



Mary Taylor, CPA
Auditor of State

SOUTHERN OHIO AGRICULTURAL AND COMMUNITY DEVELOPMENT FOUNDATION

Basic Financial Statements

For the Year Ended June 30, 2010

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Southern Ohio Agricultural and Community Development Foundation
100 South High Street
Hillsboro, Ohio 45133

We have audited the accompanying financial statements of the governmental activities and Special Revenue Fund of the Southern Ohio Agricultural and Community Development Foundation (Foundation), State of Ohio, as of and for the year ended June 30, 2010, which collectively comprise the Foundation's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

As discussed in Note 1, the Foundation's financial statements are intended to present the financial position and the changes in financial position of the Southern Ohio Agricultural and Community Development Foundation. They do not purport to, and do not, present fairly the financial position the State of Ohio as of June 30, 2010, or the changes in its financial position and cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and Special Revenue Fund of the Southern Ohio Agricultural and Community Development Foundation, State of Ohio, as of June 30, 2010, and the respective changes in financial position thereof 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 September 30, 2010, on our consideration of the Foundation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

September 30, 2010

**SOUTHERN OHIO AGRICULTURAL AND COMMUNITY DEVELOPMENT FOUNDATION
MANAGEMENT'S DISCUSSION & ANALYSIS**

For the Year Ended June 30, 2010
UNAUDITED

As management of the Southern Ohio Agricultural & Community Development Foundation (the Foundation), we are providing this overview of the Foundation's financial activities for the fiscal year ended June 30, 2010. Please read the overview in conjunction with the Foundation's basic financial statements, which follow.

The Foundation is included within the State of Ohio's Comprehensive Annual Financial Report as part of the primary government. The foundation uses a governmental fund to report its financial position and results of operations. We believe these financial statements present all activities for which the Foundation is financially responsible.

FINANCIAL HIGHLIGHTS

Key financial highlights for fiscal year 2010 are as follows:

- The assets of the Foundation exceeded its liabilities at the close of the most recent fiscal year by \$26.4 million (net assets). Of this amount, \$26.4 million may be used in the Foundation's programs to voluntarily diversify from tobacco production.
- The Foundation's total net assets decreased by \$3.0 million during fiscal year 2010.
- The Foundation continued its grant programs and disbursed \$4.2 million in grants to Southern Ohio farmers and businesses. Grants were awarded for: Agricultural Development (Tier 1 and Tier 2); Educational Assistance; and Economic Development.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Foundation's basic financial statements. These basic financial statements are comprised of two components: 1) combined government-wide and fund financial statements, and 2) notes to the financial statements. For most governmental entities, the government-wide and fund financial statements are presented separately; however, since the Foundation is comprised of only one governmental fund, we are presenting both types of financial statements on one combined set of financial statements, as described below:

- ***Governmental Fund Balance Sheet/Statement of Net Assets***

The column labeled "Special Revenue Fund" presents information on the Foundations assets, liabilities, and fund balance using the modified-accrual basis of accounting. The fund is an accounting device that the State of Ohio uses to keep track of specific sources of funding and spending for particular purposes. The fund balance may serve as a useful measure of the Foundation's net resources available for spending at the end of the fiscal year.

The column labeled "Statement of Net Assets" presents information on the Foundation's assets and liabilities, with the difference between the two reported as *net assets*. Such information is presented on the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Foundation is improving or deteriorating.

- ***Statement of Governmental Fund Revenues, Expenditures, and Changes in Fund Balance/Statement of Activities***

The column labeled "Special Revenue Fund" presents information on near-term inflows, outflows, and balances of expendable resources. Such information is presented on the modified-accrual basis of accounting.

**SOUTHERN OHIO AGRICULTURAL AND COMMUNITY DEVELOPMENT FOUNDATION
MANAGEMENT'S DISCUSSION & ANALYSIS**

For the Year Ended June 30, 2010
UNAUDITED

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

The column labeled "Statement of Activities" presents information showing how the Foundation's net assets changed during the most recent fiscal year. Such information is presented on the accrual basis of accounting. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows.

Because the focus of fund financial statements is narrower than that of government-wide financial statements, it is useful to compare the information presented on a fund basis with similar information presented on a government-wide basis. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. The combined government-wide and fund financial statements include a reconciliation to facilitate this comparison (see column labeled "Adjustments").

FINANCIAL ANALYSIS OF THE FOUNDATION

The following is a summary of the Foundation's net assets as of June 30, 2010 compared to June 30, 2009.

Net Assets at June 30

	<u>2010</u>	<u>2009</u>	<u>% Change</u>
Assets			
Current Assets	\$ 26,600,087	\$ 29,566,320	-10.03%
Capital Assets	25,271	39,166	-35.48%
Total Assets	<u>26,625,358</u>	<u>29,605,486</u>	
Liabilities			
Other Liabilities	173,296	184,648	-6.15%
Long-Term Liabilities	59,140	24,091	145.49%
Total Liabilities	<u>232,436</u>	<u>208,739</u>	
Net Assets			
Invested in capital assets	25,271	39,166	-35.48%
Restricted for Indemnification Program	163,312	163,312	0.00%
Unrestricted Net Assets	26,204,339	29,194,269	-10.24%
	<u>\$ 26,392,922</u>	<u>\$ 29,396,747</u>	

The Foundation received no funding during the fiscal year. The significant decrease in Current Assets represents the amount by which current year administrative and grant expenses exceeded investment income.

