



bhm cpa group, inc.
CERTIFIED PUBLIC ACCOUNTANTS

SOUTHERN OHIO DIVERSIFICATION INITIATIVE
PIKE COUNTY

REGULAR AUDIT

FOR THE YEAR ENDED SEPTEMBER 30, 2023

One East Campus View Blvd. Suite 300 • Columbus, OH 43235 • (614) 430-0590 • FAX (614) 448-4519
PO Box 875 • 129 Pinckney Street • Circleville, OH 43113 • (740) 474-5210 • FAX (740) 474-7319
PO Box 687 • 528 S. West Street • Piketon, OH 45661 • (740) 289-4131 • FAX (740) 289-3639

www.bhmcpgroup.com

OHIO AUDITOR OF STATE
KEITH FABER



88 East Broad Street
Columbus, Ohio 43215
IPAReport@ohioauditor.gov
(800) 282-0370

Board of Trustees
Southern Ohio Diversification Initiative
P.O. Box 517
Piketon, Ohio 45661

We have reviewed the *Independent Auditor's Report* of the Southern Ohio Diversification Initiative, Pike County, prepared by BHM CPA Group, Inc., for the audit period October 1, 2022 through September 30, 2023. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

April 11, 2024

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Southern Ohio Diversification Initiative
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For the Fiscal Year Ended September 30, 2023

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INDEPENDENT AUDITOR'S REPORT

Southern Ohio Diversification Initiative
Pike County
3930 US Hwy 23 South
PO Box 517
Piketon, Ohio 45661

To the Members of the Board of Southern Ohio Diversification Initiative:

Report on the Audit of the Financial Statements

Opinion

We have audited the consolidated financial statements of the Southern Ohio Diversification Initiative, Pike County, Ohio (the Initiative), (a not-for-profit corporation), which comprise the statement of consolidated financial position as of September 30, 2023, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Initiative, as of September 30, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Initiative, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Initiative's ability to continue as a going concern for one year after the date that the consolidated financial statements are issued (or within one year after the date that the consolidated financial statements are available to be issued, when applicable).

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Initiative's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Initiative's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Initiative's basic financial statements. The consolidating schedules of financial position, activities, and cash flows are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2024, on our consideration of the Initiative'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. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Initiative's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Initiative's internal control over financial reporting and compliance.

Handwritten signature in black ink that reads "BHM CPA Group". The letters are cursive and somewhat stylized.

BHM CPA Group, Inc.
Piketon, Ohio

March 29, 2024

Southern Ohio Diversification Initiative
Pike County, Ohio
Consolidated Statement of Financial Position
September 30, 2023

Assets

Current Assets:

Cash and Cash Equivalents	\$ 719,580
Investments	300,000
Accounts Receivable	25,515
Prepaid Expenses	11,354
Intergovernmental Receivables	66,069
TOTAL CURRENT ASSETS	<u>1,122,518</u>

Property and Equipment:

Land	357,330
Vehicles	35,189
Equipment	23,310
Less: Accumulated Depreciation	(57,113)
NET PROPERTY AND EQUIPMENT	<u>358,716</u>

Other Assets:

Lease Receivable	<u>125,133</u>
TOTAL OTHER ASSETS	<u>125,133</u>

TOTAL ASSETS \$ 1,606,367

Liabilities and Net Assets

Current Liabilities:

Accounts Payable	\$ 325,536
Due to Other Governments	411,855
Security Deposit Liability	2,000
Accrued Expenses	51,169
Note Payable	126,268
TOTAL CURRENT LIABILITIES	<u>916,828</u>

TOTAL LIABILITIES 916,828

Net Assets:

Noncontrolling Deficit in SOAR, Inc.	(68,754)
Net Assets without Donor Restrictions	<u>758,293</u>
TOTAL NET ASSETS	<u>689,539</u>

TOTAL LIABILITIES AND NET ASSETS \$ 1,606,367

SEE ACCOMPANYING NOTES

Southern Ohio Diversification Initiative
Pike County, Ohio
Consolidated Statement of Activities
For the Fiscal Year Ended September 30, 2023

