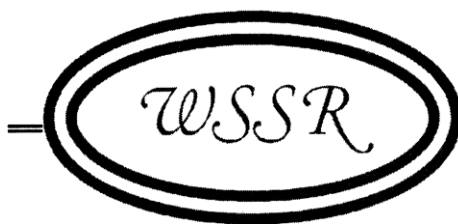


Southern Ohio Diversification Initiative
Pike County, Ohio

Financial Statements
For the Year Ended September 30, 2011



Whited Seigneur Sams & Rahe, LLP
CERTIFIED PUBLIC ACCOUNTANTS

213 South Paint Street, Chillicothe, Ohio 45601-3828
Phone: (740) 702-2600 • Fax: (740) 702-2610 • Audit Fax: (740) 702-2612
email@wssrcpa.com • <http://www.wssrcpa.com>



Dave Yost • Auditor of State

Board of Directors
Southern Ohio Diversification Initiative
1862 Shyville Road
Piketon, Ohio 45661

We have reviewed the *Independent Auditor's Report* of the Southern Ohio Diversification Initiative, Pike County, prepared by Whited, Seigneur, Sams & Rahe CPAs, LLP, for the audit period October 1, 2010 through September 30, 2011. 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.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditors' Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditors' Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

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 "Dave Yost".

Dave Yost
Auditor of State

June 21, 2012

This page intentionally left blank.

Southern Ohio Diversification Initiative
Table of Contents
For the Fiscal Year Ended September 30, 2011

Title	Page
Independent Auditor's Report	1
Financial Statements:	
Statement of Financial Position	2
Statement of Activities	3
Statement of Cash Flows	4
Notes to the Basic Financial Statements	5
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed In Accordance With <i>Government Auditing Standards</i>	9

This page intentionally left blank.

Whited Seigneur Sams & Rahe, LLP

CERTIFIED PUBLIC ACCOUNTANTS

(740) 702-2600—Phone
(740) 702-2610—Fax
(740) 702-2612—Audit Fax
email@wssrcpa.com
http://www.wssrcpa.com



213 South Paint Street, Chillicothe, OH 45601-3828

Jerry B. Whited, CPA
Donald R. Seigneur, CPA
John R. Sams, CPA
Barry L. Rahe, CPA
Kathleen M. Alderman, CPA
Nathan C. Baldwin, CPA

May 17, 2012

Members of the Board
Southern Ohio Diversification Initiative

Independent Auditor's Report

We have audited the accompanying statement of financial position of Southern Ohio Diversification Initiative (a nonprofit organization) (the Initiative) as of September 30, 2011, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Initiative's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Initiative as of September 30, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 17, 2012 on our consideration of the Initiative's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Respectfully submitted,

WHITED SEIGNEUR SAMS & RAHE, CPAs, LLP

Whited Seigneur Sams & Rahe

Southern Ohio Diversification Initiative

Pike County, Ohio

Statement of Financial Position

September 30, 2011

Assets

Current Assets:

Cash and Investments	\$ 3,453,014
Accounts Receivable	164,975
Prepaid Expenses	1,116
Deposits	36
TOTAL CURRENT ASSETS	<u><u>3,619,141</u></u>

Property and Equipment:

Land	2,016,600
Building	426,594
Infrastructure	2,474,286
Vehicles	35,189
Equipment	6,000
Furniture and Fixtures	3,074
Less: Accumulated Depreciation	(569,460)
NET PROPERTY AND EQUIPMENT	<u><u>4,392,283</u></u>

TOTAL ASSETS \$ 8,011,424

Liabilities and Net Assets

Current Liabilities:

Accounts Payable	\$ 26,057
Due to Other Governments	292,803
Accrued Expenses	5,584
TOTAL CURRENT LIABILITIES	<u><u>324,444</u></u>

Net Assets:

Unrestricted 7,686,980

TOTAL LIABILITIES AND NET ASSETS \$ 8,011,424

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

Southern Ohio Diversification Initiative
Pike County, Ohio
Statement of Activities
For the Fiscal Year Ended September 30, 2011

Changes in Unrestricted Net Assets

Revenues, Gains, and Other Support:

Rent Income	\$ 6,000
Other	9,061
Contributions & Donations	1,940,788
Interest Income	<u>22,277</u>
TOTAL REVENUES, GAINS, AND OTHER SUPPORT	<u>1,978,126</u>

Expenses:

Program Expenses	220,414
Fringe Benefits	28,442
Indirect Costs	466,618
Depreciation	<u>75,854</u>
TOTAL EXPENSES	<u>791,328</u>

INCREASE IN NET ASSETS 1,186,798

Net assets, beginning of year - as restated 6,500,182

Net assets, end of year \$ 7,686,980

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

Southern Ohio Diversification Initiative
Pike County, Ohio
Statement of Cash Flows
For the Fiscal Year Ended September 30, 2011

Cash Flows From Operating Activities:	
Cash Received from Customers	\$ 6,000
Cash Received from Other Sources	1,759,504
Cash Paid to Suppliers	(577,445)
Cash Paid to Employees for Services and Benefits	(98,131)
Net Cash Provided By Operating Activities	<u>1,089,928</u>
Cash Flows From Capital and Related Financing Activities:	
Capital outlay	(41,189)
Interest Payments	(10,413)
Principal Payments	(198,015)
Net Cash Used By Capital and Related Financing Activities	<u>(249,617)</u>
Cash Flows From Investing Activities:	
Interest Income	<u>22,276</u>
Net Cash Provided By Investing Activities	<u>22,276</u>
Net Increase in Cash and Investments	862,587
Cash and Investments Beginning of Year	<u>2,590,427</u>
Cash and Investments End of Year	<u>\$ 3,453,014</u>
Reconciliation of Change in Net Assets to Net Cash Provided By Operating Activities:	
Change in Net Assets	\$ 1,186,798
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:	
Depreciation	75,854
Interest Income Not Included in Operating Activities	(22,276)
Interest Payment Not Included in Operating Activities	10,413
Increase in Accounts Receivable	(164,975)
Decrease in Prepaid Expenses	3,589
Increase in Accounts Payable	25,171
Decrease in Due to Other Governments	(25,370)
Increase in Accrued Expenses	724
Total Adjustments	<u>(160,861)</u>
Net Cash Provided By Operating Activities	<u>\$ 1,089,928</u>

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

Southern Ohio Diversification Initiative
Pike County
Notes to the Financial Statements
For the Fiscal Year Ended September 30, 2011

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.

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. 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

The amounts for each of three classes of net assets: unrestricted, temporarily restricted and permanently restricted, are required to be presented in an aggregated statement of financial position and that the amounts of changes in each of those classes of net assets be presented in a statement of activities. This statement requires that resources be classified into three net asset categories according to donor-imposed restriction. A description of each of the categories is as follows:

Unrestricted Net Assets

Assets which are free of donor-imposed restrictions; all revenues, expenses, gains and losses that are not changes in temporarily or permanently restricted net assets.

Temporarily Restricted Net Assets

Assets which include gifts and pledges receivable for which donor-imposed restrictions have not been met and for which the ultimate purpose of the proceeds are not permanently restricted.

Southern Ohio Diversification Initiative
Pike County
Notes to the Financial Statements
For the Fiscal Year Ended September 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. FINANCIAL STATEMENT PRESENTATION (continued)

Permanently Restricted Net Assets

Assets that are subject to restrictions of gift instruments requiring that the principal be invested in perpetuity. The income from these assets is included in the investment income of unrestricted and restricted funds, as appropriate, in the accompanying statement of activities.

When a donor restriction expires, that is, when a stipulated time restriction expires or purpose restriction is accomplished, restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. There were no restrictions on the Initiative's net assets as of September 30, 2011.

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.

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 position, 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>
Buildings	40 years
Infrastructure	40 years
Vehicles	5 years
Furniture and Fixtures	7 years
Equipment	5 years

Southern Ohio Diversification Initiative
Pike County
Notes to the Financial Statements
For the Fiscal Year Ended September 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

I. ACCOUNTS RECEIVABLE AND DUE TO OTHER GOVERNMENTS

The Initiative receives certain proceeds from the sale of assets through the United States Department of Energy. When work has been completed, such amount due to the Initiative is recorded as accounts receivable in the accompanying financial statements. However, 50 percent of such monies must be remitted back to the United States Department of Energy and this portion of such monies is recorded as a liability as due to other governments.

NOTE 2 - 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 quarter end, the carrying amount of the Initiative's deposits was \$3,453,014 and the bank balance was \$3,450,425. Of the bank balance:

1. \$500,000 was covered by federal depository insurance.
2. \$2,950,425 was collateralized by the financial institutions' public entity deposit pools in the manner described above.

NOTE 3 – NOTES PAYABLE

During fiscal year 2011, the Initiative paid off a note, which matured March 25, 2011, for the purpose of construction of a building.

	Balance 9/30/10	Additions	Deletions	Balance 09/30/11
5.8 % Note	\$198,015	\$0	\$198,015	\$0

Southern Ohio Diversification Initiative
Pike County
Notes to the Financial Statements
For the Fiscal Year Ended September 30, 2011

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 2011, the Initiative contracted with Cincinnati Insurance Company for real property, building contents, and vehicle insurance coverage.

Coverage provided by the program are as follows:

General Liability	\$2 million Annual Aggregate Limit
Automobile	\$1 million
Property	\$1.114 million
Crime	\$500 thousand
Directors & Officers Liability	\$1 million
Umbrella	\$2 million

Health insurance was provided by a private carrier, United Healthcare, 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 contribution 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. No employees were participating in the plan in 2011.

NOTE 6 - CONTINGENCIES

The Initiative was not involved in any litigation as of September 30, 2011.

NOTE 7 – RESTATEMENT OF BEGINNING NET ASSETS

The Initiative restated the beginning net assets to correct an error in reporting revenues from the sale of Department of Energy assets from the prior year. This error resulted in the following change in net assets.

Net Assets, Balance October 1, 2010	\$6,818,355
Correction of Error in Reporting Revenues	<u>(318,173)</u>
Restated Net Assets, October 1, 2010	<u>\$6,500,182</u>

NOTE 8 - SUBSEQUENT EVENTS

In preparing these financial statements, the Council has evaluated events and transactions for potential recognition or disclosure through May 17, 2012, the date the financial statements were available to be issued.

Whited Seigneur Sams & Rahe, LLP

CERTIFIED PUBLIC ACCOUNTANTS

(740) 702-2600—Phone
(740) 702-2610—Fax
(740) 702-2612—Audit Fax
email@wssrcpa.com
http://www.wssrcpa.com



213 South Paint Street, Chillicothe, OH 45601-3828

Jerry B. Whited, CPA
Donald R. Seigneur, CPA
John R. Sams, CPA
Barry L. Rahe, CPA
Kathleen M. Alderman, CPA
Nathan C. Baldwin, CPA

May 17, 2012

Members of the Board
Southern Ohio Diversification Initiative

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

We have audited the financial statements of Southern Ohio Diversification Initiative (a nonprofit organization) (the Initiative) as of and for the year ended September 30, 2011, and have issued our report thereon dated May 17, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, 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 entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Compliance and Other Matters

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

We noted certain matters that we reported to management of the Initiative in a separate letter dated May 17, 2012.

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

Respectfully submitted,
WHITED SEIGNEUR SAMS & RAHE CPAs, LLP

A handwritten signature in cursive script that reads "Whited Seigneur Sams & Rahe".



Dave Yost • Auditor of State

SOUTHERN OHIO DIVERSIFICATION INITIATIVE

PIKE 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
JULY 03, 2012