**SOUTHERN OHIO AGRICULTURAL AND COMMUNITY DEVELOPMENT FOUNDATION
MANAGEMENT'S DISCUSSION & ANALYSIS**

For the Year Ended June 30, 2010
UNAUDITED

The following is a summary of the Foundation's Statement of Activities for the year ending June 30, 2010 compared to the year ending June 30, 2009

Statement of Activity for the year ending June 30

	<u>2010</u>	<u>2009</u>	<u>% Change</u>
Revenues			
State Assistance for Program Expenses	\$ -	\$ 5,979,130	-100.00%
State Assistance for Operating Expenses	-	408,881	-100.00%
Investment Income	1,882,753	(1,864,506)	200.98%
Other Income	-	3,125	-100.00%
Total Revenues	<u>1,882,753</u>	<u>4,526,630</u>	
Expenses			
Salaries and Benefits	437,892	-	100.00%
On-behalf Payments of Salaries and Benefits	-	399,819	-100.00%
Purchased Services	215,321	242,256	-11.12%
Materials, Supplies and Other	64,130	65,820	-2.57%
Depreciation	13,895	15,280	-9.06%
Grants	4,155,340	6,348,456	-34.55%
Total Expenses	<u>4,886,578</u>	<u>7,071,631</u>	
Change in Net Assets	(3,003,825)	(2,545,001)	-18.03%
Net Assets, Beginning of Year	29,396,747	31,941,748	
Net Assets, End of Year	<u>\$ 26,392,922</u>	<u>\$ 29,396,747</u>	

Revenues

The significant decrease in State Assistance is the result of Foundation receiving no funding from the State of Ohio's General Revenue fund during fiscal year 2010. The significant increase in Investment Income is evidence of the positive impact that rebounding economic conditions had on the Foundation's investment portfolio.

Expenses

The significant increase in Salaries and Benefits expense correlates with the significant decrease in On-behalf Payments of Salaries and Benefits. This is the result of the Foundation's employees no longer being paid from the State of Ohio's General Fund during fiscal year 2010. The decreases in other program and operating expenses are the result of the Foundation's conscious effort to reduce spending in light of the State of Ohio budgetary constraints, coupled with the uncertainty of future funding sources.

BUDGET VARIANCES

The majority of the Foundation's assets are maintained in unappropriated accounts requiring no budgetary monitoring or reporting. The remaining assets of the Foundation are maintained in two governmental funds within the Ohio Administrative Knowledge System (OAKS), OAKS Funds 5M90 and K087. Although appropriated, OAKS Funds 5M90 and K087 are not major funds, and therefore, budgetary reporting is not required.

**SOUTHERN OHIO AGRICULTURAL AND COMMUNITY DEVELOPMENT FOUNDATION
MANAGEMENT'S DISCUSSION & ANALYSIS**

For the Year Ended June 30, 2010
UNAUDITED

CAPITAL ASSETS

The following is a summary of the Foundation's net capital assets at the end of fiscal year 2010, compared to the end of fiscal year 2009:

	<u>2010</u>	<u>2009</u>
Vehicles	\$ 25,271	\$ 37,985
Equipment	-	1,181
Total Capital Assets, net	<u>\$ 25,271</u>	<u>\$ 39,166</u>

The Foundation's Total Capital Assets (net) decreased by \$13,895 during fiscal year 2010. This decrease represents the amount of current year depreciation expense as the Foundation had no additions during the fiscal year.

ECONOMIC FACTORS

The Southern Ohio Agricultural and Community Development Foundation continues to believe in its mission: "To help create and enhance economic opportunities for Ohio's burley tobacco farm families and their rural communities. Monies not used for administrative expenses and programs will be available for new programs as they are developed and are approved the Board, or for investment."

For fiscal year 2010 the Foundation's Board approved the following grant programs to burley tobacco farmers and rural communities in 22 southern counties of Ohio:

- **Agricultural Development/Tier 1 and Tier 2:** The Foundation's Agricultural Development program is offered to eligible recipients for the purpose of assisting tobacco farmers in expanding/diversifying into non-tobacco areas, including: expansion of an existing agricultural enterprise, diversification into a new agricultural enterprise, commercial agribusiness, and marketing/processing of value added agriculture. Approved applicants are eligible for up to 50% reimbursement with a \$5,000 maximum grant payment for Tier 1 and a \$25,000 maximum grant payment for Tier 2. The Foundation requires a minimum ownership retention period of two years from date of purchase for all goods, products, or equipment obtained with grant funds. The Foundation budgeted \$1 million for Tier 1 and \$2 million for Tier 2 in fiscal year 2010.
- **Educational Assistance:** The Foundation's Educational Assistance Program assists tobacco farmers who have suffered the economic impact of reductions in quota in recent years. The funds are intended to help these individuals acquire skills to enter new or supplemental income-generating occupations, and to help put their dependents through college with financial support that cannot be solely derived from the growing of tobacco. The educational assistance program is an investment in Appalachian Ohio that will pay dividends well into the future. Award recipients are to apply their assistance toward tuition and fees for in-state or out-of-state accredited institutions of higher education, or to receive specialized training at non-accredited institutions approved by the Foundation's Board. Students may participate in certificate programs or other training that will provide them with employment opportunities. For the 2009-2010 academic years, the Foundation's Educational Assistance Program provided educational assistance for eligible burley tobacco growers, quota owners and their spouses and immediate family dependents. These grant awards are up to \$3,250 for degreed program recipients and up to \$500 for non-degreed program recipients. The actual amount awarded to an individual may not exceed the calculated need determined by the educational institution. The total assistance provided to any family may not exceed \$10,000 per academic year. The Foundation budgeted \$1.25 million for Educational Assistance in fiscal year 2010.

**SOUTHERN OHIO AGRICULTURAL AND COMMUNITY DEVELOPMENT FOUNDATION
MANAGEMENT'S DISCUSSION & ANALYSIS**

For the Year Ended June 30, 2010
UNAUDITED

- **Economic Development:** \$1 million was budgeted for the Economic Development program in fiscal year 2010. This program is designed to assist in strategic investments in communities that are affected by the reduction in the demand for burley tobacco. The emphasis of the Foundation's Economic Development program is to provide up to a maximum of 35% of a total project cost for projects that will create, retain or expand job opportunities for residents in the traditional burley tobacco producing counties of southern Ohio. Both public and private sector businesses are eligible to apply in order to achieve those means. In the nine major burley tobacco producing counties, dollars are budgeted for use within those counties for projects that meet guideline criteria. An extensive review process which includes county, regional and final Board approval must be met before dollars are awarded.

Investments - The Foundation's Board adopted an investment policy in fiscal year 2003 at which time \$10 million dollars was budgeted for investment that began in fiscal year 2004. The investment managers which were chosen by the Treasurer of State were put in place and an additional \$2 million was added to the investment portfolio. At the end of fiscal year 2010, approximately \$21 million resides in the Foundations investment portfolio which is currently overseen by Hartland & Company Investment Consultants.

Future Funding – House Bill 119 provided for the securitization of the State's future tobacco payments previously provided through the Master Settlement Agreement. The last biennium budget, as referenced in House Bill 1, appropriates zero funds to the Foundation. This is a severe situation that puts the long term sustainability of the Foundation in jeopardy. Until such time that economic recovery has improved substantially, the Foundation will fund programs from investments. This is a one-way street. Efforts are constantly being made to access any available sources of grants available to the Foundation. To date, nothing has materialized but on-going attempts will be made.

CONTACTING THE FOUNDATION'S FINANCIAL MANAGEMENT

This financial report is designed to provide an overview of the Foundation's finances and its accountability for the money it receives. If you have questions about this report or need additional financial information, contact Soundra Weaver, Fiscal Officer, Southern Ohio Agricultural & Community Development Foundation, 100 South High St., PO Box 47, Hillsboro, Ohio 45133.

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SOUTHERN OHIO AGRICULTURAL AND COMMUNITY DEVELOPMENT FOUNDATION

GOVERNMENTAL FUND BALANCE SHEET / STATEMENT OF NET ASSETS

As of June 30, 2010

	Special Revenue Fund	Adjustments (See Note 11)	Statement of Net Assets
Assets:			
Cash	\$ 5,509,839	\$ —	\$ 5,509,839
Investments.....	20,892,280	—	20,892,280
Interest Receivable.....	101,962	—	101,962
Collateral on Lent Securities.....	86,257	—	86,257
Other Receivable.....	6,842	—	6,842
Capital Assets, net of accumulated depreciation.....	—	25,271	25,271
Amount on Deposit for Compensated Absences.....	2,907	—	2,907
Total Assets.....	26,600,087	25,271	26,625,358
 Liabilities:			
Accounts Payable.....	21,175	—	21,175
Wages Payable.....	20,615	—	20,615
Accrued Liabilities.....	45,249	—	45,249
Obligations under Lent Securities.....	86,257	—	86,257
Deferred Revenue.....	67,975	(67,975)	—
Compensated Absences:			
Due in one year.....	—	10,376	10,376
Due in more than one year.....	—	48,764	48,764
Total Liabilities.....	241,271	(8,835)	232,436
 Fund Balance/Net Assets:			
Reserved for Compensated Absences.....	2,907	(2,907)	—
Reserved for Indemnification Payments.....	163,312	(163,312)	—
Fund Balance- Unreserved.....	26,192,597	(26,192,597)	—
Total Fund Balance.....	26,358,816	(26,358,816)	—
Total Liabilities and Fund Balance.....	\$ 26,600,087		
 Net Assets:			
Invested in capital assets, net of related debt.....		25,271	25,271
Restricted for Indemnification Program.....		163,312	163,312
Unrestricted Net Assets.....		26,204,339	26,204,339
Total Net Assets.....		\$ 26,392,922	\$ 26,392,922