Changes in Unrestricted Net Assets

Revenues, Gains, and Other Support:

Charges for Services	\$ 85,472
Intergovernmental	383,414
Rent Income	28,650
Other	25,566
Interest Income	4,323
TOTAL REVENUES, GAINS, AND OTHER SUPPORT	<u>527,425</u>

Expenses:

Management and General:

Personnel Costs	479,958
Professional Fees	21,725
Contract Labor	10,531
Property Tax	1,230
Utilities	90
Administrative	24,211
Grant Pass-Through	329,210
Interest Expense	2,995
Depreciation	231
TOTAL EXPENSES	<u>870,181</u>

CHANGE IN NET ASSETS (342,756)

Net assets, beginning of year 1,032,295

Net assets, end of year \$ 689,539

SEE ACCOMPANYING NOTES

Southern Ohio Diversification Initiative
Pike County, Ohio
Consolidated Statement of Cash Flows
For the Fiscal Year Ended September 30, 2023

Cash Flows From Operating Activities:	
Cash Received from Customers	\$ 70,409
Cash received from Rent	28,650
Cash Received from Other Sources	25,566
Cash Paid for Suppliers and Economic Development	(517,086)
Cash Paid to Employees for Services and Benefits	(457,705)
Net Cash Used for Operating Activities	<u>(850,166)</u>
Cash Flows From Non-capital Financing Activities:	
Intergovernmental Receipts	542,241
Net Cash Provided by Non-capital Financing Activities	<u>542,241</u>
Cash Flows From Capital and Related Financing Activities:	
Interest Payments	(2,995)
Principal Payments	(18,244)
Net Cash Used for Capital and Related Financing Activities	<u>(21,239)</u>
Cash Flows From Investing Activities:	
Interest Income	4,323
Principal Repayment on Lease Receivable	17,980
Net Cash Provided By Investing Activities	<u>22,303</u>
Net Decrease in Cash and Investments	(306,861)
Cash and Investments Beginning of Year	<u>1,026,441</u>
Cash and Investments End of Year	<u>\$ 719,580</u>
Reconciliation of Change in Net Assets to Net Cash Used for Operating Activities:	
Net Loss	\$ (342,756)
Depreciation	231
Interest Income Not Included in Operating Activities	(4,323)
Intergovernmental Revenue Not Included in Operating Activities	(383,414)
Interest Payment Not Included in Operating Activities	2,995
Adjustments to Reconcile Net Loss to Net Cash Used for Operating Activities:	
(Increase) in Accounts Receivable	(15,063)
Decrease in Prepaid Expenses	7,334
(Decrease) in Accounts Payable	(137,423)
Increase in Accrued Expenses	22,253
Total Adjustments	<u>(122,899)</u>
Net Cash Used for Operating Activities	<u>\$ (850,166)</u>

SEE ACCOMPANYING NOTES

Southern Ohio Diversification Initiative
Pike County
Notes to the Consolidated Financial Statements
For the Fiscal Year Ended September 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF THE ENTITY

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

To facilitate the efficient processing of excess personal property received from the Portsmouth Gaseous Diffusion Plant, the Initiative has a 75% ownership interest in a limited liability company, Southern Ohio Asset Recovery, LLC. These consolidated financial statements incorporate the financial statements for Southern Ohio Asset Recovery, LLC.

B. BASIS OF ACCOUNTING

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

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

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

C. FINANCIAL STATEMENT PRESENTATION

A description of each of the categories is as follows:

Net Position without Donor Restrictions – These assets are used for continuing activities and operations of the Initiative at the discretion of the Initiative’s governing body.

Net Position with Donor Restrictions – A donor imposed restriction that either permits the Initiative to expend the donated assets as specified by the donor or the restriction stipulates that resources be maintained permanently but permits the Initiative to expend part or all of the income or other economic benefit derived from the donated asset.

