

Southern Ohio Growth Partnership, Inc. and Affiliates

Scioto County

Single Audit

January 1, 2007 Through December 31, 2007

Fiscal Year Audited Under GAGAS: 2007

**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.  
342 Second Street  
Portsmouth, Ohio 45662

We have reviewed the *Independent Auditor's Report* of the Southern Ohio Growth Partnership, Inc., Scioto County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period January 1, 2007 through December 31, 2007. 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. is responsible for compliance with these laws and regulations.

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

September 8, 2008

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SOUTHERN OHIO GROWTH PARTNERSHIP, INC. AND AFFILIATES  
SCIOTO COUNTY

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Ohio Society of Certified Public Accountants

Board of Trustees

Southern Ohio Growth Partnership, Inc. and Affiliates

342 Second Street

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, 2007, 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, 2007, 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 May 30, 2008, 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.

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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Partnership's basic financial statements. The schedule of federal awards expenditures is required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The schedule of federal awards expenditures has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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.

May 30, 2008

**Southern Ohio Growth Partnership, Inc. and Affiliates**  
**Scioto County**  
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

December 31, 2007

	<b>2007</b>
Assets:	
Current Assets:	
Cash	\$ 289,531
Receivables:	
Accounts	28,093
Loans	694,663
Prepaid Assets	2,232
Inventory	6,217
Deposits	8,748
Total Current Assets	1,029,484
Long-Term Loans Receivable	3,858,081
Net Property, Plant & Equipment	1,632,336
Total Assets	\$ 6,519,901
Liabilities and Net Assets:	
Current Liabilities	
Accounts payable and Accrued Expenses	32,790
Notes Payable	94,335
Capital Leases Payable	10,563
Mortgage Payable	26,157
Sales Tax Payable	1,141
Total Current Liabilities	164,986
Capital Leases Payable	15,513
Mortgage Payable	431,444
Accrued Interest Payable	7,507
Notes Payable	2,808,012
Total Liabilities	3,427,462
Net Assets:	
Unrestricted	2,072,462
Temporarily Restricted	1,019,977
Total Net Assets	3,092,439
Total Liabilities and Net Assets	\$ 6,519,901

The accompanying notes are an integral part of these financial statements.

**Southern Ohio Growth Partnership, Inc. and Affiliates**

**Scioto County**

CONSOLIDATED STATEMENT OF ACTIVITIES

For the Years Ended December 31, 2007

Changes in Unrestricted Net Assets:	<b>2007</b>
Unrestricted Revenue:	
Contributions	274,646
Grants	364,000
Fees	268,045
Dues	82,592
Miscellaneous	98,448
Total Unrestricted Revenue	1,087,731
Expenses:	
Greater Portsmouth Growth Corporation	103,046
Portsmouth Area Chamber of Commerce	178,724
Portsmouth Murals	63,315
PMI Building Fund	53,375
Gift Shop	25,837
Leadership Portsmouth	3,442
Intermediary Relending Program IV	12,791
Intermediary Relending Program III	13,445
Intermediary Relending Program II	14,716
Intermediary Relending Program I	12,566
Enterprise Community/Empowerment Zone	2,075
Junior Achievement	2,500
Rural Business Enterprise Grant	31
Rural Business Enterprise Grant II	7,877
Rural Business Enterprise Grant III	502
General and Administration Expenses	249,375
Total Expenses before Depreciation	743,617
Depreciation	41,703
Total Expenses	785,320
Increase in Unrestricted Net Assets	302,411
Changes in Temporarily Restricted Net Assets	
Interest	102,028
Fees	14,166
Increase in Temporarily Restricted Net Assets	116,194
Increase in Net Assets	418,605
Net Assets, Beginning of Year	
Unrestricted (Restated - See Note 8)	1,770,051
Temporarily Restricted	903,783
	2,673,834
Net Assets, End of Year	
Unrestricted	2,072,462
Temporarily Restricted	1,019,977
Net assets, end of year	\$ 3,092,439

The accompanying notes are an integral part of these financial statements.

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

FOR THE YEAR ENDED DECEMBER 31, 2007

<b>Cash Flows From Operating Activities:</b>	
Change in net assets	\$ 418,605
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	41,703
Increase in accounts receivable	(1,626)
Decrease in prepaid assets	883
Increase in deposits	(6,297)
Increase in Inventory	(555)
Increase in sales tax payable	25
Increase in accounts payable and accrued expenses	<u>11,798</u>
Net cash provided by operating activities	<u>464,536</u>
 <b>Cash Flows From Investing Activities:</b>	
Payments for Capital Acquisitions	(161,000)
Principal disbursements on notes receivable	(873,983)
Payments received on notes receivable	<u>469,457</u>
Net cash used in investing activities	<u>(565,526)</u>
 <b>Cash Flows From Financing Activities:</b>	
New debt issued	318,957
Payments on long-term debt	<u>(124,001)</u>
Net cash provided by financing activities	<u>194,956</u>
 Net Increase In Cash	 93,966
Cash at January 1, 2007	<u>195,565</u>
Cash at December 31, 2007	<u>\$ 289,531</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, 2007

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, 2007

(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.