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

SOUTHERN OHIO AGRICULTURAL AND COMMUNITY DEVELOPMENT FOUNDATION

**STATEMENT OF GOVERNMENTAL FUND REVENUES, EXPENDITURES
AND CHANGE IN FUND BALANCE / STATEMENT OF ACTIVITIES**

For the Year Ended June 30, 2010

	<u>Special Revenue Fund</u>	<u>Adjustments (See Note 11)</u>	<u>Statement of Activities</u>
Revenues:			
Investment Income.....	\$ 1,814,778	\$ 67,975	\$ 1,882,753
Total Revenues.....	<u>1,814,778</u>	<u>67,975</u>	<u>1,882,753</u>
Expenditures/Expenses:			
Current:			
Salaries and Benefits.....	402,843	35,049	437,892
Purchased Services.....	215,321	—	215,321
Materials, Supplies, and Other.....	64,130	—	64,130
Depreciation.....	—	13,895	13,895
Grants.....	4,155,340	—	4,155,340
Total Expenditures/Expenses.....	<u>4,837,634</u>	<u>48,944</u>	<u>4,886,578</u>
Excess of Revenues Over Expenditures.....	(3,022,856)	3,022,856	—
Change in Net Assets.....	—	(3,003,825)	(3,003,825)
Fund Balance/Net Assets:			
Beginning of the year.....	29,381,672	15,075	29,396,747
End of the year.....	<u>\$ 26,358,816</u>	<u>\$ 34,106</u>	<u>\$ 26,392,922</u>

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

SOUTHERN OHIO AGRICULTURAL AND COMMUNITY DEVELOPMENT FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2010

1. DESCRIPTION OF THE REPORTING ENTITY

Introduction

The Southern Ohio Agricultural and Community Development Foundation (the Foundation) was created by amended Senate Bill No. 192, effective June 2000, to "...endeavor to replace the production of tobacco in southern Ohio with the production of other agricultural products and to mitigate the adverse economic impact of reduced tobacco production in the region by preparing, implementing, and keeping current a plan to develop means for tobacco growers to grow other agricultural products voluntarily..." The Bill further describes a variety of means by which the Foundation is to develop its plan and carry out its charge.

Pursuant to its legislative mandate, the Foundation's Board is created in Ohio Rev. Code Section 183.12 and is enabled through Ohio Rev. Code Sections 183.11 to 183.17, inclusive. The Foundation's Board is composed of twelve voting members and four nonvoting members as set forth in Section 183.12 of the Ohio Rev. Code. Voting members include six active farmers and two persons with community development experience, all from Ohio's major tobacco growing counties, and four state officials sitting ex officio.

Method of Operation

The Foundation shall make grants or loans to individuals, public agencies, or privately owned companies to carry out the plan. The Foundation shall also adopt rules under Chapter 119 of the Ohio Rev. Code regarding conflicts of interest in the making of grants or loans.

Upon inception of the Foundation, a separate endowment fund was created in the custody of the Treasurer of State, but not part of the State Treasury, to carry out the duties of the Foundation. The Foundation was the trustee of the endowment fund. Disbursements from the fund were paid by the Treasurer of State only upon instruments duly authorized by the Board of Trustees of the Foundation or its designee.

The endowment fund was responsible for covering administrative expenditures such as staff salaries, equipment purchases, rental payments and program expenses. As a result of the legislation defining the Foundation's employees as state employees, the State established an appropriation to provide payroll for the Foundation, which is reimbursed by the Foundation's endowment fund.

At the request of the Foundation, the Treasurer of State shall select and contract with one or more investment managers to invest all money credited to the fund that is not currently needed for carrying out the functions of the Foundation. The eligible list of investments, as well as limitations and other requirements shall be the same as for the Public Employees Retirement System under Section 145.11 of the Revised Code.

Reporting Entity

Within the State of Ohio's Comprehensive Annual Financial Report, the Southern Ohio Agricultural and Community Development Foundation is included as part of the primary government. The Foundation's management believes these financial statements present all activities for which the Foundation is financially responsible.

SOUTHERN OHIO AGRICULTURAL AND COMMUNITY DEVELOPMENT FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the Southern Ohio Agricultural and Community Development Foundation present the financial position and results of operations of the Foundation. The financial statements conform with accounting principles generally accepted in the United States of America as applied to governments. The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing governmental accounting and financial reporting principles. The GASB's Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification) documents these principles.

The Foundation follows GASB Statement No. 34 "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments." Under GASB Statement No. 34 the financial statements include separate Statement of Net Assets and Statement of Activities columns reporting the financial activities using the accrual basis of accounting, in addition to the Governmental Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balance columns reporting the financial activities using the modified accrual basis of accounting. The Foundation's other significant accounting policies are as follows.

A. Fund Accounting

The Foundation uses a governmental fund to report its financial position and results of operations. The fund is an independent fiscal and accounting entity with a self-balancing set of accounts. The fund is established to account for all activity of the Foundation.

