



Dave Yost • Auditor of State



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

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Southern Ohio Growth Partnership, Inc. and Affiliates  
Scioto County  
342 Second Street  
P. O. Box 509  
Portsmouth, Ohio 45662

To the Executive Board:

We were engaged to audit the accompanying statement of financial position of the Southern Ohio Growth Partnership, Inc. and Affiliates, Scioto County, Ohio (the Southern Ohio Growth Partnership), and the related statements of activities and cash flows as of and for the year ended December 31, 2011, which collectively comprise the Southern Ohio Growth Partnership's consolidated financial statements as listed in the table of contents. These financial statements are the responsibility of the Southern Ohio Growth Partnership's management. Our responsibility is to express an opinion on these financial statements based on our audit.

During our auditing procedures, we were not able to obtain sufficient evidential matter supporting the amounts recorded as Non-payroll Expenses nor were we able to satisfy ourselves as to the completeness of those expenses by other auditing procedures. These expenses totaling \$21,818 represent 1.7 percent of Non-payroll Expenses for the year ended December 31, 2011. The Southern Ohio Growth Partnership also could not provide canceled checks for four of its bank accounts or the imaged reverse side of checks for nine of its bank accounts. Without this evidential matter we were unable to assure ourselves about the accuracy or completeness of disbursements. We were not able to obtain sufficient evidential matter supporting \$15,679 recorded as Fees nor were we able to satisfy ourselves as to the completeness of those receipts by other auditing procedures. These receipts represent 6.9 percent of Fees for the year ended December 31, 2011. We were not able to obtain sufficient evidential matter supporting \$25,695 recorded as Miscellaneous Revenues nor were we able to satisfy ourselves as to the completeness of those receipts by other auditing procedures. These receipts represent 27.4 percent of Miscellaneous Revenues for the year ended December 31, 2011. We were not able to obtain sufficient evidential matter supporting \$51,417 recorded as Accounts Receivable nor were we able to satisfy ourselves as to the completeness of those receivables by other auditing procedures. These receivables represent 100 percent of Accounts Receivable for the year ended December 31, 2011. We also did not agree with a portion of the Accounts Payable that was posted in the amount of \$1,137,045 that the Southern Ohio Growth Partnership felt should be reported as due to the United States Department of Agriculture. Also, we could not verify the classifications of equity reported on the Statement of Net Assets with accounting records provided for audit.

Due to the significance of the matters referred to in the preceding paragraph we are not able to express, and we do not express, an opinion on the financial statements referred to in the first paragraph.

As described in footnote 8, the Southern Ohio Growth Partnership was dissolved on November 13, 2012.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 16, 2013, on our consideration of the Southern Ohio Growth Partnership'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.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D".

**Dave Yost**  
Auditor of State

April 16, 2013

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

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2011**

**ASSETS:**

Current Assets:	
Cash	\$ 517,238
Receivables :	
Accounts	51,417
Loans (Net of Allowance for Doubtful Accounts)	446,263
Prepaid Assets	2,995
Inventory	<u>32,502</u>
Total Current Assets	1,050,415

Noncurrent Assets:	
Property and Equipment, Net of Accumulated Depreciation	1,300,124
Long-Term Loans Receivable	<u>1,406,458</u>
Total Noncurrent Assets	<u>2,706,582</u>

**TOTAL ASSETS** **\$ 3,756,997**

**LIABILITIES AND NET ASSETS:**

Current Liabilities:	
Accounts Payable and Accrued Expenses	\$ 1,158,409
Notes Payable	123,247
Capital Leases Payable	4,951
Mortgage Payable	46,677
Sales Tax Payable	1,073
Deferred Revenue	<u>3,790</u>
Total Current Liabilities:	1,338,147

Long-Term Liabilities:	
Capital Leases Payable	6,531
Mortgage Payable	255,736
Accrued Interest Payable	7,508
Notes Payable	<u>2,597,122</u>
Total Long-Term Liabilities	<u>2,866,897</u>

**TOTAL LIABILITIES** **4,205,044**

**NET ASSETS**

Unrestricted	\$ 634,870
Temporarily Restricted	<u>(1,082,917)</u>

**TOTAL NET ASSETS** **(448,047)**

**TOTAL LIABILITIES AND NET ASSETS** **\$ 3,756,997**

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

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

**CONSOLIDATED STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2011**

**Changes in Net Assets:**

**Revenues:**

Contributions	\$	39,580
Fees		228,605
Dues		84,237
Interest		1,140
Miscellaneous		93,057
		93,057
 Total Revenues		 446,619

**Expenses:**

Greater Portsmouth Growth Corporation		78,491
Portsmouth Area Chamber of Commerce		156,427
Portsmouth Murals		83,016
PMI Building Fund		46,449
Gift Shop		16,664
Leadership Portsmouth		6,007
Intermediary Relending Program I		375,939
Intermediary Relending Program II		545,880
Intermediary Relending Program III		419,875
Intermediary Relending Program IV		261,001
Intermediary Relending Program V		(27,444)
PMI Maintenance Fund		52,975
Rural Business Enterprise Grant I		278,778
Rural Business Enterprise Grant II		282,356
Rural Business Enterprise Grant III		221,158
General and Administrative Expenses		227,309
Depreciation		42,132
Loss on Sale of Asset		14,600
		14,600
 Total Expenses		 3,081,613

Increase in Unrestricted Net Assets (2,634,994)

