2006

	Greater Portsmouth Growth Corporation	Portsmouth Area Chamber of Commerce	Portsmouth Murals	PMI Building Fund	Intermediary Relending Program I	Intermediary Relending Program II	Intermediary Relending Program III	Intermediary Relending Program IV
Personnel	\$ 387	\$ 95,435	\$ 201	\$ 9,412	\$ -	\$ -	\$ -	\$ 2,466
Consultants/Contractual	132,700	10,325	19,985	6,563	12,466	12,866	12,466	10,292
Travel	-	800	1,234	-	-	-	-	-
Training	-	791	-	-	292	292	292	-
Utilities	-	7,463	-	7,452	-	-	-	-
Supplies	-	12,401	1,011	2,631	-	-	-	-
Equipment Lease and Maintenance	-	6,445	-	831	-	-	-	-
Promotions/Community functions	-	37,537	6,561	3,381	-	-	-	-
Other	214,577	7,041	54	970	174	947	166	330
Total	\$ 347,664	\$ 178,238	\$ 29,046	\$ 31,240	\$ 12,932	\$ 14,105	\$ 12,924	\$ 13,088

SOUTHERN OHIO GROWTH PARTNERSHIP, INC. AND AFFILIATES
SCIOTO COUNTY

SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2006

	Empowerment/ Community Enterprise Zone	Rural Business Enterprise Grant	Rural Business Enterprise Grant II	Gift Shop	Leadership Portsmouth	Total Programs	General and Administrative	Total Expenses
Personnel	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 107,901	\$ 167,760	\$ 275,661
Consultants/Contractual	-	7,500	7,500	5,000	360	238,023	29,533	267,556
Travel	-	-	-	-	-	2,034	5,341	7,375
Training	-	-	-	-	-	1,667	888	2,555
Utilities	-	-	-	-	-	14,915	4,049	18,964
Supplies	-	-	-	23	653	16,719	9,649	26,368
Equipment Lease and Maintenance	-	-	-	-	-	7,276	3,978	11,254
Promotions/Community functions	-	-	-	-	245	47,724	1,645	49,369
Other	88	-	410	13,250	2,089	240,096	54,562	294,658
Total	\$ 88	\$ 7,500	\$ 7,910	\$ 18,273	\$ 3,347	\$ 676,355	\$ 277,405	\$ 953,760

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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*

Board of Trustees
Southern Ohio Growth Partnership, Inc. and Affiliates
342 Second Street
Portsmouth, Ohio 45662

We have audited the accompanying financial statements of the Southern Ohio Growth Partnership, Inc. and Affiliates (the Partnership), Scioto County, as of and for the year ended December 31, 2006, and have issued our report thereon dated June 15, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control over financial reporting. We consider the deficiency described in the accompanying schedule of findings and responses as item 2006-001 to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be presented or detected by the entity's internal control.

Board of Directors
Scioto County Growth Partnership, Inc. and Affiliates

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*

Page 2

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and accordingly, would not disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency described above is not a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Partnership's basic 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*.

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

This report is intended solely for the information and use of the management and members of the Board and is not intended to be and should not be used by anyone other than these specified parties.



Balestra, Harr & Scherer, CPAs, Inc.
June 15, 2007

**SOUTHERN OHIO GROWTH PARTNERSHIP INC. AND AFFILIATES
SCIOTO COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2006**

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

FINDING NUMBER 2006-001

Significant Control Deficiency

Detailed Listing of Capital Assets

The Partnership does not maintain a detailed listing of capital assets. The preparation of detailed property records aids in the accounting for property disposals, substantiating insurance claims for lost or damaged items, providing information for proper filing of income and property tax returns, and providing controls to safeguard the assets. The Partnership should adopt a written procedure statement that would require the following:

- A capitalization policy under which minor disbursements within a specified dollar amount would be immediately charged to operations. Management should establish a policy whereby all property purchases over a reasonable dollar amount established by the Board of Trustees and having a useful life of one year or more are capitalized. Purchases costing less than the established amount or having a useful life of less than one year should be expensed, since the cost of maintaining depreciation records for such items would exceed the benefits. Procedures for the disposal of capital assets should be defined. The Partnership should document the capitalization policy and communicate it to those who code property invoices to ensure the policy is consistently followed.

At a minimum, the detailed property records should include the following information:

- Description, asset number, and location.
- Acquisition cost and date of acquisition.
- Assigned life and method of depreciation.
- Depreciation taken on an annual basis with accumulation thereof.
- Investment credit data.

Client Response

The Partnership is working with its accountant to determine the most effective course of action to resolve this deficiency.



Mary Taylor, CPA
Auditor of State

SOUTHERN OHIO GROWTH PARTNERSHIP, INC AND AFFILIATES

SCIOTO COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 14, 2007**