B. Measurement Focus and Basis of Presentation

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (e.g., revenues) and decreases (e.g., expenditures) in net current assets, and unreserved fund balance is a measure of available expendable resources. This measurement focus has been applied to the Governmental Fund Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balance columns on the accompanying financial statements.

The "Statement of Net Assets" and "Statement of Activities" columns on the accompanying financial statements have been prepared using the economic resources measurement focus. This is the same approach used in the preparation of proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. The financial statements therefore present an adjustment column to identify reconciling items to arrive at the "Statement of Net Assets" and the "Statement of Activities" columns.

C. Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. The Governmental Fund Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balance columns on the accompanying financial statements were prepared using the modified accrual basis of accounting. Under the modified accrual basis of accounting, the Foundation recognizes revenues when susceptible to accrual (i.e., when they are "measurable and available"). "Measurable" means the amount of the transaction is determinable, and "available" means the amount is collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Foundation considers revenues as available when collected within 60 days after year-end.

SOUTHERN OHIO AGRICULTURAL AND COMMUNITY DEVELOPMENT FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Foundation reports deferred revenue on the governmental fund balance sheet. Deferred revenue arises when assets are recognized before the revenue recognition criteria have been satisfied. On the governmental fund financial statements receivables not collected in the available period are recognized as deferred revenue. In subsequent periods, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the governmental fund balance sheet and revenue is recognized.

Under the modified accrual basis, expenditures are recorded when related fund liabilities are incurred, which are recognized as expenditures when due. Significant revenue sources susceptible to accrual under the modified accrual basis of accounting may include interest income.

The "Statement of Net Assets" and the "Statement of Activities" columns on the accompanying financial statements were prepared using the accrual basis of accounting. Under the accrual basis of accounting, expenses are recorded at the time they are incurred and revenues are recognized when measurable.

D. Budgetary Data

The majority of the Foundation's assets are maintained in unappropriated accounts requiring no budgetary monitoring or reporting. The remaining assets of the Foundation are maintained in two governmental funds within the Ohio Administrative Knowledge System (OAKS), OAKS Funds 5M90 and K087. Although appropriated, OAKS Funds 5M90 and K087 are not major funds, and therefore, budgetary reporting is not required.

E. Cash

Cash of the Foundation includes amounts held in a custodial account with the Treasurer of State, OAKS Funds 5M90 and K087, and petty cash.

F. Investments

Investments of the Foundation are reported at fair value. Fair value is the amount at which an investment could be exchanged in a current transaction between willing parties other than in a forced or liquidation sale. If quoted market price is available for an investment, the fair value to be used is the total number of trading units of the instrument times the market price per unit.

Ohio Revised Code Section 183.16 restricts the types of investments the Foundation may purchase to those types of investments permitted for the public employees retirement system under section 145.11 of the Ohio Revised Code. All investments shall be subject to the same limitations and requirements as the retirement system under that section and Sections 145.112 and 145.113 of the Ohio Revised Code.

The Foundation invests in the State Treasury Asset Reserve of Ohio (STAR Ohio), whereby the deposits are pooled with other deposits and reinvested daily. STAR Ohio investments are considered short-term and are reported at cost, which approximates market values. The pooled deposits at STAR Ohio have the general characteristics of a demand deposit account whereby additional cash can be deposited at any time and can also be effectively withdrawn at any time, without prior notice or penalty. The Treasurer of State is the investment advisor and administrator of STAR Ohio, a statewide external investment pool authorized under Section 135.45, Ohio Revised Code.

SOUTHERN OHIO AGRICULTURAL AND COMMUNITY DEVELOPMENT FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Securities Lending Transactions

GASB Statement No. 28, *Accounting and Financial Reporting for Securities Lending Transactions*, requires disclosure of assets and liabilities arising from securities lending transactions. The Foundation's investments with the State's cash and investment pool are subject to lending transactions by the Treasurer of State. In accordance with paragraph 9 of GASB Statement No. 28, the Foundation's recording of assets and liabilities for securities lending transactions is based on their share of the cash and investment pool, as of the balance sheet date, as calculated by the Office of Budget and Management.

H. Capital Assets and Depreciation

It is the Foundation's policy to capitalize all assets with an initial cost of \$1,000 or more. Capital assets are reported in the "Statement of Net Assets" column, but are not reported in the "Balance Sheet" column on the accompanying Governmental Fund Balance Sheet/Statement of Net Assets. All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year.

All reported capital assets of the Foundation are depreciated. Depreciation is computed using the straight-line method of depreciation over the applicable useful life of the asset and commences the year after the asset is purchased. The useful life for each asset category noted in Note 5 is 5 years.

I. Revenues and Receivables

The Foundation recognizes realized and unrealized gains and losses, as well as interest and dividend income, from investments with STAR Ohio, Boyd Watterson, and Fifth Third. The net of these gains and losses and interest and dividend income is reported as investment income on the Foundation's Statement of Revenues, Expenditures, and Changes in Fund Balances/Statement of Activities. In fiscal year 2010, the Foundation's investment income was \$1,882,753.

The Foundation records Interest Receivable on fixed income securities and Other Receivables.