**Changes in Temporarily Restricted Net Assets**

Interest		131,789
Fees		2,158
		2,158

Total Changes in Temporary Restricted Net Assets: 133,947

Net Change in Assets: (2,501,047)

Net Assets - January 1 2,053,000

**Net Assets - December 31 \$ (448,047)**

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

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

**CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

<b>Cash Flows from Operating Activities:</b>	
Change in Net Assets	\$ (2,501,047)
<b>Adjustments to Reconcile Changes in Net Assets to Net</b>	
<b>Cash Provided by (Used by) Operating Activities:</b>	
(Increase) Decrease in Accumulated Depreciation	42,132
Increase (Decrease) in Allowance for Doubtful Accounts	58,576
(Increase) Decrease in Accounts Receivable	(3,838)
(Increase) Decrease in Prepaid Assets	(763)
(Increase) Decrease in Deposits	6,371
(Increase) Decrease in Inventory	1,827
Increase (Decrease) in Sales Tax Payable	237
Increase (Decrease) in Accounts Payable and Accrued Expenses	1,134,363
Increase (Decrease) in Deferred Revenue	3,790
Net Cash Provided by (Used by) Operating Activities	<u>(1,258,352)</u>
<b>Cash Flows from Investing Activities:</b>	
Sale of Capital Assets	15,200
Change in Notes Receivable (Gross)	1,355,502
Net Cash Provided by (Used by) Investing Activities	<u>1,370,702</u>
<b>Cash Flows from Financing Activities:</b>	
Proceeds of Debt Issuance	187,500
Principal Payment on Debt	(183,434)
Net Cash Provided by (Used by) Financing Activities	<u>4,066</u>
<b>Net Increase/(Decrease) in Cash</b>	116,416
Cash and Cash Equivalents at December 31, 2010	400,822
<b>Cash and Cash Equivalents at the December 31, 2011</b>	<u><u>\$ 517,238</u></u>

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

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

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011**

**1. Summary of Significant Accounting Policies**

**A. Description of the Entity**

Southern Ohio Growth Partnership, Inc. and Affiliates, Scioto County (the Southern Ohio Growth Partnership), is a private non-profit corporation created in accordance with Section 1702.010et. Seq. of the Ohio Revised Code. The Southern Ohio Growth Partnership 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. Consolidation Of Related Entities**

The Southern Ohio Growth Partnership 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 follows:

*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.

*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.

**C. Accounting Basis**

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 have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities.

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

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**C. Accounting Basis (Continued)**

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

**D. 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.

**E. Depreciation**

The Southern Ohio Growth Partnership provides for depreciation in amounts adequate to amortize costs over the estimated useful lives of the assets. Certain assets are being depreciated under the straight line method. The lives of the assets and depreciation expenses under this method are in accordance with generally accepted accounting principles. Depreciation charged to operations was \$42,132 for the year ended December 31, 2011.

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

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**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. Capital Assets**

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

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

Buildings	40 Years
Land Improvements	15 Years
Furniture and Fixtures	7 Years

**H. Income Taxes**

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

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 is a not-for-profit organization 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:

**Interest Income** is recognized in the accounting period when it is earned. The Southern Ohio Growth Partnership 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's programs.

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

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**I. Revenues (Continued)**

***Contributions***

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

***Fees***

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

***Dues***

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

***Miscellaneous***

Miscellaneous receipts are recognized as revenue in the accounting period in which they are 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 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.

**2. Equity in Pooled Deposits and Investments**

Protection of the Southern Ohio Growth Partnership's deposits is provided by the Federal Deposit Insurance Corporation (FDIC).

***Cash on Hand*** At December 31, 2011, the Southern Ohio Growth Partnership had \$250 in undeposited cash on hand which is included on the statement of financial position of the Southern Ohio Growth Partnership as part of cash.

***Deposits*** At year end, the carrying amount of the Southern Ohio Growth Partnership's deposits was \$517,238 and the bank balance was \$535,013, all of which was covered by FDIC.

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

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011  
(Continued)**

**3. Capital Assets**

The balance of capital assets at December 31, 2011, consists of the following:

	Balance at December 31, 2010	Additions	Deletions	Balance at December 31, 2011
Capital Assets not Being Depreciated:				
Land	\$ 70,000		\$(15,199)	\$ 54,801
Total Capital Assets not Being Depreciated	70,000	\$ -	(15,199)	54,801
Depreciable Capital Assets:				
Buildings	1,451,907			1,451,907
Land Improvements	6,444			6,444
Furniture and Fixtures	37,834			37,834
Total Depreciable Capital Assets	1,496,185	-	-	1,496,185
Less Accumulated Depreciation:				
Buildings	(181,489)	(36,298)		(217,787)
Land Improvements	(215)	(429)		(644)
Furniture and Fixtures	(27,026)	(5,405)		(32,431)
Total Accumulated Depreciation	(208,730)	(42,132)	-	(250,862)
Total Capital Assets Being Depreciated, Net	1,287,455	(42,132)	-	1,245,323
Capital Assets, Net	\$ 1,357,455	\$(42,132)	\$(15,199)	\$ 1,300,124

**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 2011 are as follows:

Balance at December 31, 2010	New Loans During 2011	Principal Paid in 2011	Loans Written off :	Balance at December 31, 2011	Current Portion
\$ 3,588,955	\$ 98,500	\$ 424,066	\$ 1,041,843	\$ 2,221,546	\$ 815,088

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

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011  
(Continued)**

**4. Loans Receivable (Continued)**

In 2011 the Southern Ohio Growth Partnership's allowance for doubtful accounts with regards to loans receivable was \$368,825 resulting in a net balance of \$1,852,721.