**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, 2007  
(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

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

The Greater Portsmouth Growth Corporation is a not-for-profit organization exempt from income taxes under Section 501(c)(4) of the Internal Revenue Code. The Portsmouth Area Chamber of Commerce and the Retail Merchants Association are not-for-profit organizations exempt from income taxes under Section 501(c)(6) of the Internal Revenue Code 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, 2007

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. REVENUES (Continued)

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.

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, 2007, 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 \$289,531 and the bank balance was \$309,810, all of which was covered by FDIC.

NOTE 3 - PROPERTY, PLANT & EQUIPMENT

The balance of property and equipment at December 31, 2007, consists of the following:

Buildings	\$1,612,907
Land	65,000
Furniture and fixtures	<u>37,835</u>
Total	1,715,742
Accumulated depreciation	<u>(83,406)</u>
Net	<u>\$1,632,336</u>

SOUTHERN OHIO GROWTH PARTNERSHIP, INC. AND AFFILIATES  
SCIOTO COUNTY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2007  
(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 2007 are as follows:

Balance at 12/31/06	New Loans During 2007	Principal Paid in 2007	Balance at 12/31/07	Current Portion
4,148,218	873,983	(469,457)	4,552,744	694,663

NOTE 5 - NOTES PAYABLE

Notes payable at December 31, 2007 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.	\$ 729,695
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.	834,381
Note payable to United States Department of Agriculture at 1.0% interest with annual payments of \$31,855 (including interest), starting in 2004. The note is secured by a UCC lien on the revolving loan fund.	676,270
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.	662,000

SOUTHERN OHIO GROWTH PARTNERSHIP, INC. AND AFFILIATES  
SCIOTO COUNTY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2007  
(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.	457,601
Lease payable to at 7.81% interest with monthly payments of \$550 (principal and interest). The lease is secured by a copier.	21,450
Car lease payable to GMAC with monthly payments of \$330.27 for 36 months	<u>4,627</u>
Total	3,386,024
Less current maturities	<u>(131,055)</u>
Long Term Portion	<u>\$3,254,969</u>

The aggregate maturities on long-term debt as of December 31, 2007 are as follows:

2008	131,055
2009	145,362
2010	144,721
2011	142,938
Thereafter	<u>2,821,948</u>
	<u>\$ 3,386,024</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 12/31/07 was \$54,655.27

NOTE 7 - CONCENTRATIONS

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

NOTE 8 - RESTATEMENT OF NET ASSETS

Restatement was made to correct an error in the prior year deferred revenue causing an increase in Net Assets.

Restatement Amount	\$ 1,637,920
Restated Unrestricted	<u>132,131</u>
Net Assets, December 31, 2006	<u>\$ 1,770,151</u>

**Southern Ohio Growth Partnership, Inc. and Affiliates  
Scioto County**

SCHEDULE OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2007

	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	Empowerment/ Community Enterprise Zone
Personnel	\$ 525	\$ 73,169	\$ 201	\$ 10,581	\$ 128	\$ 128	\$ 128	\$ 128	\$ -
Consultants/Contractual	28,500	10,325	47,500	15,948	11,920	13,095	12,784	11,920	2,000
Travel	-	880	3,912	-	-	-	-	-	-
Training	-	240	-	-	-	-	-	-	-
Utilities	-	5,755	-	18,592	-	-	-	-	-
Supplies	-	12,469	2,646	3,189	-	-	-	-	-
Equipment Lease and Maintenance	-	11,585	400	4,795	-	-	-	-	-
Promotions/Community functions	-	47,035	8,306	-	-	-	-	-	-
Other	74,021	17,266	350	270	518	1,493	533	743	75
<b>Total</b>	<b>\$ 103,046</b>	<b>\$ 178,724</b>	<b>\$ 63,315</b>	<b>\$ 53,375</b>	<b>\$ 12,566</b>	<b>\$ 14,716</b>	<b>\$ 13,445</b>	<b>\$ 12,791</b>	<b>\$ 2,075</b>

**Southern Ohio Growth Partnership, Inc. and Affiliates**  
**Scioto County**

SCHEDULE OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2007

	Junior Achievement	Rural Business Enterprise Grant	Rural Business Enterprise Grant II	Rural Business Enterprise Grant III	Gift Shop	Leadership Portsmouth	Total Programs	General and Administrative	Total Expenses
Personnel	\$ -	\$ -	\$ 175	\$ -	\$ 68	\$ -	\$ 85,231	\$ 208,045	\$ 293,276
Consultants/Contractual	1,000	-	7,625	-	5,500	495	168,612	22,839	191,451
Travel	-	-	-	-	-	-	4,792	5,475	10,267
Training	-	-	-	-	-	550	790	-	790
Utilities	-	-	-	-	-	-	24,347	1,918	26,265
Supplies	-	-	-	-	-	69	18,373	2,974	21,347
Equipment Lease and Maintenance	-	-	-	-	-	-	16,780	2,928	19,708
Promotions/Community functions	-	-	-	-	-	1,868	57,209	1,017	58,226
Other	1,500	31	77	502	20,269	460	118,108	4,179	122,287
<b>Total</b>	<b>\$ 2,500</b>	<b>\$ 31</b>	<b>\$ 7,877</b>	<b>\$ 502</b>	<b>\$ 25,837</b>	<b>\$ 3,442</b>	<b>\$ 494,242</b>	<b>\$ 249,375</b>	<b>\$ 743,617</b>