There were no restrictions on the Initiative’s net assets as of September 30, 2023.

Southern Ohio Diversification Initiative
Pike County
Notes to the Consolidated Financial Statements
For the Fiscal Year Ended September 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. COMPENSATED ABSENCES

Accumulated vacation leave and accumulated compensatory time are recorded as an expense and liability of the Initiative as the benefits accrue to the employees. Sick leave is accrued at 3.7 hours of sick leave per pay period to a maximum accrual of 960 hours. Vacation leave is accrued according to years of service with a maximum accrual of 160 hours. There were \$-0- and \$42,945 in accrued vacation leave and accrued sick leave payable as of year-end. These balances were recorded as accrued liabilities in the accompanying financial statements.

E. CASH AND INVESTMENTS

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

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

F. PROPERTY AND EQUIPMENT

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

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	5 years
Buildings	40 years
Infrastructure	20 - 40 years
Vehicles	5 years
Furniture and Fixtures	7 years

G. INCOME TAXES

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

H. ESTIMATES

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

Southern Ohio Diversification Initiative
Pike County
Notes to the Consolidated Financial Statements
For the Fiscal Year Ended September 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. ACCOUNTS RECEIVABLE

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

J. INTERGOVERNMENTAL RECEIVABLES

Intergovernmental receivables and revenue are recorded according to the terms of the grant agreement when the expenses have been incurred by the Initiative. As of September 30, 2023, the Initiative had incurred expenses of \$66,069 and this amount is recorded as Intergovernmental Receivable and intergovernmental revenue in the accompanying financial statements.

K. DUE TO OTHER GOVERNMENTS

The Initiative receives excess personal property by the United States Department of Energy (DOE) from the Portsmouth Gaseous Diffusion Plant. The Initiative may transfer the property to businesses, municipalities, or organizations in the region in order to create new employment opportunities or provide assistance to residents affected by the plant downsizing. The Initiative may also sell the property if it would have limited value in job creation. In previous years, in consideration for the property transferred, DOE was due 50% of the value of assets with an original acquisition cost of \$50,000-\$250,000. Property with a value of \$50,000 or less was provided at no cost to the Initiative. Consideration for excess personal property with an initial acquisition value of more than \$250,000 was to be determined on a case by case basis, using 50% of estimated fair market value as a starting point. The Initiative no longer has this restriction on the sale of property and may retain 100% of the value of the sale of assets. As of September 30, 2023, the Initiative has determined that \$411,855 was due back to the United States Department of Energy due to prior years' activity.

L. DATE OF MANAGEMENT'S REVIEW

In preparing these financial statements, management has evaluated subsequent events and transactions for potential recognition through January 29, 2024, the date the financial statements were available to be issued.

M. FUNCTIONAL EXPENSE

The Initiative has determined the costs incurred for the year ending September 30, 2023, are all management and general in nature and has been reflected as such on the Consolidated Statement of Activities.

NOTE 2 – AVAILABILITY AND LIQUIDITY

The Initiative has \$1,045,095 of financial assets available at the balance sheet date to meet cash needs for general expenditure consisting of cash of \$719,580, a certificate of deposit of \$300,000, and service fee receivables of \$25,515. None of these financial assets are subject to restrictions that make it unavailable for general expenditure within one year of the balance sheet date. The Initiative has a goal to maintain cash on hand sufficient to meet three months of normal operating expense.

Southern Ohio Diversification Initiative
Pike County
Notes to the Consolidated Financial Statements
For the Fiscal Year Ended September 30, 2023

NOTE 3 – CASH AND INVESTMENTS

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

Deposits At September 30, 2023, the carrying amount of the Initiative's deposits was \$1,019,580 and the bank balance was \$1,027,901. Of the bank balance:

1. \$521,075 was covered by federal depository insurance.
2. The remaining balance was collateralized by the financial institutions' public entity deposit pools in the manner described above.

NOTE 4 - RISK MANAGEMENT

The Initiative is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For fiscal year 2023, the Initiative contracted with Liberty Mutual Insurance Company for real property, building contents, and vehicle insurance coverage.