**5. Debt**

Debt outstanding at December 31, 2011 was as follows:

	Principal	Interest rate
IRP I: Note payable to United States Department of Agriculture	\$ 586,749	1%
IRP II: Note payable to United States Department of Agriculture	695,891	1%
IRP III: Note payable to United States Department of Agriculture	574,285	1%
IRP VI: Note payable to United States Department of Agriculture	675,944	1%
IRP V: Note payable to United States Department of Agriculture	187,500	1%
<b>Total Notes Payable</b>	<b>\$ 2,720,369</b>	
Mortgage payable to Wesbanco	\$ 302,413	7%
Lease payable	\$ 11,482	

The Southern Ohio Growth Partnership has five outstanding Intermediary Relending Program (IRP) loans identified above as notes payable to the United States Department of Agriculture. These are secured by a UCC lien on the related revolving loan fund.

The Southern Ohio Growth Partnership has a mortgage through Wesbanco relating to Portsmouth Murals, Inc. The loan is a secured lien on the property mortgaged.

Scheduled amortization of the above debt, including interest, is scheduled as follows:

Year ending December 31:	IRP I	IRP II	IRP III	IRP IV
2012	\$ 42,450	\$ 42,450	\$ 31,838	\$ 31,838
2013	42,450	42,450	31,838	31,838
2014	42,450	42,450	31,838	31,838
2015	42,450	42,450	31,838	31,838
2016	42,450	42,450	31,838	31,838
2017-2021	212,250	212,250	159,190	159,190
2022-2026	210,182	212,250	159,190	159,190
2027-2031		42,261	158,957	159,190
2032-2036				126,941
2037-2041				
<b>Total</b>	<b>\$ 634,682</b>	<b>\$ 679,011</b>	<b>\$ 636,527</b>	<b>\$ 763,701</b>

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

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011  
(Continued)**

**5. Debt (Continued)**

Year ending December 31:	IRP V	Wesbanco Mortgage	Total
2012	\$ 1,875	\$ 56,653	\$ 207,104
2013	1,875	56,653	207,104
2014	1,875	56,653	207,104
2015	7,960	56,653	213,189
2016	7,960	56,653	213,189
2017-2021	39,800	52,969	835,649
2022-2026	39,800		780,612
2027-2031	39,800		400,208
2032-2036	39,800		166,741
2037-2041	39,800		39,800
Total	<u>\$ 220,545</u>	<u>\$ 336,234</u>	<u>\$ 3,270,700</u>

The Southern Ohio Growth Partnership underwent an Agreed-Upon-Procedure review performed by Roger D. Conley, Inc. of its Intermediary Relending Program (IRP) and Rural Business Enterprise Grant Program (RBEG) covering January 1, 2004 to December 31, 2011. This review identified \$1,137,045 in improper expenditures due to loan balances transferred to the Southern Ohio Growth Partnership general operating account. As a result, during 2012, the USDA placed a hold on all IRP and RBEG bank accounts held by the Southern Ohio Growth Partnership. The USDA also obtained all records related to loans receivable from the Southern Ohio Growth Partnership in an effort to close out these programs. In October 2012, the RBEG bank accounts were closed; the USDA is still in the process of transferring the IRP bank accounts out of the name of the Southern Ohio Growth Partnership.

**6. Related Party Transactions**

A Board of Trustee member has part ownership in Portsmouth Insurance Agency which has a loan outstanding with Southern Ohio Growth Partnership through the Intermediary Relending Program. In September 2000 and May 2008, Portsmouth Insurance Agency received \$150,000 and \$100,000 notes, respectively, from Southern Ohio Growth Partnership. In 2008, Portsmouth Insurance Agency refinanced the 2000 note. The principal balance was paid in the amount of \$54,665 and a new note was issued in the amount of \$44,436. The unpaid balance at December 31, 2011 was \$104,069.

A Board member has ownership in Glockner Chevrolet. The Southern Ohio Growth Partnership leased a company car from Glockner Chevrolet through ALLY Bank for CEO Robert Huff. This lease was terminated in 2012, when CEO Robert Huff's employment was terminated, and the car returned.

**7. Misuse of Loan Funds**

The approved Intermediary Relending Program (IRP) Loan agreements for Southern Ohio Growth Partnership IRP Loans I, II, III, IV, and V, include the following language "Intermediary agrees to use the loan and its proceeds solely for activities as set in its Intermediary Relending Program (IRP)

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

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011  
(Continued)**

**7. Misuse of Loan Funds (Continued)**

application (“approved program”) including the work plan submitted to USDA (including any supplements or modifications thereof agreed to by both parties) and in accordance with the Loan Terms and Conditions, the terms and conditions of this loan agreement and the Rules and Regulations (as they may be amended) governing the IRP (7 CFR Part 1948, Subpart C and 7 CFR part 1951, Subpart R).”

The IRP agreements also require semiannual reporting of financial information relating to the IRP. These reports were required to contain information only on the IRP revolving loan fund, or if other funds are included, the IRP loan program portion was to be segregated from the others. In the case where the intermediary had more than one IRP revolving fund from the Agency, a separate report was to be made for each of the IRP revolving funds. The reports were to include, on a form provided by the Agency information on the intermediary's lending activity including income and expenses, financial condition and a summary of names and characteristics of the ultimate recipients the intermediary had financed. The agreement also required providing the USDA with an annual proposed budget for the following year.

Consolidated Farm and Rural Development Act, Section 310B, 7 U.S.C 1989 authorized the Rural Business Enterprise Grant. Rural Business Enterprise Grant (RBEG) funds were to be used to create, expand or operate rural distance learning networks or programs that provide educational or job training instruction related to potential employment or job advancement to adult students; develop, construct or acquisition land, buildings, plants, equipment, access streets and roads, parking areas, utility extensions, necessary water supply and waste disposal facilities; refinancing; services and fees; and to establish a revolving loan fund.

The Southern Ohio Growth Partnership operated two types of loan programs. The Intermediary Relending Program (IRP) which was considered a debt of the Partnership requiring repayment to the United States Department of Agriculture (USDA). The Rural Business Enterprise Grants (RBEG) program was a revolving loan grant program also issued through the USDA. The Southern Ohio Growth Partnership transferred loan account funding from both programs to the Southern Ohio Growth Partnership general operating account in 2011 as well as from program years 2004-2010. These transfers are violations of the approved debt covenants and grant requirements as this was not an appropriate use of the loan balances. A summary of the violations are as follows:

Loan	Transfer Activity (net) from 2011	Less Amounts due to Other Funds at December 31, 2011	Net Violation in 2011	Net Violations from 2004-2010	Total Net Balance of Violations 2004 through 2011
IRP I	\$ 30,000	\$ -	\$ 30,000	\$ 150,500	\$ 180,500
IRP II				145,500	145,500
RBEG II	52,500	(26,535)	25,965	207,100	233,065
RBEG III	55,000	6,695	61,695	79,250	140,945
IRP IV	30,000	(10,000)	20,000	100,000	120,000
IRP V	10,000	(38,000)	(28,000)		(28,000)
RBEG I	15,000	(10,000)	5,000	215,035	220,035
IRP III	27,500		27,500	97,500	125,000
<b>Total</b>	<b>\$ 220,000</b>	<b>\$ (77,840)</b>	<b>\$ 142,160</b>	<b>\$ 994,885</b>	<b>\$ 1,137,045</b>

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

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011  
(Continued)**

**7. Misuse of Loan Funds (Continued)**

Southern Ohio Growth Partnership recorded the amounts transferred in its general fund as intercompany receivables and payables. These amounts were offset and not reflected on the organizations financial statements. All reports filed with RDA for the period January 1, 2007 to June 30, 2011 were deemed misleading as amounts transferred to the Southern Ohio Growth Partnership from USDA Loan Funds were listed on the reports of IRP/RDLF lending activity as cash and not supported by the amounts recorded in the organization's general ledger.

The Southern Ohio Growth Partnership grant agreements also allowed for charging management fees to the IRP and RBEG grants if based on approved USDA budgets. The Southern Ohio Grant Partnership had no approved budget in 2011 resulting in \$75,000 charged as management fees which were technically unallowable costs for the loan.

**8. Subsequent Events / Dissolution of Southern Ohio Growth Partnership**

On November 13, 2012, the Southern Ohio Growth Partnership filed with the Chamber of Commerce a Certificate of Dissolution. This officially dissolved the entity and ceased its operations. The impetus for this action was financial difficulty the entity encountered. During 2012, the United States Department of Agriculture (USDA) took over control of all revolving loan activity that the Southern Ohio Growth Partnership had been administering after it was discovered the Southern Ohio Growth Partnership had misused loan monies. In addition to this, the Southern Ohio Growth Partnership's financial condition deteriorated to the point of insolvency by year end. Thus, the Board Members chose to shut down operations. Below is a schedule of the activity of the Southern Ohio Growth Partnership during 2012. This includes all accounts that fell under the umbrella of the Southern Ohio Growth Partnership in 2011 and, presumably, in 2012 as well.

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

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011  
(Continued)**

**8. Subsequent Events / Dissolution of Southern Ohio Growth Partnership (Continued)**

Cash Activity for 2012:

	Bank Balance at December 31, 2011	2012 Receipts	2012 Expenditures	Bank Balance at November 30, 2012
SOGP General Account	\$ 12,778	\$ 156,973	\$ 168,295	\$ 1,456
SOGP - Water	7,949	34,375	36,277	6,047
Medical Reimbursement	617	-	617	-
PMI	3,393	12,703	12,522	3,574
PMI - Org. Labor Mural	8,198	11	-	8,209
PMI - Maintenance	56,540	50	41,648	14,942
Junior Achievement	525	-	525	-
Leadership Portsmouth	7,061	1	7,062	-
PMI - Building Fund	2,033	13,378	15,411	-
PMI - Gift Shop	1,726	3,395	5,121	-
PMI	107,167	77,750	64,319	120,598
IRP I	19,421	29,989	2,885	46,525
IRP II	13,083	30,849	380	43,552
IRP III	11,070	63,203	116	74,157
IRP IV	41,472	67,729	31,871	77,330
IRP V	146,080	8,748	1,742	153,086
RBEG I	7,100	22,371	29,471	-
RBEG II	76,897	31,339	108,236	-
RBEG III	11,903	37,700	49,603	-
	<u>\$ 535,013</u>	<u>\$ 590,564</u>	<u>\$ 576,101</u>	<u>\$ 549,476</u>

There were no financial statements prepared for Southern Ohio Growth Partnership activity in 2012 due to a lack of significant activity, an inability to pay Wayne Thompson, CPA, to continue preparation of financial statements, and diminished monitoring due to the foreseen closure of the entity. Due to this, the only support on file for the figures above is the actual bank statements and copies of cancelled checks, if available, as provided by the bank. The final disposition of these monies is outlined in the table below.

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

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011  
(Continued)**

**8. Subsequent Events / Dissolution of Southern Ohio Growth Partnership (Continued)**

Account	Bank Balance at November 30, 2012	Disposition
SOGP General Account	\$ 1,456	Minimal balance expected to be used to cover any remaining outstanding bills owed by the SOGP
SOGP - Water	6,047	This account will be taken over by the Chamber of Commerce.
Medical Reimbursement	-	Account was closed out.
PMI	3,574	Portsmouth Mural Inc. will continue to exist as its own separate legal entity. As such, this account will remain with them.
PMI - Org. Labor Mural	8,209	Portsmouth Mural Inc. will continue to exist as its own separate legal entity. As such, this account will remain with them.
PMI - Maintenance Junior Achievement Leadership	14,942	Portsmouth Mural Inc. will continue to exist as its own separate legal entity. As such, this account will remain with them.
Portsmouth	-	Account was closed out.
PMI - Building Fund	-	Account was closed out.
PMI - Gift Shop	-	Account was closed out.
PMI	120,598	Portsmouth Mural Inc. will continue to exist as its own separate legal entity. As such, this account will remain with them.
IRP I	46,525	The USDA has taken over the activity of these accounts and will handle them themselves until the USDA makes a final decision on disposition.
IRP II	43,552	
IRP III	74,157	
IRP IV	77,330	
IRP V	153,086	
RBEG I	-	Account was closed out.
RBEG II	-	Account was closed out.
RBEG III	-	Account was closed out.
Total	<u>\$ 549,476</u>	

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

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011  
(Continued)**

**8. Subsequent Events / Dissolution of Southern Ohio Growth Partnership (Continued)**

The Southern Ohio Growth Partnership had no other assets in their possession at the end of November 31, 2012. The Southern Ohio Growth Partnership titled over a few small parcels of land to the Chamber of Commerce. The building that the Southern Ohio Growth Partnership was housed in was owned by Portsmouth Murals Inc. and was sold by PMI to the Scioto County Community Action Agency.

The Southern Ohio Growth Partnership's activities in 2011 and 2012 indicated several obligations incurred which the Southern Ohio Growth Partnership was not solvent enough to fulfill. These obligations include the following items identified by the Southern Ohio Growth Partnership which have not been paid as of December 27, 2012: \$1,137,045 to United States Department of Agriculture for improperly disbursed loan funds, \$14,527 to De Lage Landen Financial, Inc. for leased equipment; \$3,500 to Roger Conley, CPA, for the Agreed-Upon-Procedures Report performed in February 2012; \$2,600 to Wayne Thompson, CPA, for general accounting services rendered to the Southern Ohio Growth Partnership in December 2011; \$2,890 to Johnson, Oliver, and Howard, LPA, for legal fees; \$221 to the Scioto County Treasurer for property taxes; \$14,780 to the Ohio Auditor of State for financial audit services. This listing is based on correspondence with Lisa Carver at the Southern Ohio Growth Partnership/Scioto County Chamber of Commerce and has not been examined for completeness due to a lack of records for 2012.

The Greater Portsmouth Growth Corporation, Portsmouth Area Chamber of Commerce, and Portsmouth Murals, Inc. will continue as independent organizations no longer under the umbrella of the Southern Ohio Growth Partnership.

**9. Restatement of Net Assets**

The Southern Ohio Growth Partnership, Inc. and Affiliates restated the beginning net assets to correct errors in the previously reported balances for temporarily restricted net assets related to its revolving loan funds. This restatement classification resulted in the following:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total Net Assets</u>
Balance previously reported:	\$1,830,150	\$222,850	\$2,053,000
Reclassification:	(\$917,829)	\$917,829	\$0
Balance at January 1, 2011:	\$912,321	\$1,140,679	\$2,053,000

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

**SCHEDULE OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	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	Intermediary Relending Program V	PMI Maintenance Fund
Personnel	\$ 600	\$ 80,960								
Consultants/contractual	10,000	10,085	\$ 53,875	\$ 9,283	\$ 18,021	\$ 19,915	\$ 17,937	\$ 17,925	\$ -	\$ 38,036
Travel		926								
Utilities		6,438	124	20,871						
Supplies		3,605	991	1,602						43
Equipment Lease and Maintenance		5,040	2,400	5,542						14,896
Promotions/Community Functions		32,352	13,277							
Bad Debt Expense					176,934	375,888	275,461	120,916	-	
Other	67,891	17,021	12,349	9,151	180,984	150,077	126,477	122,160	(27,444)	
<b>Total</b>	<b>\$ 78,491</b>	<b>\$ 156,427</b>	<b>\$ 83,016</b>	<b>\$ 46,449</b>	<b>\$ 375,939</b>	<b>\$ 545,880</b>	<b>\$ 419,875</b>	<b>\$ 261,001</b>	<b>\$ (27,444)</b>	<b>\$ 52,975</b>

SOUTHERN OHIO GROWTH PARTNERSHIP, INC. AND AFFILIATES  
SCIOTO COUNTY

SCHEDULE OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2011

	Rural Business Enterprise Grant I	Rural Business Enterprise Grant II	Rural Business Enterprise Grant III	Gift Shop	Leadership Portsmouth	Total Programs	General and Administrative	Total Expenses
Personnel						\$ 81,560	\$ 179,312	\$ 260,872
Consultants/contractual	\$ 600	\$ 7,500	\$ 7,500		\$ -	210,677	27,931	238,608
Travel						926	6,191	7,117
Utilities						27,433	2,145	29,578
Supplies				453		6,694	2,052	8,746
Equipment Lease and Maintenance						27,878	1,591	29,469
Promotions/Community Functions					731	46,360	979	47,339
Bad Debt Expense	58,843	50,185	76,721			1,134,948	-	1,134,948
Other	219,335	224,671	136,937	16,211	5,276	1,261,096	7,108	1,268,204
<b>Total</b>	<b>\$ 278,778</b>	<b>\$ 282,356</b>	<b>\$ 221,158</b>	<b>\$ 16,664</b>	<b>\$ 6,007</b>	<b>\$ 2,797,572</b>	<b>\$ 227,309</b>	<b>\$ 3,024,881</b>



# Dave Yost • 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 Growth Partnership, Inc. and Affiliates  
Scioto County  
342 Second Street  
P. O. Box 509  
Portsmouth, Ohio 45662

To the Executive Board:

We were engaged to audit the statement of financial position of the Southern Ohio Growth Partnership, Inc. and Affiliates, Scioto County, Ohio (the Southern Ohio Growth Partnership), and the related statements of activities and cash flows as of and for the year ended December 31, 2011, which collectively comprise the Southern Ohio Growth Partnership's consolidated financial statements and have issued our report thereon dated April 16, 2013. We are not able to express, and we do not express, an opinion on the financial statements referred to above. Except as discussed in the preceding sentence, 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 Southern Ohio Growth Partnership's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Southern Ohio Growth Partnership's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Southern Ohio Growth 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying Schedule of Findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider Findings 2011-01 through 2011-07 described in the accompanying Schedule of Findings to be material weaknesses.

### **Compliance and Other Matters**

As part of reasonably assuring whether the Southern Ohio Growth Partnership'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 Southern Ohio Growth Partnership's management in a separate letter dated April 16, 2013.

The Southern Ohio Growth Partnership's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. We did not audit the Southern Ohio Growth Partnership's responses and, accordingly, we express no opinion on them.

We intend this report solely for the information and use of management, the Executive Board, and others within the Southern Ohio Growth Partnership. We intend it for no one other than these specified parties.



**Dave Yost**  
Auditor of State

April 16, 2013

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

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2011 AND 2011**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2011-01**

**Material Weakness**

The Southern Ohio Growth Partnership did not maintain timesheet information for hourly employees. As such, employee pay amounts for hourly employees were not substantiated by evidence of supervisory approval. Further, the Southern Ohio Growth Partnership personnel policy indicated that the President and Chief Executive Officer are responsible for determining the level of pay for each employee. Salary increases are considered after performance evaluations and upon employee's annual anniversary or when deemed appropriate by the CEO. However, the Southern Ohio Growth Partnership could provide no documentation showing approved rates of pay for the employees of the Southern Ohio Growth Partnership. As such, employees Lisa Carver, Lisa Goddard, Donna Arnett, and Samantha Howard received salary increases in 2011 for which the Southern Ohio Growth Partnership had no support. These rates cannot be disputed as no documentation of approved rates existed. Failure to obtain or properly document pay rates and approval of pay increases can lead to Findings for Recovery. Lack of oversight can also lead to overspending and inefficient use of funds.

The Southern Ohio Growth Partnership also paid a \$3,500 bonus to CEO Robert Huff on January 26, 2011. This bonus was not approved by the Board as documented in the minute record. The Southern Ohio Growth Partnership did have policies in place to allow for bonuses to be earned by the CEO; however, the source and approval for this bonus was not documented.

We recommend the Southern Ohio Growth Partnership adequately document all pay rates and changes to pay rates for its employees. It is also advisable for the Executive Board to document approved rates in the minute record. We further recommend that all Southern Ohio Growth Partnership hourly employees complete timesheets for each pay period to be approved and signed by the employee and management.

**Officials' Response:** Due to the dissolution of the Southern Ohio Growth Partnership on November 13, 2012, no action will be taken on this matter.

**FINDING NUMBER 2011-02**

**Material Weakness**

The Southern Ohio Growth Partnership failed to maintain sufficient support for a projected \$21,818 in non-payroll expenditures in 2011. This amount included the following:

- \$19,956 in expenditures made to FIA Card Services (credit card purchases) lacking a detailed listing of purchases. It was noted that the FIA Card Services invoices available agreed in total to the amount expended by the Southern Ohio Growth Partnership. However, detail was limited to amount by vendor.
- Projected \$1,862 in inadequate support as only handwritten post-it notes were available to support the transactions.

Failure to support these amounts obfuscated the audit trail and prevented determination of these amounts as pertaining to proper public purpose or determining proper posting.

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

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2011  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
--

**FINDING NUMBER 2011-02 (Continued)**

**Material Weakness (Continued)**

We recommend the Executive Board or management monitor expenditures to ensure expenditures are posted only to funds with purposes analogous to the purpose of the transaction made. We further recommend the Executive Board or management maintain detailed record of expenditures.

**Officials' Response:** Due to the dissolution of the Southern Ohio Growth Partnership on November 13, 2012, no action will be taken on this matter.

**FINDING NUMBER 2011-03**

**Material Weakness**

The Southern Ohio Growth Partnership did not issue pre-numbered duplicate receipts for collections made related to fees, dues, and miscellaneous receipts. Failure to issue pre-numbered duplicate receipts can result in completeness issues and may present a fraud risk factor for the corporation. It was noted during testing of fee revenues, that a projected amount of \$15,679, did not have adequate support on file to determine if the amounts were properly classified as Fees. It was noted in testing of Miscellaneous Revenues, that a projected amount of \$25,695, did not have adequate support on file to determine if the amounts were properly classified as Miscellaneous Revenues.

We recommend the Executive Board implement a procedural policy requiring pre-numbered duplicate receipts for all receipts. We further note that these receipts should indicate date collection was made and employee making the collection.

**Officials' Response:** Due to the dissolution of the Southern Ohio Growth Partnership on November 13, 2012, no action will be taken on this matter.

**FINDING NUMBER 2011-04**

**Material Weakness**

The approved Intermediary Relending Program (IRP) Loan agreements for Southern Ohio Growth Partnership IRP Loans I, II, III, IV, and V, include the following language "Intermediary agrees to use the loan and its proceeds solely for activities as set in its Intermediary Relending Program (IRP) application ("approved program") including the work plan submitted to USDA (including any supplements or modifications thereof agreed to by both parties) and in accordance with the Loan Terms and Conditions, the terms and conditions of this loan agreement and the Rules and Regulations (as they may be amended) governing the IRP (7 CFR Part 1948, Subpart C and 7 CFR part 1951, Subpart R)."

The IRP agreements also require semiannual reporting of financial information relating to the IRP. These reports shall contain information only on the IRP revolving loan fund, or if other funds are included, the IRP loan program portion shall be segregated from the others. In the case where the intermediary has more than one IRP revolving fund from the Agency, a separate report shall be made for each of the IRP revolving funds.

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

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2011  
(Continued)**

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

**FINDING NUMBER 2011-04 (Continued)**

**Material Weakness (Continued)**

The reports will include, on a form provided by the Agency information on the intermediary's lending activity including income and expenses, financial condition and a summary of names and characteristics of the ultimate recipients the intermediary has financed. The agreement also requires providing the USDA with an annual proposed budget for the following year.

Consolidated Farm and Rural Development Act, Section 310B, 7 U.S.C 1989 authorizes the Rural Business Enterprise Grant. Rural Business Enterprise Grant (RBEG) funds may be used to create, expand or operate rural distance learning networks or programs that provide educational or job training instruction related to potential employment or job advancement to adult students; develop, construct or acquisition land, buildings, plants, equipment, access streets and roads, parking areas, utility extensions, necessary water supply and waste disposal facilities; refinancing; services and fees; and to establish a revolving loan fund.

The Southern Ohio Growth Partnership operated two types of loan programs. The Intermediary Relending Program (IRP) which was considered a debt of the Partnership requiring repayment to the United States Department of Agriculture (USDA). The Rural Business Enterprise Grants (RBEG) program was a revolving loan grant program also issued through the USDA. The Southern Ohio Growth Partnership transferred loan account funding from both programs to the Southern Ohio Growth Partnership general operating account in 2011 as well as from program years 2004-2010. These transfers are violations of the approved debt covenants and grant requirements as this was not an appropriate use of the loan balances. A summary of the violations are as follows:

Loan	Transfer Activity (net) from 2011	Less Amounts due to Other Funds at December 31, 2011	Net Violation in 2011	Net Violations from 2004-2010	Total Net Balance of Violations 2004 through 2011
IRP I	\$ 30,000	\$ -	\$ 30,000	\$ 150,500	\$ 180,500
IRP II	-	-	-	145,500	145,500
RBEG II	52,500	(26,535)	25,965	207,100	233,065
RBEG III	55,000	6,695	61,695	79,250	140,945
IRP IV	30,000	(10,000)	20,000	100,000	120,000
IRP V	10,000	(38,000)	(28,000)	-	(28,000)
RBEG I	15,000	(10,000)	5,000	215,035	220,035
IRP III	27,500	-	27,500	97,500	125,000
<b>Total</b>	<b>\$ 220,000</b>	<b>\$ (77,840)</b>	<b>\$ 142,160</b>	<b>\$ 994,885</b>	<b>\$ 1,137,045</b>

All reports filed with RDA for the period January 1, 2007 to June 30, 2011 were deemed misleading as amounts transferred to the Southern Ohio Growth Partnership from USDA Loan Funds were listed on the reports of IRP/RDLF lending activity as cash.

The Southern Ohio Growth Partnership grant agreements also allowed for charging management fees to the IRP and RBEG grants if based on approved USDA budgets. Since there was no approved budget in 2011, we feel the following charged management fees were technically unallowable costs for the loan:

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

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2011  
(Continued)**

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

**FINDING NUMBER 2011-04 (Continued)**

**Material Weakness (Continued)**

Acct:	Amount	Loan:
5034-80	\$ 15,000	IRP I
5034-81	15,000	IRP II
5034-82	7,500	RBEG II
5034-83	7,500	RBEG III
5034-84	15,000	IRP IV
5034-93	15,000	IRP III
	\$ 75,000	Total

Failure to properly utilize loan/grant funding in agreement with the terms of the loan and grant agreements as well as properly report loan/grant information to the USDA resulted in the USDA placing a hold on Southern Ohio Growth Partnership's IRP and RBEG bank accounts and terminating these programs at the Southern Ohio Growth Partnership.

We recommend the Executive Board monitor expenditures and reporting to ensure loan/grant activity is in conformity with approved loan and grant agreements.

**Officials' Response:** Due to the dissolution of the Southern Ohio Growth Partnership on November 13, 2012, no action will be taken on this matter.

**FINDING NUMBER 2011-05**

**Material Weakness**

The Southern Ohio Growth Partnership failed to maintain signed loan agreements for the following Loan Receivables:

Loan Number	Loan Receivable Balance (Current and Non-Current) at December 31, 2011	Loan Number	Loan Receivable Balance (Current and Non-Current) at December 31, 2011	Loan Number	Loan Receivable Balance (Current and Non-Current) at December 31, 2011
21	\$ 6,986	66	\$ 79,689	90	\$ 75,786
29	4,665	67	126,690	91	37,879
34	86,343	68	83,616	92	46,100
39	11,260	72	47,792	94	58,431
47	60,151	73	95,584	97	34,560
48	50,694	74	29,408	100	20,867
54	5,732	75	13,012	104	32,017
56	12,289	81	76,994	105	72,052
57	74,550	83	98,833	109	145,316
63	136,589	86	49,255	110	31,687
64	56,063	88	50,963	111	83,793
65	16,933	89	50,185		
				Total	\$ 1,962,764

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

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2011  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2011-05 (Continued)**

**Material Weakness (Continued)**

Failure to maintain adequate supporting documentation could result in questioned costs and difficulties supporting authorization and terms of loans.

We recommend the Southern Ohio Growth Partnership maintain copies of all signed loan agreements relating to loans receivable.

**Officials' Response:** Due to the dissolution of the Southern Ohio Growth Partnership on November 13, 2012, no action will be taken on this matter.

**FINDING NUMBER 2011-06**

**Material Weakness**

The Southern Ohio Growth Partnership was unable to provide support for amounts classified on the financial statements as accounts receivable. As such, no procedures could be devised to ensure proper classification, reasonableness, or completeness. Failure to maintain adequate records resulted in a qualified opinion related to accounts receivable.

We recommend the Southern Ohio Growth Partnership management review financial information regularly and ensure proper support is available.

**Officials' Response:** Due to the dissolution of the Southern Ohio Growth Partnership on November 13, 2012, no action will be taken on this matter.

**FINDING NUMBER 2011-07**

**Material Weakness**

Auditor of State Bulletin 2004-010 states an auditor can regard electronic imaging of checks as evidence when performing an audit. The Bulletin provides, in part, that a bank may use the electronic image to create a "substitute check" for a bank that chooses to continue receiving paper checks. This substitute check has the same legal effect as the original paper check. A substitute check is a paper reproduction of the original check that: contains an image of the front and back of the original check; bears a magnetic ink character recognition (MICR) line containing all of the information appearing on the original check's MICR line, with certain exceptions; conforms, in paper stock, dimension, and otherwise, with generally applicable banking industry standards for substitute checks; and is as suitable for automated processing as the original check. A substitute check that meets these requirements and bears the following legend is considered the legal equivalent of the original paper check.

For governments that do not receive their cancelled original or substitute checks, the Auditor of State suggests these governments request that their banks send images of the front and back of all issued checks. This will enable governments to review and scrutinize the transactions and ensure that the payees as well as the various endorsements are appropriate. As monthly bank statements are received, reconciliation between check numbers and the amounts paid should be conducted promptly.

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

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2011  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2011-07 (Continued)**

**Material Weakness (Continued)**

If questionable items are identified, governments should immediately request their bank investigate these items for possible adjustment to the government's account. Furthermore, a government may want to request a substitute check or the best available source document from the bank (e.g., copy of the front and back of the check) when a questionable item is identified.

The Southern Ohio Growth Partnership did not maintain physical canceled checks for 2011 expenditures. In addition, throughout the audit period, we noted a lack of complete check image information for the following accounts:

- PNC Bank: RBEG III account- no check images provided
- American Savings Bank: RBEG II account- no images of the back of checks provided
- DESCO Bank: RBEG I account- no check images provided
- DESCO Bank: IRP V account- no check images provided
- Charter One Bank: IRP IV account- no images of the back of checks provided
- Wesbanco: IRP III account- no images of the back of checks provided
- Fifth Third Bank: IRP II account- no images of the back of checks provided
- American Savings Bank: IRP I account- no images of the back of checks provided
- American Savings Bank: Leadership Portsmouth account- no images of the back of checks provided
- Wesbanco: Gift Shop account- no images of the back of checks provided
- Charter One Bank: PMI account- no images of the back of checks provided
- Wesbanco: PMI Building account- no images of the back of checks provided
- American Savings Bank: PMI Maintenance account- no check images provided

By not having the reverse side of the check, it is not possible to ensure that the payees as well as the various endorsements are appropriate. This could result in a lack of sufficient audit evidence or could relate in a failure to follow the records retention laws.

We recommend the Executive Board or management consult with the bank to have the bank provide images of both the front and reverse side of each canceled check for disbursements. As an alternative, the bank could send the original canceled checks back to the Southern Ohio Growth Partnership.

**Officials' Response:** Due to the dissolution of the Southern Ohio Growth Partnership on November 13, 2012, no action will be taken on this matter.



# Dave Yost • Auditor of State

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

**SCIOTO COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MAY 9, 2013**