J. Expenditures and Accounts Payable

Administrative expenditures

Administrative expenditures include operating and overhead items such as salaries and benefits, equipment purchases, and other miscellaneous expenditures. Ohio Rev. Code Section 183.30 (B) requires no more than five percent of total expenditures within a fiscal year shall be for administrative purposes. The Foundation did not exceed the limitation during fiscal year 2010.

K. Self-Insurance and Accrued Liabilities

The State of Ohio serves as the Foundation's primary government and is self-insured for claims covered under its traditional healthcare, vehicle liability, public fidelity blanket bonds, property losses, and tort liability insurance plans. Additionally, the State of Ohio participates in a public entity risk pool that covers liabilities associated with claims submitted to the Bureau of Workers' Compensation.

Accrued Liabilities represent the Foundation's employee and employer share of the United Health Care self-insurance plan deficit.

SOUTHERN OHIO AGRICULTURAL AND COMMUNITY DEVELOPMENT FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Compensated Absences

The State of Ohio, which governs employee leave benefits and policies, pays compensation to separated employees for sick, vacation, and personal leave balances accumulated during the employee's term of service. The Foundation's compensated absences liability is calculated and reported in accordance with the guidance set forth in the Governmental Accounting Standards Board (GASB) Statement No. 16, "Accounting for Compensated Absences."

M. Fund Balance/Net Assets

The Foundation records reservations for portions of fund equity which are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balances indicate that portion of fund equity which is available for appropriation in future periods. Fund equity reserves are established for compensated absences, prepaid assets, and indemnification payments. In accordance with GASB Statements 34 and 46, net assets will be reported as unrestricted, except for the amount restricted for indemnification payments.

SOUTHERN OHIO AGRICULTURAL AND COMMUNITY DEVELOPMENT FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2010

3. DEPOSITS AND INVESTMENTS

Deposits - At fiscal year end, the carrying amount of the Foundation's deposits was \$5,512,546 and the bank balance was the same. Of the bank balance, \$303,331 was held on deposit by the State of Ohio and \$5,209,215 was maintained in a custodial account held by the Treasurer of State. In addition to these deposits, the Foundation maintained a petty cash account totaling \$200.

Investments - At fiscal year end, the fair values of investments were as follows:

Investment Type	Total Fair Value
U.S. Government Obligations	\$ 924,882
U.S. Government Agency Obligations	2,432,432
Corporate Bonds and Notes	6,175,821
Domestic Equity	6,140,660
Money Market Funds	218,059
STAR Ohio	<u>5,000,426</u>
Total Investments	<u>\$ 20,892,280</u>

Custodial Credit Risk – Custodial credit risk is the risk that, in the event of a failure of a depository institution or counterparty to a transaction, the Foundation will be unable to recover the value of deposits, investments, or collateral securities in the possession of an outside party. At June 30, 2010, the Foundation's deposits and investments, including the collateral on lent securities, had no exposure to custodial credit risk. The Foundation does not have a policy to limit custodial credit risk.

Foreign Currency Risk – Foreign currency risk is the risk that changes in exchange rates between the U.S. Dollar and foreign currencies could adversely affect an investment's fair value. Pursuant to the Foundation's investment policy, investment managers are prohibited from purchasing foreign securities, with the exception of American Depository Receipts. The Foundation had no exposure to foreign currency risk at fiscal year end.

Credit Risk – Credit risk is the risk that an issuer or counterparty to an investment will be unable to fulfill its obligations. Pursuant to the Foundation's investment policy, domestic fixed income investment managers must adhere to the following guidelines: (1) mortgage-backed and asset-backed securities not issued by an agency of the Federal Government must be rated A or better by a Nationally Recognized Statistical Rating Organization (NRSRO); (2) the average quality rating of the fixed income portfolio shall be AA or better by a NRSRO; and (3) only corporate debt issues that hold a rating in one of the four highest classifications by a NRSRO may be purchased.

SOUTHERN OHIO AGRICULTURAL AND COMMUNITY DEVELOPMENT FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2010

3. DEPOSITS AND INVESTMENTS (Continued)

The Foundation's exposure to credit risk is as follows:

Quality Rating	STAR Ohio	U.S. Government Agency Obligations	Corporate Bonds and Notes	Total
AAA	\$ 5,000,426	\$ 1,898,716	\$ 1,028,987	\$ 7,928,129
AA	-	-	1,049,636	1,049,636
A	-	-	3,312,383	3,312,383
BBB	-	-	784,815	784,815
Total	\$ 5,000,426	\$ 1,898,716	\$ 6,175,821	\$ 13,074,963
		U.S. Govt Obligations and Guaranteed Securities		924,882
		U.S. Government Agency Obligation Pools - No Rating Available		533,716
		Money Market Funds- No Rating Available		218,059
				<u>\$ 14,751,620</u>

Concentration of Credit Risk – Concentration of credit risk is the risk of inability to recover the value of deposits, investments, or collateral securities in the possession of an outside party caused by a lack of diversification. Investment managers are expected to maintain diversified portfolios by sector and issuer. Pursuant to the Foundation's investment policy, investment managers can invest no more than five percent of the total market value of the domestic equity portfolio in any single company and no more than five percent of the total market value of the fixed income portfolio in the securities of any one issuer, other than direct issues of the U.S. Treasury, U.S. Government Agencies or Instrumentalities including Mortgage Backed Securities and their derivative products. At June 30, 2010, the Foundation had no concentration of credit risk.

Interest Rate Risk – Interest rate risk is the risk that an interest rate change could adversely affect an investment's fair value. The Foundation does not have a policy to limit interest rate risk.

The reporting of effective duration in the table below quantifies, to the fullest extent possible, the interest rate risk of the Foundation's fixed income assets.

Investment Type	Investment Maturities (in years)				Total Fair Value
	Less than 1	1-5	6-10	More than 10	
U.S. Government Obligations	\$ -	\$ 660,660	\$ 264,222	\$ -	\$ 924,882
U.S Government Agency Obligations	-	1,898,716	222,426	311,290	2,432,432
Corporate Bonds and Notes	107,538	4,079,988	1,613,284	375,011	6,175,821
STAR Ohio	5,000,426				5,000,426
Money Market Funds	218,059				218,059
Total Investments	<u>\$ 5,326,023</u>	<u>\$ 6,639,364</u>	<u>\$ 2,099,932</u>	<u>\$ 686,301</u>	<u>\$ 14,751,620</u>

SOUTHERN OHIO AGRICULTURAL AND COMMUNITY DEVELOPMENT FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2010

4. SECURITIES LENDING TRANSACTIONS

The Foundation, through the Treasurer of State's Investment Department participates in a securities lending program for securities included in the "Equity in State of Ohio common cash and investments" and STAR Ohio accounts. These lending programs, authorized under Sections 135.143, 135.45 and 135.47, Ohio Revised Code, are administered by custodial agent banks, whereby certain securities are transferred to independent broker-dealers (borrowers) in exchange for collateral. The State has minimized its exposure to credit risk due to borrower default by requiring the custodial agent to ensure that the lent securities are collateralized at no less than 102 percent of the market value at the time of the loan. Furthermore, at no point in time can the value of the collateral be less than 100 percent of the value of the underlying securities on loan. There are currently no restrictions on the amount of loan contracts that can be made.

During the fiscal year, the State funds lending program lent U.S. government and agency obligations in exchange for collateral consisting of cash and/or U.S. government obligations. The State cannot sell securities received as collateral unless the borrower defaults. At fiscal year-end, the collateral the State had received for securities lent consisted entirely of cash. For State funds, the weighted average maturity of all loans was 3.1 days while the weighted average maturity of all collateral was 107.5 days. The STAR Ohio lending program had no lent securities at fiscal year-end.

For State funds, the securities lending agent shall indemnify the Treasurer of State for any losses resulting from either the default of the borrower or any violations of the securities lending policy. For the STAR Ohio program, the agent agrees to indemnify the Treasurer for losses resulting from the failure of the borrower to return the loaned securities in accordance with the terms of the loan agreement, provided, however, that the agent's obligation to indemnify the Treasurer shall be limited to an indemnification amount equal to the difference between the market value of the loaned securities on the date that such loaned securities should have been returned to the agent and the greater of (1) the cash collateral received from the borrower or (2) the value of investments of collateral. There were no recoveries during the fiscal year due to prior-period losses.

For the State funds lending program, since the lender owes the borrower more than the borrower owes the lender, there is no credit risk to the lender as of fiscal year-end. The State's Office of Budget and Management allocates the State's pooled cash collateral to various funds within the State's Accounting System (OAKS) based on cash balances at fiscal year-end. The Foundations Allocated Collateral on Lent Securities and related Allocated Obligations Under Securities Lending as of fiscal year-end was \$86,257.

SOUTHERN OHIO AGRICULTURAL AND COMMUNITY DEVELOPMENT FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2010

5. CAPITAL ASSETS

A summary of capital asset activity during the fiscal year follows:

Asset Category	Beginning Balance	Additions	Deletions	Ending Balance
Equipment	\$ 55,180	\$ -	\$ -	\$ 55,180
Vehicles	63,571	-	-	63,571
Computer Software	38,523	-	(38,523)	-
Subtotal	157,274	-	(38,523)	118,751
Accumulated Depreciation	(118,108)	(13,895)	38,523	(93,480)
Net Capital Assets	<u>\$ 39,166</u>	<u>\$ (13,895)</u>	<u>\$ -</u>	<u>\$ 25,271</u>

6. COMPENSATED ABSENCES

For the purpose of calculating the compensated absences liability, vacation, personal, sick, and compensatory leaves only are considered. The current portion of the liability consists of the amount of compensated absences that is due to be paid within one year of the balance sheet date, as estimated by the State of Ohio's Office of Budget and Management by analyzing trend data from the previous three fiscal years.

Changes in compensated absences for the year ended June 30, 2010, are as follows:

Beginning Balance	Increase	Decrease	Ending Balance	Amount Due in One Year
\$ 24,091	\$ 52,188	\$ (17,139)	\$ 59,140	\$ 10,376

7. DEFINED BENEFIT PENSION PLANS

All full-time employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans, as described below:

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

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

SOUTHERN OHIO AGRICULTURAL AND COMMUNITY DEVELOPMENT FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2010

7. DEFINED BENEFIT PENSION PLANS (continued)

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

The Ohio Revised Code provides statutory authority for member and employer contributions. Member and employer contribution rates were consistent across all three plans. For fiscal year 2010, the Foundation's member and employer contribution rates were 10 percent and 14 percent, respectively. The Foundation's required contributions to OPERS for the years ended June 30, 2010, 2009, and 2008 were \$42,082, \$41,595, and \$41,235, respectively. The full amount has been contributed for each year.

8. OTHER POST-EMPLOYMENT BENEFITS

Plan Description

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

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

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

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

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 1-800-222-PERS(7377).

Funding Policy

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

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In fiscal year 2010, the Foundation contributed at a rate of 14 percent of covered payroll. The Ohio Revised Code currently limits the employer contribution rate not to exceed 14 percent of covered payroll. Active members do not make contributions to the OPEB Plan.

SOUTHERN OHIO AGRICULTURAL AND COMMUNITY DEVELOPMENT FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2010

8. OTHER POST-EMPLOYMENT BENEFITS (Continued)

OPERS' Post Employment Health Care plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. For fiscal year 2010, the employer contribution allocated to the health care plan was 5.5 percent of covered payroll. The portion of the Foundation's 2010 contributions that was used to fund post-employment benefits was \$16,532.

The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided by the retiree or their surviving beneficiaries. Payment amounts may vary depending on the number of covered dependents and the coverage selected.

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

9. LEASES

On July 1, 2003, the Foundation amended their lease agreement for office space. In addition, the Foundation entered into an operating lease agreement for a Pitney Bowes postage machine. Leased properties not having elements of ownership are classified as operating leases and likewise are recorded as expenditures when payable. For fiscal year 2010, total operating lease expenses for the office space and postage machine were \$25,356 and \$2,681, respectively. The following schedule details future lease payments of the Foundation.

<u>Term</u>	<u>Office Space</u>	<u>Postage Machine</u>
Fiscal year 2011	25,356	2,681
Fiscal year 2012	-	2,681
Fiscal year 2013	-	2,681
Fiscal year 2014	-	1,561

According to the Foundation's amended lease agreement for office space, provided the Foundation is in compliance with the existing terms of the contract, the Foundation has the option to renew the lease for up to four successive and continuous terms of two years each upon the same terms and conditions except that the base rent during said renewal terms be as noted above.

10. CONTINGENCIES

As of June 30, 2010, the Foundation's management, in consultation with the Ohio Attorney General's Office, was unaware of any pending litigation which could result in a material unfavorable outcome requiring amounts to be reported or disclosed in the Foundation's financial statements.

SOUTHERN OHIO AGRICULTURAL AND COMMUNITY DEVELOPMENT FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2010

11. EXPLANATION OF ADJUSTMENTS

The following is a detailed description of the amounts included in the "Adjustments" column of the accompanying financial statements:

Governmental Fund Balance Sheet/Statement of Net Assets

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the Special Revenue Fund column; however, capital assets are reported in the Statement of Net Assets column \$25,271

Interest receivables that are not available to pay for current period expenditures are deferred in the Special Revenue Fund column (\$67,975)

Long-term liabilities, such as accounts payable and compensated absences, are not due and payable in the current period and, therefore, are not reported in the Special Revenue Fund column. However, long-term liabilities are reported in the Statement of Net Assets column.

Compensated Absences \$59,140

Statement of Revenues, Expenditures, and Change in Fund Balance/Statement of Activities

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the Special Revenue Fund column. \$67,975

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. No depreciation expense is recorded in the Special Revenue Fund column.

Depreciation \$13,895

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the Special Revenue Fund column.

Compensated Absences \$35,049



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Southern Ohio Agricultural and Community Development Foundation
100 South High Street
Hillsboro, Ohio 45133

We have audited the financial statements of the governmental activities and the Special Revenue Fund of the Southern Ohio Agricultural and Community Development Foundation (Foundation), State of Ohio, as of and for the year ended June 30, 2010, which collectively comprise the Foundation's basic financial statements and have issued our report thereon dated September 30, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Foundation's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the Foundation's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Foundation's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the Foundation's financial statements will not be prevented, or detected and timely corrected.

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

Compliance and Other Matters

As part of reasonably assuring whether the Foundation's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect 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 an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note certain matters not requiring inclusion in this report that we reported to the Foundation's management in a separate management letter dated September 30, 2010.

We intend this report solely for the information and use of Foundation's management, the Board of Trustees and the Ohio General Assembly, and others within the Government. We intend it for no one other than these specified parties.

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

September 30, 2010



Mary Taylor, CPA
Auditor of State

SOUTHERN OHIO AGRICULTURAL AND COMMUNITY DEVELOPMENT FOUNDATION

HIGHLAND 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
NOVEMBER 4, 2010**