Coverages provided by the program are as follows:

General Liability	\$2 million Annual Aggregate Limit
Automobile	\$1 million
Property	\$1.245 million
Crime	\$500 thousand
Directors & Officers Liability	\$1 million (Provided by Chubb Group of Insurance Companies)
Umbrella	\$2 million

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

NOTE 5 - PENSION PLAN

All employees of the Initiative contribute into a simple IRA, a privately defined benefit pension plan. The Initiative contributes 3% of an employee's gross wages into the plan. An hourly employee must work six months prior to becoming eligible for the plan. A member is fully vested immediately and can retire at the age of 62. One employee was participating in the plan in 2023.

NOTE 6 – LOANS PAYABLE

During fiscal year 2013 the Initiative entered into a loan agreement in the amount of \$300,025 for the purpose of constructing a facility for the Ohio Valley Regional Development Commission (OVRDC). This loan was originally issued in December 2012 at 2.5% interest for an eight month period and then it was renegotiated and extended into a twelve month loan at 2.75% interest. The note was renewed on March 29, 2023, with an interest rate of 2.20%, matures in April 2024 and will be renewed. The Initiative is making monthly payments of \$1,769.91. The loan is being secured with the certificate of deposit.

Southern Ohio Diversification Initiative
Pike County
Notes to the Consolidated Financial Statements
For the Fiscal Year Ended September 30, 2023

NOTE 6 – LOANS PAYABLE (continued)

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

NOTE 7 - CONTINGENCIES

The Initiative was not involved in any litigation as of September 30, 2023.

NOTE 8 – NEW ACCOUNTING STANDARDS

The Financial Accounting Standards Board (FASB) has adopted the following standards updates that will be effective in coming years. The Initiative has not early implemented these changes.

Accounting Standards Update No. 2016-02, *Leases (Topic 842)*, will require that lessees record nearly all leases on the balance sheet. Lessors will see some changes too, largely made to align with the revised lessee model and the FASB's new revenue recognition guidance. This Update will be effective for most not-for-profits for fiscal years beginning after December 31, 2022.

NOTE 9 – FEDERAL GRANT

The Initiative has a grant agreement with the U.S. Department of Energy to be used for generic design support activities for advanced reactors which covers two periods with a total potential grant amount of \$2,508,502. This is a reimbursement grant so revenues are recorded as eligible grant expenditures are incurred for financial reporting purposes. The expenditure of funds received under this program generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agency. Any disallowed claims resulting from such audit could become a liability of the Initiative. However, the effect of any such disallowed claims on the overall financial position of the Initiative at September 30, 2023, if applicable, cannot be determined at this time.

NOTE 10 – SUBSEQUENT EVENTS

The Initiative entered into a grant agreement with the United States Department of Energy on behalf of Scioto Valley Local School District and received \$3,000,000 and disbursed such grant monies to Scioto Valley Local School District in November of 2023.

In December of 2023, the Initiative received \$1,570,086 net proceeds from the sale of property to Trillium H2 Power, LLC.

In December of 2023, the Board voted to end the partnership agreement with Southern Ohio Asset Recovery, LLC. The net effect of this action has not been reflected in the financial statements for fiscal year 2023.

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Southern Ohio Diversification Initiative
Pike County, Ohio
Consolidating Schedule of Financial Position
September 30, 2023