**Southern Ohio Growth Partnership, Inc. and Affiliates  
Scioto County**

SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 2007

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
<b><u>U. S. Department of Agriculture</u></b>			
<i>Direct from Federal Government</i>			
Intermediary Relending Program	N	10.767	297,000
Rural Business Enterprise Grant Program	N	10.769	<u>364,000</u>
<b>Total U. S. Department of Agriculture</b>			<b>661,000</b>
<b>Total Federal Financial Assistance</b>			<b><u>\$ 661,000</u></b>

N - Direct from Federal Government

N/A - Pass through number was not provided

See Accompanying Notes to the Schedule of Federal Awards Expenditures

**Southern Ohio Growth Partnership, Inc. and Affiliates**  
**Scioto County**

NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 2007

NOTE A - - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - - USDA LOAN PROGRAM

The Southern Ohio Growth Partnership and Affiliates participates in the United States Department of Agriculture Intermediary Relending Program. The objective of the Intermediary Relending Program is to finance business facilities and community development projects in rural areas.

# BALESTRA, HARR & SCHERER CPAs, INC.

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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, 2007, and have issued our report thereon dated May 30, 2008. 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 certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

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 deficiencies described in the accompanying schedule of findings as items 2007-001 and 2007-002 to be significant deficiencies 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 none of the significant deficiencies described above are 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 findings 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, members of the Board, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.



Balestra, Harr & Scherer, CPAs, Inc.  
May 30, 2008

# BALESTRA, HARR & SCHERER, CPAs, INC.

528 South West Street, P.O. Box 687  
Piketon, Ohio 45661

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Ohio Society of Certified Public Accountants

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

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

### **Compliance**

We have audited the compliance of the Southern Ohio Growth Partnership, Inc. and Affiliates, (the Partnership) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended December 31, 2007. The Partnership's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the Partnership's management. Our responsibility is to express an opinion on the Partnership's compliance based on our audit.

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

In our opinion, the Partnership complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2007.

### **Internal Control Over Compliance**

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

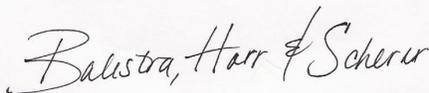
**Internal Control Over Compliance (Continued)**

A control deficiency in the Partnership's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Partnership's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the Partnership's internal control.

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

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

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



Balestra, Harr & Scherer, CPAs, Inc.  
May 30, 2008

**Southern Ohio Growth Partnership, Inc. and Affiliates**  
 Schedule of Findings and Questioned Costs  
 OMB Circular A-133 Section .505  
 For the Fiscal Year Ended December 31, 2007

**SUMMARY OF AUDITOR'S RESULTS**

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other significant deficiencies reported at the financial statement level (GAGAS)?	Yes
(d)(1)(iii)	Was there any reported noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any other significant deficiencies reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under section .510?	No
(d)(1)(vii)	Major Programs (list):	Rural Business Enterprise, CFDA #10.769
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

**Southern Ohio Growth Partnership, Inc. and Affiliates**  
Schedule of Findings and Questioned Costs  
OMB Circular A-133 Section .505  
For the Fiscal Year Ended December 31, 2007

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

**FINDING NUMBER 2007-001**

**Significant Deficiency**

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.

**FINDING NUMBER 2007-002**

**Significant Deficiency**

Sound financial reporting is the responsibility of the Partnership and is essential to ensure the information provided to the readers of the financial statements is complete and accurate. There was one adjustment made to the financial statements and there were several immaterial adjustments/reclassifications were noted to the financial statements.

Lack or failure of controls over the posting of financial transactions and financial reporting can result in errors and irregularities that may go undetected and decreases the reliability of financial data throughout the year.

The Partnership should develop policies and procedures to enhance its controls over recording of financial transactions and financial reporting to help ensure the information accurately reflects the activity of the Partnership.

**Client Response:**

The Partnership will work with accountant to correct.

**Southern Ohio Growth Partnership, Inc. and Affiliates**  
Schedule of Findings and Questioned Costs  
OMB Circular A-133 Section .505  
For the Fiscal Year Ended December 31, 2007

**FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None

Southern Ohio Growth Partnership, Inc. and Affiliates  
 Schedule of Prior Audit Findings  
 OMB Circular A-133 Section .315(b)  
 December 31, 2007

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Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2006-001	Capital Assets detail listing.	No	Will re-issue as 2007-001



**Mary Taylor, CPA**  
Auditor of State

**SOUTHERN OHIO GROWTH PARTNERSHIP, INC.**

**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  
SEPTEMBER 18, 2008**