	Parent Company Southern Ohio Diversification Initiative	Subsidiary Company Southern Ohio Asset Recovery, Inc.	Eliminations	Consolidated Totals
Assets				
Current Assets:				
Cash and Cash Equivalents	\$ 698,505	\$ 21,075	\$ -	\$ 719,580
Investments	300,000	-	-	300,000
Accounts Receivable	221,297	-	(195,782)	25,515
Prepaid Expenses	11,354	-	-	11,354
Intergovernmental Receivable	66,069	-	-	66,069
TOTAL CURRENT ASSETS	<u>1,297,225</u>	<u>21,075</u>	<u>(195,782)</u>	<u>1,122,518</u>
Property and Equipment:				
Land	357,330	-	-	357,330
Vehicles	35,189	-	-	35,189
Equipment	23,310	-	-	23,310
Less: Accumulated Depreciation	(57,113)	-	-	(57,113)
NET PROPERTY AND EQUIPMENT	<u>358,716</u>	<u>-</u>	<u>-</u>	<u>358,716</u>
Other Assets:				
Lease Receivable	125,133	-	-	125,133
TOTAL OTHER ASSETS	<u>125,133</u>	<u>-</u>	<u>-</u>	<u>125,133</u>
TOTAL ASSETS	<u>\$ 1,781,074</u>	<u>\$ 21,075</u>	<u>\$ (195,782)</u>	<u>\$ 1,606,367</u>
Liabilities and Net Assets				
Current Liabilities:				
Accounts Payable	\$ 70,612	\$ 296,093	\$ (41,169)	\$ 325,536
Due to Other Governments	411,855	-	-	411,855
Security Deposit Liability	2,000	-	-	2,000
Accrued Expenses	51,169	-	-	51,169
Note Payable	126,268	-	-	126,268
Deficit Investment in SOAR, Inc.	206,264	-	(206,264)	-
TOTAL CURRENT LIABILITIES	<u>868,168</u>	<u>296,093</u>	<u>(247,433)</u>	<u>916,828</u>
TOTAL LIABILITIES	868,168	296,093	(247,433)	916,828
Net Assets:				
Noncontrolling Interest in SOAR, Inc.	-	-	(68,754)	(68,754)
Net Assets without Donor Restrictions	912,906	(275,018)	120,405	758,293
TOTAL NET ASSETS	<u>912,906</u>	<u>(275,018)</u>	<u>51,651</u>	<u>689,539</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,781,074</u>	<u>\$ 21,075</u>	<u>\$ (195,782)</u>	<u>\$ 1,606,367</u>

SEE ACCOMPANYING NOTES

Southern Ohio Diversification Initiative
Pike County, Ohio
Consolidating Schedule of Activities
For the Fiscal Year Ended September 30, 2023

	Parent Company Southern Ohio Diversification Initiative	Subsidiary Company Southern Ohio Asset Recovery, Inc.	Eliminations	Consolidated Totals
Changes in Unrestricted Net Assets				
Revenues, Gains, and Other Support:				
Charges for Services	\$ 85,472	\$ -	\$ -	\$ 85,472
Intergovernmental	383,414	-	-	383,414
Rent Income	28,650	-	-	28,650
Other	25,566	-	-	25,566
Interest Income	4,323	-	-	4,323
TOTAL REVENUES, GAINS, AND OTHER SUPPORT	527,425	-	-	\$ 527,425
Expenses:				
Personnel Costs	479,958	-	-	479,958
Professional Fees	21,335	390	-	21,725
Contract Labor	10,531	-	-	10,531
Property Tax	1,230	-	-	1,230
Utilities	90	-	-	90
Administrative	23,429	782	-	24,211
Grant Pass-Through	329,210	-	-	329,210
Interest Expense	2,995	-	-	2,995
Depreciation	231	-	-	231
TOTAL EXPENSES	869,009	1,172	-	870,181
CHANGE IN NET ASSETS	(341,584)	(1,172)	-	(342,756)
Net assets, beginning of year	1,255,369	(273,846)	50,772	1,032,295
Equity in Loss of SOAR, Inc. - Subsidiary	(879)	-	879	-
Net assets, end of year	<u>\$ 912,906</u>	<u>\$ (275,018)</u>	<u>\$ 51,651</u>	<u>\$ 689,539</u>

SEE ACCOMPANYING NOTES

Southern Ohio Diversification Initiative
Pike County, Ohio
Consolidating Schedule of Cash Flows
For the Fiscal Year Ended September 30, 2023

	Parent Company Southern Ohio Diversification Initiative	Subsidiary Company Southern Ohio Asset Recovery, Inc.	Eliminations	Consolidated Totals
Cash Flows From Operating Activities:				
Cash Received from Customers	\$ 70,409	\$ -	\$ -	\$ 70,409
Cash received from Rent	28,650	-	-	28,650
Cash Received from Other Sources	25,566	-	-	25,566
Cash Paid for Suppliers and Economic Development	(515,914)	(1,172)	-	(517,086)
Cash Paid to Employees for Services and Benefits	(457,705)	-	-	(457,705)
Net Cash Used for Operating Activities	<u>(848,994)</u>	<u>(1,172)</u>	<u>-</u>	<u>(850,166)</u>
Cash Flows From Non-capital Financing Activities:				
Intergovernmental Receipts	542,241	-	-	542,241
Net Cash Provided by Non-capital Financing Activities	<u>542,241</u>	<u>-</u>	<u>-</u>	<u>542,241</u>
Cash Flows From Capital and Related Financing Activities:				
Interest Payments	(2,995)	-	-	(2,995)
Principal Payments	(18,244)	-	-	(18,244)
Net Cash Used for Capital and Related Financing Activities	<u>(21,239)</u>	<u>-</u>	<u>-</u>	<u>(21,239)</u>
Cash Flows From Investing Activities:				
Interest Income	4,323	-	-	4,323
Principal Repayment on Lease Receivable	17,980	-	-	17,980
Net Cash Provided By Investing Activities	<u>22,303</u>	<u>-</u>	<u>-</u>	<u>22,303</u>
Net Increase (Decrease) in Cash and Investments	(305,689)	(1,172)	-	(306,861)
Cash and Investments Beginning of Year	1,004,194	22,247	-	1,026,441
Cash and Investments End of Year	<u>\$ 698,505</u>	<u>\$ 21,075</u>	<u>\$ -</u>	<u>\$ 719,580</u>
Provided By (Used for) Operating Activities:				
Net Loss	\$ (341,584)	\$ (1,172)	\$ -	\$ (342,756)
Depreciation	231	-	-	231
Interest Income Not Included in Operating Activities	(4,323)	-	-	(4,323)
Intergovernmental Revenue Not Included in Operating Activities	(383,414)	-	-	(383,414)
Interest Expense Not Included in Operating Activities	2,995	-	-	2,995
Adjustments to Reconcile Net Income (Loss) to Net Cash Used for Operating Activities:				
(Increase) in Accounts Receivable	(15,063)	-	-	(15,063)
Decrease in Prepaid Expenses	7,334	-	-	7,334
(Decrease) in Accounts Payable	(137,423)	-	-	(137,423)
Increase in Accrued Expenses	22,253	-	-	22,253
Total Adjustments	<u>(122,899)</u>	<u>-</u>	<u>-</u>	<u>(122,899)</u>
Net Cash Used for Operating Activities	<u>\$ (848,994)</u>	<u>\$ (1,172)</u>	<u>\$ -</u>	<u>\$ (850,166)</u>

SEE ACCOMPANYING NOTES



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

Southern Ohio Diversification Initiative
Pike County
3930 US Hwy 23 South
PO BOX 517
Piketon, Ohio 45661

To the Members of the Board of Southern Ohio Diversification Initiative:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the consolidated financial statements of the Southern Ohio Diversification Initiative, Pike County, (the Initiative) as of and for the year ended September 30, 2023, and the related notes to the consolidated financial statements, and have issued our report thereon dated March 29, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Initiative's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Initiative's internal control. Accordingly, we do not express an opinion on the effectiveness of the Initiative's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Initiative's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Initiative's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Initiative's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Initiative's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "BHM CPA Group". The letters are cursive and somewhat stylized.

BHM CPA Group, Inc.
Piketon, Ohio

March 29, 2024

OHIO AUDITOR OF STATE KEITH FABER



SOUTHERN OHIO DIVERSIFICATION INITIATIVE

PIKE COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 4/23/2024

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov