



OHIO AUDITOR OF STATE
KEITH FABER



**OHIO VALLEY REGIONAL DEVELOPMENT COMMISSION
PIKE COUNTY
DECEMBER 31, 2020**

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**OHIO VALLEY REGIONAL DEVELOPMENT COMMISSION
PIKE COUNTY
DECEMBER 31, 2020**

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

Ohio Valley Regional Development Commission
Pike County
73 Progress Drive
Waverly, Ohio 45690

To the Executive Committee:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Ohio Valley Regional Development Commission, Pike County, Ohio (the Commission), as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Commission's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Commission's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Commission, as of December 31, 2020, and the respective changes in financial position thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 14 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Commission. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *management's discussion and analysis*, and schedules of net pension and other post-employment benefit liabilities and pension and other post-employment benefit contributions listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Supplementary and Other Information

Our audit was conducted to opine on the Commission's basic financial statements taken as a whole.

The Schedule of Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this information to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 12, 2021, on our consideration of the Commission'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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine 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* in considering the Commission's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Keith Faber". The signature is written in a cursive style with a large, prominent "K" and "F".

Keith Faber
Auditor of State
Columbus, Ohio
August 12, 2021

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Ohio Valley Regional Development Commission
Management's Discussion and Analysis
For the Year Ended December 31, 2020
(Unaudited)

The discussion and analysis of the Ohio Valley Regional Development Commission's (the Commission) financial performance provides an overall review of the Commission's financial activities for the year ended December 31, 2020. The intent of this discussion and analysis is to look at the Commission's financial performance as a whole. Readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the Commission's financial performance.

Financial Highlights

Key financial highlights for 2020 are as follows:

- Net position of governmental activities increased by \$120,738.
- General revenue accounted for \$127,367 or 8% of all revenues. Program specific revenues in the form of charges for services, grants, contributions, and interest accounted for \$1,532,684 or 92% of total revenues of \$1,660,051.
- The Commission had \$1,329,506 in expenses and \$209,807 in indirect costs related to governmental activities; \$1,532,684 of these expenses and indirect costs were offset by program specific charges for services, grants, contributions, and interest. General revenues and beginning net position were sufficient to cover the remainder of the expenses and indirect costs.
- The General Fund, one of the Commission's major funds, had \$127,367 in revenues and \$30,966 in expenditures.

Using This Annual Financial Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Commission as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities and conditions.

The statement of net position and statement of activities provide information about the activities of the whole agency, presenting both an aggregate view of the Commission's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term, as well as what remains for future spending. The fund financial statements also look at the Commission's most significant funds with all other non-major funds presented in total in one column.

Reporting the Commission as a Whole

Statement of Net Position and Statement of Activities

While this document contains information about the large number of funds used by the Commission to provide programs and activities for citizens, the view of the Commission as a whole looks at all financial transactions and asks the question, "How did we do financially during 2020?" The statement of net position and the statement of activities answer this question. These statements include all assets, liabilities, and deferred inflows and outflows of resources using the accrual basis of accounting similar to the accounting used by most private sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the Commission's net position and changes in net position. This change in net position is important because it tells the reader whether, for the Commission as a whole, the financial position has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the availability of federal and state grant funding, continued support from member governments, and other factors.

Ohio Valley Regional Development Commission

Management's Discussion and Analysis

For the Year Ended December 31, 2020

(Unaudited)

Reporting the Commission's Most Significant Funds

Fund Financial Statements

The analysis of the Commission's major funds begins on page 9. Fund financial statements provide detailed information about the Commission's major funds. The Commission uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the Commission's most significant funds. The Commission's major governmental funds are the General Fund, Appalachian Regional Commission-Local Development District and Regional Work Plan Fund, Local Development District-Workforce Development Fund, ODOT Rural Transportation Planning Organization Fund, Economic Development Administration-Revolving Loan Fund, Appalachian Regional Commission-Revolving Loan Fund, USDA Revolving Loan Fund, Economic Development Administration-Economic Development District, and Economic Development Administration-OU-OVRDC Bobcat Network. The Commission has only governmental funds.

Governmental Funds – The Commission's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Commission's general operations and the basic services it provides. Governmental fund statements help you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Commission's programs. The relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds is reconciled in the financial statements.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The Commission as a Whole

Recall that the statement of net position provides the perspective of the Commission as a whole. Table 1 provides a summary of the Commission's net position as of December 31, 2020, compared to December 31, 2019.

Table 1
Net Position

	2020	2019
Assets		
Current and Other Assets	\$487,115	\$1,180,774
Loans Receivable	1,464,682	568,440
Capital Assets, Net	760,587	781,893
Total Assets	2,712,384	2,531,107
Deferred Outflows of Resources	189,139	290,914
Liabilities		
Current and Other Liabilities	33,389	51,427
Long-Term Liabilities	1,216,958	1,400,331
Total Liabilities	1,250,347	1,451,758
Deferred Inflows of Resources	188,034	27,859

Ohio Valley Regional Development Commission

Management's Discussion and Analysis

For the Year Ended December 31, 2020

(Unaudited)

Table 1
Net Position (Continued)

Net Position	2020	2019
Net Investment in Capital Assets	\$560,693	\$568,023
Restricted	1,670,050	1,476,109
Unrestricted (Deficit)	(767,601)	(701,728)
Total Net Position	\$1,463,142	\$1,342,404

Total assets increased \$181,277. Loans receivable increased \$896,242 between years due primarily to \$1,015,000 in new loans being issued. There were no write-offs of existing loans during the year. Current and other assets decreased \$693,659 due primarily to the use of restricted cash for the new loans previously discussed. Capital assets, net decreased \$21,306 due to depreciation expense.

Deferred outflows of resources decreased \$101,775 due to decreases in actuarially-determined amounts related to the Commission's proportionate of the state-wide net pension liability.

Total liabilities decreased \$201,411. Current and other liabilities decreased by \$18,038 due primarily to decreases in accrued wages and benefits. Long-term liabilities decreased \$183,373 due primarily to the decrease in the Commission's proportionate share of the state-wide net pension liability, which was partially offset by principal payments on the Commission's lease agreement and the increase in the Commission's proportionate share of the state-wide net OPEB liability.

Deferred inflows of resources increased \$160,175 due to increases in actuarially-determined amounts related to the Commission's proportionate of the state-wide net pension liability.

The net pension liability and net OPEB liability are the largest liabilities reported by the Commission at December 31, 2020 and are reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27," and GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions." For reasons discussed below, many end users of these financial statements will gain a clearer understanding of the Commission's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB 27) and postemployment benefits (GASB 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund the plan's *net pension liability* or *net OPEB liability*. GASB 68 and GASB 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB 68 and GASB 75 require the net pension liability and the net OPEB liability to equal the Commission's proportionate share of the plan's collective:

1. Present value of estimated future pension/OPEB benefits attributable to active and inactive employees' past service,
2. Minus plan assets available to pay these benefits.

Ohio Valley Regional Development Commission

Management's Discussion and Analysis

For the Year Ended December 31, 2020

(Unaudited)

GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the “employment exchange” – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the Commission is not responsible for certain key factors affecting the balance of these liabilities. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio Revised Code permits, but does not require the retirement system to provide healthcare to eligible benefit recipients. The retirement system may allocate a portion of the employer contributions to provide for these OPEB benefits.

The employee enters the employment exchange with the knowledge that the employer’s promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The retirement system is responsible for the administration of the pension and OPEB plans.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability or the net OPEB liability. As explained above, changes in benefits, contribution rates, and return on investments affect the balance of these liabilities, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability and the net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68 and GASB 75, the Commission’s statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of the plan’s *change* in net pension liability and net OPEB liability, respectively, not accounted for as deferred inflows/outflows.

Table 2 shows the changes in net position for the year ended December 31, 2020, compared to the year ended December 31, 2019.

Table 2
Change in Net Position

	<u>2020</u>	<u>2019</u>
Revenues		
Program Revenues:		
Charges for Services	\$22,966	\$4,865
Operating Grants, Contributions and Interest	1,509,718	1,703,272
Total Program Revenues	<u>1,532,684</u>	<u>1,708,137</u>
General Revenues:		
Membership Fees	126,229	119,614
Investment Earnings	1,138	1,207
Total General Revenues	<u>127,367</u>	<u>120,821</u>
Total Revenues	<u>1,660,051</u>	<u>1,828,958</u>

Ohio Valley Regional Development Commission

Management's Discussion and Analysis

For the Year Ended December 31, 2020

(Unaudited)

Table 2
Change in Net Position
(Continued)

	2020	2019
Expenses		
Economic and Community Development	\$1,131,166	\$1,442,342
Transportation Planning	189,307	257,253
Indirect Costs	209,807	175,444
Debt Service:		
Interest and Fiscal Charges	9,033	9,513
Total Expenses	1,539,313	1,884,552
Change in Net Position	120,738	(55,594)
Net Position, Beginning of Year	1,342,404	1,397,998
Net Position, End of Year	\$1,463,142	\$1,342,404

Program revenues decreased \$175,453. Local Development District–Workforce Development received less funding in the current year which resulted in decreased expenditures in that program. Charges for services increased between years due to increased contractual revenues in the Economic Development Contracts and ARC Contracts programs. General revenues also remained relatively consistent between years.

Economic and community development activities account for 73 percent of total program expenses. These expenses decreased due primarily to the Local Development District-Workforce Development receiving less funding which resulted in fewer expenses. Transportation planning expenses account for 12 percent of total program expenses. These expenses decreased by \$67,946, due to the Commission receiving less grant money from ODOT in the current year which resulted in a reduced amount of spending. Indirect costs account for 14 percent of total program expenses. These costs remained relatively consistent between years. Interest expense accounts for less than 1 percent of program expenses and also remained relatively consistent between years.

The Commission's Funds

The Commission's major funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other financing sources of \$1,729,830 and expenditures and other financing uses of \$1,509,209, resulting in an increase in total fund balance. The Commission's major funds were the General Fund, Appalachian Regional Commission-Local Development District and Regional Work Plan Fund, Local Development District-Workforce Development Fund, ODOT Rural Transportation Planning Organization Fund, Economic Development Administration-Revolving Loan Fund, Appalachian Regional Commission-Revolving Loan Fund, USDA Revolving Loan Fund, Economic Development Administration-Economic Development District, and Economic Development Administration-OU-OVRDC Bobcat Network.

Fund balances remained relatively consistent for all major funds except the Local Development District-Workforce Development Fund and Appalachian Regional Commission-Revolving Loan Fund. The Local Development District-Workforce Development Fund balance decreased due to expenditures in excess of revenues. This fund experienced a significant decrease in funding. The Appalachian Regional Commission-Revolving Loan Fund had an increase in fund balance due to revenues in excess of expenditures. This fund experienced an increase in grant funding.

Ohio Valley Regional Development Commission

Management's Discussion and Analysis

For the Year Ended December 31, 2020

(Unaudited)

Capital Assets and Long-Term Debt

Capital Assets

At December 31, 2020, the Commission had \$760,587 invested in land, building and improvements, furniture and equipment. Table 3 shows the December 31, 2020 balances as compared to the December 31, 2019 balances.

Table 3
Capital Assets
(Net of Accumulated Depreciation)
Governmental Activities

	2020	2019
Land	\$62,500	\$62,500
Building and Improvements	688,304	704,498
Furniture and Equipment	9,783	14,895
Net Capital Assets	<u>\$760,587</u>	<u>\$781,893</u>

Changes in capital assets from the prior year resulted from depreciation expense during 2020. See note 6 of the notes to the basic financial statements for more detailed information on the Commission's capital assets.

Long-Term Liabilities

The Commission has one outstanding capital lease, with a balance of \$199,894 at year-end, \$14,473 due within one year. See notes 11 and 12 of the notes to the basic financial statements for additional information. See note 11 of the notes to the basic financial statements for information on other long-term liabilities.

Economic Factors

The Commission is currently operating within its means. However, the Commission's ability to attract administrative and program funds for its projects is heavily dependent upon the federal and state governments and the availability of grant funds. Nearly all of the Commission's funds come from federal and state grants. The Commission operates within a designated twelve-county area of Southern Ohio. Loans made through the revolving loan funds are to businesses within this area. The ability of borrowers to repay these loans is largely contingent upon the business economy in the twelve-county area.

Contacting the Commission's Financial Management

This financial report is designed to provide a general overview of the Commission's finances for all those with an interest in the Commission's finances. Questions concerning any information provided in this report or requests for additional financial information should be addressed to Juanita Bragg, Finance Director, 73 Progress Drive, Waverly, Ohio 45690.

Ohio Valley Regional Development Commission
Statement of Net Position
December 31, 2020

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$135,131
Loans Receivable	1,464,682
Interest Receivable	3,161
Grants/Contracts Receivable	221,633
Prepaid Items	35,938
Restricted Assets:	
Temporarily Restricted:	
Cash and Cash Equivalents	91,252
Nondepreciable Capital Assets	62,500
Depreciable Capital Assets, Net	698,087
Total Assets	2,712,384
Deferred Outflows of Resources	
Pension	125,442
OPEB	63,697
Total Deferred Outflows of Resources	189,139
Liabilities	
Accounts Payable	25,252
Accrued Wages and Fringe Benefits	8,137
Long-Term Liabilities:	
Due Within One Year	34,055
Due in More Than One Year	185,421
Net Pension Liability	604,237
Net OPEB Liability	393,245
Total Liabilities	1,250,347
Deferred Inflows of Resources	
Pension	128,255
OPEB	59,779
Total Deferred Inflows of Resources	188,034
Net Position	
Net Investment in Capital Assets	560,693
Restricted For:	
Loans	1,464,682
Other Purposes	205,368
Unrestricted (Deficit)	(767,601)
Total Net Position	\$1,463,142

See the accompanying notes to the basic financial statements.

Ohio Valley Regional Development Commission
Statement of Activities
For the Year Ended December 31, 2020

	Program Revenues				Net Revenues (Expenses) and Changes in Net Position
	Expenses	Indirect Costs	Charges for Services	Operating Grants, Contributions and Interest	
Governmental Activities					
Economic and Community Development	\$1,131,166	\$172,880	\$22,966	\$1,318,407	\$37,327
Transportation Planning	189,307	36,927	0	191,311	(34,923)
Debt Service:					
Interest and Fiscal Charges	9,033	0	0	0	(9,033)
Total Governmental Activities	<u>\$1,329,506</u>	<u>\$209,807</u>	<u>\$22,966</u>	<u>\$1,509,718</u>	<u>(6,629)</u>
General Revenue					
Membership Fees					126,229
Investment Earnings					<u>1,138</u>
Total General Revenues					<u>127,367</u>
Change in Net Position					120,738
Net Position, Beginning of Year					<u>1,342,404</u>
Net Position, End of Year					<u>\$1,463,142</u>

See the accompanying notes to the basic financial statements.

Ohio Valley Regional Development Commission

*Balance Sheet
Governmental Funds
December 31, 2020*

	General	Economic Development Administration-Economic Development District	Economic Development Administration-OU-OVRDC Bobcat Network	Appalachian Regional Commission-Local Development District and Regional Work Plan	Local Development District-Workforce Development	ODOT Rural Transportation Planning Organization	Economic Development Administration-Revolving Loan	Appalachian Regional Commission-Revolving Loan	USDA Revolving Loan	Other Governmental Funds	Total Governmental Funds
Assets											
Equity in Pooled Cash and Cash Equivalents	\$42,320	\$0	\$0	\$25,340	\$5,831	\$0	\$0	\$34,198	\$0	\$27,442	\$135,131
Loans Receivable	0	0	0	0	0	0	479,643	770,039	215,000	0	1,464,682
Interest Receivable	0	0	0	0	0	0	643	1,858	660	0	3,161
Interfund Receivable	190,192	0	0	0	0	0	0	0	0	0	190,192
Grants/Contracts Receivable	0	33,651	45,993	20,011	0	81,012	0	0	0	40,966	221,633
Prepaid Items	23,216	3,639	0	6,257	0	878	1,120	828	0	0	35,938
Restricted Cash and Cash Equivalents	0	0	0	0	0	0	58,990	29,804	2,458	0	91,252
Total Assets	\$255,728	\$37,290	\$45,993	\$51,608	\$5,831	\$81,890	\$540,396	\$836,727	\$218,118	\$68,408	\$2,141,989
Liabilities											
Accounts Payable	\$2,759	\$0	\$8,000	\$35	\$0	\$14,332	\$48	\$22	\$0	\$56	\$25,252
Accrued Wages and Fringe Benefits	4,611	395	0	2,191	0	639	156	78	0	67	8,137
Interfund Payable	0	36,096	37,871	0	0	66,023	10,558	0	452	39,192	190,192
Total Liabilities	7,370	36,491	45,871	2,226	0	80,994	10,762	100	452	39,315	223,581
Fund Balances											
Nonspendable	23,216	3,639	0	6,257	0	878	1,120	828	0	0	35,938
Restricted	0	0	122	43,125	5,831	18	528,514	835,799	217,666	29,093	1,660,168
Unassigned (Deficit)	225,142	(2,840)	0	0	0	0	0	0	0	0	222,302
Total Fund Balances	248,358	799	122	49,382	5,831	896	529,634	836,627	217,666	29,093	1,918,408
Total Liabilities and Fund Balances	\$255,728	\$37,290	\$45,993	\$51,608	\$5,831	\$81,890	\$540,396	\$836,727	\$218,118	\$68,408	\$2,141,989

See the accompanying notes to the basic financial statements.

Ohio Valley Regional Development Commission
*Reconciliation of Total Governmental Fund Balances to
 Net Position of Governmental Activities
 December 31, 2020*

Fund Balances - Total Governmental Funds	\$1,918,408
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	760,587
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The net pension/OPEB liability is not due and payable in the current period. Therefore, the liability and related deferred inflows/outflows are not reported in governmental funds:

Deferred Outflows-Pension	125,442	
Deferred Outflows-OPEB	63,697	
Deferred Inflows-Pension	(128,255)	
Deferred Inflows-OPEB	(59,779)	
Net Pension Liability	(604,237)	
Net OPEB Liability	<u>(393,245)</u>	(996,377)

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:

Capital Lease	(199,894)	
Compensated Absences	<u>(19,582)</u>	(219,476)

Net Position of Governmental Activities	<u><u>\$1,463,142</u></u>
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See the accompanying notes to the basic financial statements.

Ohio Valley Regional Development Commission
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2020

	General	Economic Development Administration-Economic Development District	Economic Development Administration-OU-OVRDC Bobcat Network	Appalachian Regional Commission-Local Development District and Regional Work Plan	Local Development District-Workforce Development	ODOT Rural Transportation Planning Organization	Economic Development Administration-Revolving Loan	Appalachian Regional Commission-Revolving Loan	USDA Revolving Loan	Other Governmental Funds	Total Governmental Funds
Revenues											
Intergovernmental	\$0	\$92,647	\$114,962	\$497,198	\$247,879	\$191,311	\$30,872	\$288,635	\$0	\$14,626	\$1,478,130
Membership Fees	126,229	0	0	0	0	0	0	0	0	0	126,229
Interest	1,138	0	0	0	0	0	8,771	20,320	2,497	0	32,726
Fees	0	0	0	0	0	0	540	560	500	21,366	22,966
Total Revenues	127,367	92,647	114,962	497,198	247,879	191,311	40,183	309,515	2,997	35,992	1,660,051
Expenditures:											
Current:											
Economic and Community Development:											
Personnel	100,552	57,608	8,789	228,225	0	0	6,563	3,929	0	17,683	423,349
Fringe Benefits	38,428	23,532	3,998	68,325	0	0	2,596	1,857	0	6,356	145,092
Travel	476	371	61	5,733	0	0	83	235	0	225	7,184
Supplies	13,461	3,709	0	3,563	0	0	255	7	0	985	21,980
Contractual	22,007	0	96,220	0	409,492	0	1,041	1,041	0	1,680	531,481
Other	65,794	18,694	208	23,562	0	0	2,788	2,681	0	3,364	117,091
Transportation Planning:											
Personnel	0	0	0	0	0	64,526	0	0	0	0	64,526
Fringe Benefits	0	0	0	0	0	27,250	0	0	0	0	27,250
Travel	0	0	0	0	0	965	0	0	0	0	965
Supplies	0	0	0	0	0	2,217	0	0	0	0	2,217
Contractual	0	0	0	0	0	68,100	0	0	0	0	68,100
Other	0	0	0	0	0	7,186	0	0	0	0	7,186
Indirect Costs	(209,807)	32,642	5,143	119,413	0	36,927	3,684	2,326	0	9,672	0
Debt Service:											
Principal Retirement	33	2,201	253	7,958	0	2,709	181	165	0	476	13,976
Interest and Fiscal Charges	22	1,423	164	5,140	0	1,751	118	106	0	309	9,033
Total Expenditures	30,966	140,180	114,836	461,919	409,492	211,631	17,309	12,347	0	40,750	1,439,430
Revenues Over (Under) Expenditures	96,401	(47,533)	126	35,279	(161,613)	(20,320)	22,874	297,168	2,997	(4,758)	220,621
Other Financing Sources (Uses)											
Transfers In	0	48,345	0	177	0	21,257	0	0	0	0	69,779
Transfers Out	(69,779)	0	0	0	0	0	0	0	0	0	(69,779)
Total Other Financing Sources (Uses)	(69,779)	48,345	0	177	0	21,257	0	0	0	0	0
Net Change in Fund Balances	26,622	812	126	35,456	(161,613)	937	22,874	297,168	2,997	(4,758)	220,621
Fund Balances, Beginning of Year	221,736	(13)	(4)	13,926	167,444	(41)	506,760	539,459	214,669	33,851	1,697,787
Fund Balances, End of Year	\$248,358	\$799	\$122	\$49,382	\$5,831	\$896	\$529,634	\$836,627	\$217,666	\$29,093	\$1,918,408

See the accompanying notes to the basic financial statements.

Ohio Valley Regional Development Commission
*Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2020*

Net Change in Fund Balances - Total Governmental Funds \$220,621

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Depreciation (21,306)

Repayments of capital lease principal are expenditures in the governmental funds, but the repayments reduce liabilities in the statement of net position and do not result in an expense in the statement of activities. 13,976

Contractually required contributions are reported as expenditures in governmental funds. However, the statement of net position reports these amounts as deferred outflows. 67,494

Except for amounts reported as deferred inflows/outflows, changes in the net pension/OPEB liability are reported as pension/OPEB expense in the statement of activities. (154,659)

Some expenses reported in the statement of activities do not require the use of current financial resources when due.

Increase in Compensated Absences (5,388)

Change in Net Position of Governmental Activities \$120,738

See the accompanying notes to the basic financial statements.

Ohio Valley Regional Development Commission

Notes to the Basic Financial Statements

For the Year Ended December 31, 2020

Note 1 – Summary of Significant Accounting Policies

Reporting Entity

The Ohio Valley Regional Development Commission (the Commission) is a regional planning and economic development agency which coordinates federal, state and local resources to encourage development in 12 southern Ohio counties: Adams, Brown, Clermont, Fayette, Gallia, Highland, Jackson, Lawrence, Pike, Ross, Scioto and Vinton.

Established in 1967 as a not-for-profit corporation, the Commission was designated by the State of Ohio in 1977 as a Regional Planning and Development Organization under Ohio Revised Code Section 1702.01, et. seq., and Section 713.21. The Commission also serves as a Local Development District for the Appalachian Regional Commission; an Economic Development District for the U.S. Department of Commerce, Economic Development Administration; and a Regional Transportation Planning Organization for the Ohio Department of Transportation.

The Commission is governed by a Full Commission of more than 167 officials who meet semi-annually. Members include representatives of county and local governments, social agencies, minorities and the private sector. The aggregate membership from each county is referred to as a County Caucus.

Routine oversight of the Commission is provided by an Executive Committee with representation from all 12 member counties from both the public and private sectors, including the mayor or an elected representative from one city in each county in the region having at least 5,000 population within the region based on the latest decennial U.S. Census; and the business, education and minority community. The Executive Committee's monthly meetings are open to the public.

The Commission receives financial support from a combination of federal and state grants and local service contracts. Member counties also pay annual contributions to the Commission, with contributions based on each county's estimated population according to the Bureau of the Census.

The accompanying basic financial statements comply with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity," as amended by GASB Statement No. 39 "Determining Whether Certain Organizations Are Component Units" and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus-An Amendment to GASB Statements No. 14 and 34." The financial statements include all organizations, activities, and functions that comprise the Commission. Component units are legally separate entities for which the Commission (the primary government) is financially accountable. Financial accountability is defined as the ability to appoint a voting majority of the organization's governing body and either (1) the Commission's ability to impose its will over the organization or (2) the potential that the organization will provide a financial benefit to, or impose a financial burden on, the Commission. Using these criteria, the Commission has no component units.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include (1) charges to customers or applicants who purchase, use, or directly benefit from services or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not properly included among program revenues are reported instead as *general revenues*.

Ohio Valley Regional Development Commission

Notes to the Basic Financial Statements

For the Year Ended December 31, 2020

Government-wide financial statements are prepared using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Fund Financial Statements

During the fiscal year, the Commission segregates transactions related to certain Commission functions or activities into separate funds (projects) in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Commission at this more detailed level. The focus of governmental fund financial statements is reporting on major funds rather than reporting by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Commission considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when payable from current resources.

Grants and entitlements and interest associated with the current fiscal period are all considered being susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered measurable and available only when the Commission receives cash.

Fund Accounting

The Commission uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The Commission only uses governmental funds.

Governmental Funds

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets, liabilities, and deferred inflows and outflows of resources is reported as fund balance.

The Commission reports the following major governmental funds:

General Fund – The General Fund is used to account for all financial resources of the Commission except those required to be accounted for in another fund. The General Fund balance is available to the Commission for any purpose provided it is expended or transferred according to the general laws of Ohio and the bylaws of the Commission.

Appalachian Regional Commission-Local Development District and Regional Work Plan Fund – This fund accounts for an Appalachian Regional Commission grant used to provide funding for the Commission serving as a Local Development District for the region.

Local Development District-Workforce Development Fund – This fund accounts for grant revenue from the Ohio Development Services Agency for the purpose of administering regional job training programs.

Ohio Valley Regional Development Commission

Notes to the Basic Financial Statements

For the Year Ended December 31, 2020

ODOT Rural Transportation Planning Organization Fund – This fund accounts for resources from the Ohio Department of Transportation to fund an RTPO program to enhance project prioritization and improve the overall statewide transportation planning process by strengthening its preexisting partnerships with rural planning agencies.

Economic Development Administration-Revolving Loan Fund – This fund accounts for loans which offer gap financing for small businesses seeking to start up or expand in the district. Initial funding for the revolving loan fund came from grants from the Economic Development Administration.

Appalachian Regional Commission-Revolving Loan Fund – This fund offers gap financing for small businesses seeking to start up or expand in the district. Initial funding for the revolving loan fund came from grants from the Appalachian Regional Commission.

USDA RD Revolving Loan Fund – This fund offers gap financing for small businesses seeking to start up or expand in the district with a focus on natural resources-based businesses. Initial funding for the revolving loan fund came from grants from the US Department of Agriculture, Rural Development to the Ohio Valley Resource Conservation and Development Council (OVRCD). Upon closure of OVRCD the Commission assumed the grant monies and loans from OVRCD.

Economic Development Administration-Economic Development District – This fund accounts for an Economic Development District grant to provide funding to the Commission to serve as the area's economic development district.

Economic Development Administration-OU-OVRDC Bobcat Network – This fund accounts for a Building Opportunities Beyond Coal Accelerating Transition Network (BOBCAT) grant with which Ohio University's George V. Voinovich School of Leadership and Public Affairs partners with Ohio Valley Regional Development Commission (OVRDC) assists communities in the Commission's region that have been impacted by the decline in the coal economy. Also, this fund will assist to accelerate the region's transition out of the coal economy via entrepreneurial growth, workforce development, cluster expansion, opportunity zone enhancement and identification of infrastructure investment needs.

The other governmental funds of the Commission account for grants and other resources whose use is restricted to a particular purpose.

Revenues – Exchange and Non-exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Measurable" means the amount of the transaction can be determined, and "available" means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the Commission, available means expected to be received within 60 days of fiscal year-end.

Nonexchange transactions, in which the Commission receives value without directly giving equal value in return, include grants and donations. On an accrual basis, revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the Commission must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Commission on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Ohio Valley Regional Development Commission

Notes to the Basic Financial Statements

For the Year Ended December 31, 2020

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable.

Cash, Cash Equivalents, and Investments

To improve cash management, all cash received by the Commission is pooled, with exceptions required by grant agreements. Monies for most funds are maintained in this pool. Individual fund integrity is maintained through the Commission's records. Interest in the pool is presented at "equity in pooled cash and cash equivalents" on the financial statements.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the Commission are presented on the financial statements as "investments." The Commission had no investments as of December 31, 2020.

The Scioto County Treasurer holds cash on behalf of the Commission within its cash and investment pool from which the Commission may withdraw in accordance with its by-laws. This balance is reported as "cash with fiscal agents" on the financial statements. Scioto County held \$0 in cash for the Commission as of December 31, 2020.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2020 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. Restricted assets on the financial statements represent cash balances that are required to be segregated from the Commission's cash and cash equivalent pool by grant agreements.

Interfund Transactions

During the course of normal operations, the Commission has transactions between funds. On the governmental funds balance sheet, receivables and payables resulting from short-term interfund loans are classified as an "interfund receivable" or an "interfund payable". These amounts are eliminated on the statement of net position.

The statements report transfers between funds as revenues in the seller funds and as expenditures in the purchasing funds. Subsidies from one fund to another without requirement for repayment are reported as interfund transfers. Governmental funds report interfund transfers as other financing sources/uses. The statements do not report repayments from funds responsible for particular disbursements to the funds initially paying the costs. Transfers among governmental activities are eliminated in the government-wide statement of activities.

Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as contributions awarded on a nonreimbursement basis, are recorded as receivables and revenues when measurable and available.

Ohio Valley Regional Development Commission

Notes to the Basic Financial Statements

For the Year Ended December 31, 2020

Capital Assets

General capital assets consist primarily of land, building and improvements, office furnishings, and equipment, and generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The Commission maintains a capitalization threshold of \$5,000. The Commission does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized.

All reported capital assets, except land, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Useful Lives</u>
Building and Improvements	50 years
Furniture and Equipment	5 years

Fund Balances

Fund balance is divided into five classifications based primarily on the extent to which the Commission is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable – The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed, or assigned.

Restricted – Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions.

Committed – This fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the Commission's Board. Those committed amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned – Amounts in the assigned fund balance classification are intended to be used by the Commission for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts would represent intended uses established by the Commission's Board.

Unassigned – Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In the other governmental funds, the unassigned classification is used only to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

Ohio Valley Regional Development Commission

Notes to the Basic Financial Statements

For the Year Ended December 31, 2020

The Commission applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Net Position

Net position represents the difference between assets, liabilities, and deferred inflows and outflows of resources in the statement of net position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are legal limitations imposed on their use by Commission legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

The Commission applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available. None of the Commission's restricted net position is restricted by enabling legislation.

Estimates

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

Deferred Inflows/Outflows of Resources

In addition to assets, the statement of net position and balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The Commission has deferred outflows of resources related to pensions and other postemployment benefits, which are further discussed in notes 4 and 5.

In addition to liabilities, the statement of net position and balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Commission has deferred inflows of resources related to pensions and other postemployment benefits, which are further discussed in notes 4 and 5.

Unearned Revenue

The Commission reports unearned revenue on the government-wide and fund financial statements when monies have been received prior to being earned. The Commission reported no unearned revenue at December 31, 2020.

Budgetary Process

Although a legal budget is not required, nor is a budgetary statement, budgets for expenditure of federal grants are submitted to and approved by the federal government agencies at the time the grants are awarded.

The Commission's annual budget is a management tool that assists its users in analyzing financial activity for its fiscal year ended December 31st.

Ohio Valley Regional Development Commission

Notes to the Basic Financial Statements

For the Year Ended December 31, 2020

The Commission's primary funding sources are federal and state grants which have grant periods that may or may not coincide with the Commission's fiscal year. These grants normally are for a twelve-month period; however, they can be awarded for periods shorter or longer than twelve months.

Because of the Commission's dependency of federal and state budgetary decisions, revenue estimates are based upon the best available information as to potential sources of funding. The Commission's annual budget differs from that of most local governments in two respects: (1) the uncertain nature of grant awards from other entities and (2) conversion of grant budgets to a fiscal year basis.

The resultant annual budget is subject to constant change within the fiscal year due to:

- Increases/decreases in actual grant awards from those estimates;
- Changes in grant periods;
- Unanticipated grant awards not included in the budget; and
- Expected grant awards that fail to materialize.

Management utilizes budgets for monitoring financial activity, but budgets are not formally approved by the Board. Therefore, budgetary comparison schedules are not presented.

Cost Allocation

Uniform Guidance (2 CFR 200) provides for the establishment of cost pools which are to be distributed over the benefiting activity in some rational and equitable manner. The concept of indirect costs is introduced and defined as follows in Uniform Guidance (2 CFR 200): "Indirect costs are those (a) incurred for a common or joint purpose benefiting more than one cost objective, and (b) not readily assignable to the cost objective specifically benefited without effort disproportionate to the results achieved."

Uniform Guidance (2 CFR 200) also provides options for the allocation of indirect costs accumulated in an indirect cost pool.

The Commission chose the direct salary cost method because management has determined that this is the most equitable allocation method. Management and administrative salaries and indirect costs are allocated to the various programs using the actual rate as determined by the method shown in the Commission's cost allocation plan. The Commission's indirect cost rate for 2020 was 43.0620%.

Compensated Absences

The Commission reports compensated absences in accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences" as interpreted by Interpretation No. 6 of the GASB, "Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements".

Vacation time benefits are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported in the government-wide financial statements.

On the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "matured compensated absences payable" in the fund from which the employees who have accumulated leave are paid. The Commission had no matured compensated absences payable at December 31, 2020.

Ohio Valley Regional Development Commission

Notes to the Basic Financial Statements

For the Year Ended December 31, 2020

Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. In general, governmental fund payables and accrued liabilities that once incurred, are paid in a timely manner and in full from current financial resources, and are reported as obligations of the funds. However, claims and judgments, compensated absences and net pension and OPEB liabilities that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Leases are recognized as a liability on the fund financial statements when due.

Pensions/Other Postemployment Benefits (OPEB)

For purposes of measuring the net pension/OPEB liability, information about the fiduciary net position of the pension/OPEB plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension/OPEB plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension/OPEB plans report investments at fair value.

Note 2 – Deposits and Investments

The deposits and investments of the Commission are governed by provisions of the Ohio Revised Code. In accordance with these statutes, only financial institutions located in Ohio are eligible to hold public deposits. The statutes also permit the Commission to invest monies in certificates of deposit, savings accounts, money market accounts, the State Treasurer's investment pool (STAR Ohio) and obligations of the United States government or certain agencies thereof. The Commission may also enter into repurchase agreements with any eligible depository for a period not exceeding 30 days. Public depositories must give security for all public funds on deposit. Deposits are either insured by the Federal Deposit Insurance Corporation; collateralized by securities specifically pledged by the financial institution to the Commission, or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of or guaranteed by the United States and mature or be redeemable within five years of the date of the related repurchase agreement. The market value of the securities subject to a repurchase agreement must exceed the value of the principal by 2 percent and be marked to market daily. State law does not require that securities maintained for public deposits and investments be held in the Commission's name. The Commission is prohibited from investing in any financial instrument, contract, or obligation whose value or return is based upon or linked to another asset or index, or both, separate from the financial instrument, contract, or obligation itself (commonly known as a "derivative"). The Commission is also prohibited from investing in reverse repurchase agreements.

Cash with Fiscal Agents

The Scioto County Treasurer holds cash on behalf of the Commission within its cash and investment pool from which the Commission may withdraw in accordance with its by-laws. The amount held by the Scioto County Treasurer at December 31, 2020 was \$0.

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the Commission will not be able to recover deposits or collateral securities that are in the possession of an outside party. The bank balance of \$290,432 at December 31, 2020 was covered by either federal depository insurance or OPCS.

The Commission has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or be protected by:

Ohio Valley Regional Development Commission

Notes to the Basic Financial Statements

For the Year Ended December 31, 2020

Eligible securities pledged to the Commission and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured; or

Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State

Note 3 – Operating Leases

In July 2016, the Commission entered into a lease agreement for a Xerox Work Center copier. The terms of this lease call for 60 monthly payments of \$495 beginning in August 2016 and ending July 2021. Additionally, the equipment can be purchased at fair market value at the end of the lease. The total paid to Xerox for this lease for 2020 was \$5,985.

In November 2016, the Commission entered into a lease agreement with Pitney Bowes for a postage machine. The terms of the lease call for 60 monthly payments of \$163. The total lease expense for 2020 was \$1,951.

Future minimum lease payments are:

2021	<u>\$5,256</u>
Total	<u>\$5,256</u>

Note 4 – Defined Benefit Pension Plan

Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the Commission’s proportionate share of the pension plan’s collective actuarial present value of projected benefit payments attributable to past periods of service, net of the pension plan’s fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the Commission’s obligation for this liability to annually required payments. The Commission cannot control benefit terms or the manner in which pensions are financed; however, the Commission does receive the benefit of employees’ services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). The retirement system may allocate a portion of the employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium. State statute requires the retirement system to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, the retirement system’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to

Ohio Valley Regional Development Commission

Notes to the Basic Financial Statements

For the Year Ended December 31, 2020

the net pension liability would be effective when the changes are legally enforceable. The Ohio Revised Code permits, but does not require, the retirement system to provide health care to eligible benefit recipients.

The proportionate share of the plan’s unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description - Commission employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit/defined contribution pension plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional and combined plans. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS’ fiduciary net position that may be obtained by visiting www.opers.org, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members in the traditional and combined plans were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional and combined plans as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information, including requirements for reduced and unreduced benefits):

Group A Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	Group B 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Group C Members not in other Groups and members hired on or after January 7, 2013
State and Local	State and Local	State and Local
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Traditional Plan Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Traditional Plan Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% service for the first 30 years and 2.5%	Traditional Plan Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35
Combined Plan Formula: 1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30	Combined Plan Formula: 1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30	Combined Plan Formula: 1% of FAS multiplied by years of service for the first 35 years and 1.25% for service years in excess of 35

Final average salary (FAS) represents the average of the three highest years of earnings over a member’s career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member’s career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

Ohio Valley Regional Development Commission

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When a traditional plan benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. Members retiring under the combined plan receive a cost-of-living adjustment of the defined benefit portion of their pension benefit. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

Defined contribution plan benefits are established in the plan documents, which may be amended by the Board. Member-directed plan and combined plan members who have met the retirement eligibility requirements may apply for retirement benefits. The amount available for defined contribution benefits in the combined plan consists of the member's contributions plus or minus the investment gains or losses resulting from the member's investment selections. Combined plan members wishing to receive benefits must meet the requirements for both the defined benefit and defined contribution plans. Member-directed participants must have attained the age of 55, have money on deposit in the defined contribution plan and have terminated public service to apply for retirement benefits. The amount available for defined contribution benefits in the member-directed plan consists of the members' contributions, vested employer contributions and investment gains or losses resulting from the members' investment selections. Employer contributions and associated investment earnings vest over a five-year period, at a rate of 20 percent each year. At retirement, members may select one of several distribution options for payment of the vested balance in their individual OPERS accounts. Options include the purchase of a monthly defined benefit annuity from OPERS (which includes joint and survivor options), partial lump-sum payments (subject to limitations), a rollover of the vested account balance to another financial institution, receipt of entire account balance, net of taxes withheld, or a combination of these options.

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

Statutory Maximum Contribution Rates

Employer	14.0 %
Employee*	10.0 %

Actual Contribution Rates

Employer:	
Pension**	14.0 %
Post-employment Health Care Benefits**	<u>0.0</u>
Total Employer	<u>14.0 %</u>
Employee	<u>10.0 %</u>

*Member contributions within the combined plan are not used to fund the defined benefit retirement allowance.

**These pension and employer health care rates are for the traditional and combined plans. The employer contributions rate for the member-directed plan is allocated 4 percent for health care with the remainder going to pension.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll.

The Commission's contractually required contribution was \$67,494 for 2020.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Ohio Valley Regional Development Commission

Notes to the Basic Financial Statements

For the Year Ended December 31, 2020

The net pension liability for OPERS was measured as of December 31, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Commission's proportion of the net pension liability was based on the Commission's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share of the Commission's defined benefits pension plan and pension expense:

Proportionate Share of the Net Pension Liability:	
Current Measurement Date	0.00305700%
Prior Measurement Date	<u>0.00293400%</u>
Change in Proportionate Share	<u>0.00012300%</u>
Proportionate Share of the:	
Net Pension Liability	\$604,237
Pension Expense	113,733

At December 31, 2020, the Commission reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<i>Deferred Outflows of Resources</i>	
Changes of assumptions	\$32,274
Changes in proportion and differences between Commission's contributions and proportionate share of contributions	25,674
Commission contributions subsequent to the measurement date	<u>67,494</u>
Total Deferred Outflows of Resources	<u>\$125,442</u>
<i>Deferred Inflows of Resources</i>	
Differences between expected and actual experience	\$7,640
Net difference between projected and actual earnings on pension plan investments	120,533
Changes in proportion and differences between Commission contributions and proportionate share of contributions	<u>82</u>
Total Deferred Inflows of Resources	<u>\$128,255</u>

\$67,494 reported as deferred outflows of resources related to pension resulting from Commission contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ending December 31:	
2021	\$5,728
2022	(33,169)
2023	4,992
2024	<u>(47,858)</u>
Total	<u>(\$70,307)</u>

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For the Year Ended December 31, 2020

Actuarial Assumptions

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability was determined by an actuarial valuation as of December 31, 2019 using the following actuarial assumptions applied to all periods included in the measurement in accordance with the requirements of GASB 67. Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, prepared as of December 31, 2019 are presented below.

	<u>2019</u>
Wage Inflation	3.25 percent
Future Salary Increases	3.25 to 10.75 percent including wage inflation
COLA or Ad Hoc COLA:	
Pre-1/7/2013 retirees	3 percent, simple
Post-1/7/2013 retirees	1.4 percent, simple through 2020, then 2.15 percent simple
Investment Rate of Return	7.2 percent
Actuarial Cost Method	Individual Entry Age

In October 2019, the OPERS Board adopted a change in COLA for Post-January 7, 2013 retirees, changing it from 3 percent simple through 2018 then 2.15 simple to 1.4 percent simple through 2020 the 2.15 percent simple.

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables.

The most recent experience study was completed for the five year period ended December 31, 2015.

The long-term rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

During 2019, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets for the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was a gain of 17.2 percent for 2019.

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For the Year Ended December 31, 2020

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2019 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	25.00 %	1.83 %
Domestic Equities	19.00	5.75
Real Estate	10.00	5.20
Private Equity	12.00	10.70
International Equities	21.00	7.66
Other Investments	13.00	4.98
Total	<u>100.00 %</u>	<u>5.61 %</u>

Discount Rate The discount rate used to measure the total pension liability was 7.2 percent for the year ended December 31, 2019 for the traditional plan, combined plan and member directed plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Commission’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the Commission’s proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.2 percent, as well as what the Commission’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.2 percent) or one-percentage-point higher (8.2 percent) than the current rate:

	1% Decrease (6.20%)	Current Discount Rate (7.20%)	1% Increase (8.20%)
Commission’s proportionate share of the net pension liability	\$996,582	\$604,237	\$251,530

Note 5 – Defined Benefit OPEB Plan

Net OPEB Liability

The net OPEB liability reported on the statement of net position represents a liability to employees for OPEB. OPEB is a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. OPEB are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for OPEB is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net OPEB liability represents the Commission’s proportionate share of the OPEB plan’s collective actuarial present value of projected benefit payments attributable to past periods of service, net of the OPEB plan’s fiduciary net position. The net OPEB liability calculation is dependent on critical long-term variables, including estimated

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average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting these estimates annually.

Ohio Revised Code limits the Commission's obligation for this liability to annually required payments. The Commission cannot control benefit terms or the manner in which OPEB are financed; however, the Commission does receive the benefit of employees' services in exchange for compensation including OPEB.

GASB 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability. Resulting adjustments to the net OPEB liability would be effective when the changes are legally enforceable. The retirement system may allocate a portion of the employer contributions to provide for these OPEB benefits.

The proportionate share of the plan's unfunded benefits is presented as a long-term net OPEB liability on the accrual basis of accounting. Any liability for the contractually-required OPEB contribution outstanding at the end of the year is included in intergovernmental payable on both the accrual and modified accrual bases of accounting.

Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description – The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the traditional pension plan, a cost-sharing, multiple-employer defined benefit pension plan; the member-directed plan, a defined contribution plan; and the combined plan, a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the traditional pension and the combined plans. This trust is also used to fund health care for member-directed plan participants, in the form of a Retiree Medical Account (RMA). At retirement or refund, member directed plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 75. See OPERS' CAFR referenced below for additional information.

The Ohio Revised Code permits, but does not require OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the Board in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting www.opers.org, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

Funding Policy - The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by OPERS' Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans.

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Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2020, state and local employers contributed at a rate of 14.0 percent of earnable salary. This is the maximum employer contribution rate permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2020. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2020 was 4.0 percent.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Commission's contractually required contribution was \$0 for 2020.

OPEB Liabilities, OPEB Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources

The net OPEB liability and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2018, rolled forward to the measurement date of December 31, 2019, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. The Commission's proportion of the net OPEB liability was based on the Commission's share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share:

Proportionate Share of the Net OPEB Liability:	
Current Measurement Date	0.002847%
Prior Measurement Date	<u>0.002828%</u>
Change in Proportionate Share	<u>0.0000190%</u>
Proportionate Share of the:	
Net OPEB Liability	\$393,245
OPEB Expense	40,926

At December 31, 2020, the Commission reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

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Deferred Outflows of Resources

Differences between expected and actual experience	\$11
Changes of assumptions	62,247
Changes in proportion and differences between Commission contributions and proportionate share of contributions	<u>1,439</u>
Total Deferred Outflows of Resources	<u><u>\$63,697</u></u>

Deferred Inflows of Resources

Differences between expected and actual experience	\$35,964
Net difference between projected and actual earnings on OPEB plan investments	20,024
Changes in proportion and differences between Commission contributions and proportionate share of contributions	<u>3,791</u>
Total Deferred Inflows of Resources	<u><u>\$59,779</u></u>

\$0 reported as deferred outflows of resources related to OPEB resulting from Commission contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending December 31:

2021	\$7,422
2022	5,039
2023	18
2024	<u>(8,561)</u>
Total	<u><u>\$3,918</u></u>

Actuarial Assumptions

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2018, rolled forward to the measurement date of December 31, 2019. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

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	2019	2018
Wage Inflation	3.25 percent	3.25 percent
Projected Salary Increases,	3.25 to 10.75 percent	3.25 to 10.75 percent
	including wage inflation	including wage inflation
Single Discount Rate	3.16 percent	3.96 percent
Investment Rate of Return	6.00 percent	6.00 percent
Municipal Bond Rate	2.75 percent	3.71 percent
Health Care Cost Trend Rate	10.00 percent, initial	10.00 percent, initial
	3.5 percent, ultimate in 2030	3.25 percent, ultimate in 2029
Actuarial Cost Method	Individual Entry Age	Individual Entry Age

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables.

The most recent experience study was completed for the five year period ended December 31, 2015.

The long-term expected rate of return on health care investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

During 2019, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio was a gain of 19.7 percent for 2019.

The allocation of investment assets with the Health Care portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary goal is to achieve and maintain a fully funded status for the benefits provided through the defined pension plans. Health care is a discretionary benefit. The table below displays the Board-approved asset allocation policy for 2019 and the long-term expected real rates of return:

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Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	36.00 %	1.53 %
Domestic Equities	21.00	5.75
Real Estate Investment Trust	6.00	5.69
International Equities	23.00	7.66
Other investments	14.00	4.90
Total	100.00 %	4.55 %

Discount Rate A single discount rate of 3.16 percent was used to measure the OPEB liability on the measurement date of December 31, 2019. A single discount rate of 3.96 percent was used to measure the OPEB liability on the measurement date of December 31, 2018. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.00 percent and a municipal bond rate of 2.75 percent for the year ended December 31, 2019. This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.00 percent and a municipal bond rate of 3.71 percent for the year ended December 31, 2018. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2034. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2034, and the municipal bond rate was applied to all health care costs after that date.

Sensitivity of the Commission's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate The following table presents the Commission's proportionate share of the net OPEB liability calculated using the single discount rate of 3.16 percent, as well as what the Commission's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (2.16 percent) or one-percentage-point higher (4.16 percent) than the current rate:

	1% Decrease (2.16%)	Current Discount Rate (3.16%)	1% Increase (4.16%)
Commission's proportionate share of the net OPEB liability	\$514,624	\$393,245	\$296,060

Sensitivity of the Commission's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate Changes in the health care cost trend rate may also have a significant impact on the net OPEB liability. The following table presents the net OPEB liability calculated using the assumed trend rates, and the expected net OPEB liability if it were calculated using a health care cost trend rate that is 1.0 percent lower or 1.0 percent higher than the current rate.

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2020 is 10.5 percent. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend

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will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.50 percent in the most recent valuation.

	Current Health Care Cost Trend Rate		
	1% Decrease	Assumption	1% Increase
Commission's proportionate share of the net OPEB liability	\$381,640	\$393,245	\$404,701

Note 6 – Capital Assets

Capital asset activity for the Commission for the year ended December 31, 2020 was as follows:

	Balance 12/31/19	Additions	Disposals	Balance 12/31/20
Nondepreciable Capital Assets:				
Land	\$62,500	\$0	\$0	\$62,500
Total Nondepreciable Capital Assets	62,500	0	0	62,500
Capital Assets, Being Depreciated:				
Building and Improvements	809,708	0	0	809,708
Furniture and Equipment	99,799	0	0	99,799
Total Capital Assets Being Depreciated	909,507	0	0	909,507
Less Accumulated Depreciation For:				
Building and Improvements	(105,210)	(16,194)	0	(121,404)
Furniture and Equipment	(84,904)	(5,112)	0	(90,016)
Total Accumulated Depreciation	(190,114)	(21,306)	0	(211,420)
Total Capital Assets Being Depreciated	719,393	(21,306)	0	698,087
Total Capital Assets, Net	\$781,893	(\$21,306)	0	\$760,587

\$2,298 of depreciation expense was allocated to transportation planning expense on the statement of activities. The remainder was allocated to economic and community development expense.

Note 7- Risk Management

The Commission 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. The Commission maintains commercial insurance covering each of the above risks of loss.

During 2020, the Commission contracted with Western Reserve for building, business personal property insurance, business automobiles, liability and medical expense coverage. Business personal property is insured with varying coverage dependent upon the specific property.

The office building is insured up to \$832,797. The Commission also has a fire legal liability limit of \$50,000 in place. Business personal property coverage is insured up to \$161,000. Business automobiles are insured up to \$1,000,000 per accident. Liability and medical coverage has a \$1,000,000 per occurrence and \$2,000,000 aggregate limit.

Ohio Valley Regional Development Commission

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Professional and general liability is protected by the Old Republic Insurance Company with a \$1,000,000 single occurrence and aggregate limit with a \$5,000 deductible per claim.

The Commission pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. The rate is calculated based on accident history and administrative costs.

Management believes that the coverage is adequate to preclude any significant uninsured risk exposure to the Commission. Settled claims have not exceeded coverage in any of the last three years. There has not been a significant reduction in coverage from the prior year.

Note 8- Deferred Compensation

Commission employees may participate in the Ohio Public Employees Deferred Compensation Plan. The Plan was created in accordance with Internal Revenue Code Section 457. Participation is on a voluntary payroll deduction basis. The Plan permits deferral of compensation until future years. According to the Plan, deferred compensation is not available to employees until termination, retirement, death, or an unforeseeable emergency.

Note 9 – Contingencies

Grants

The Commission receives financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Commission at December 31, 2020.

Litigation

The Commission is not currently party to legal proceedings.

Note 10 – Interfund Activity

The Commission had the following interfund receivables and payables at December 31, 2020.

	<u>Receivables</u>	<u>Payables</u>
<i>Major Funds:</i>		
General	\$190,192	\$0
EDA – Economic Development District	0	36,096
EDA-OU-OVRDC Bobcat Network	0	37,871
ODOT Rural Transportation Planning Organization	0	66,023
EDA – Revolving Loan Fund	0	10,558
USDA Revolving Loan	0	452
<i>Nonmajor Funds:</i>		
Economic Development Contracts	0	13,536
ARC Contracts	0	11,250
NRAC Administration	0	8,639
PPE for Rural Stakeholders	0	5,767
Total Nonmajor Funds	<u>0</u>	<u>39,192</u>
Total All Funds	<u>\$190,192</u>	<u>\$190,192</u>

Ohio Valley Regional Development Commission

Notes to the Basic Financial Statements

For the Year Ended December 31, 2020

Interfund receivables and payables exist because obligations of other funds were paid by the General Fund in anticipation of receipt of grants or other funds after year-end.

The Commission had the following interfund transfers during the year ended December 31, 2020.

	Transfers Out	Transfers In
<i>Major Funds:</i>		
General	\$69,779	\$0
EDA-Economic Development District	0	48,345
ARC Local Development District and Regional Work Plan	0	177
ODOT–Rural Transportation Planning Organization	0	21,257
Total All Funds	\$69,779	\$69,779

The General Fund provided funds to the EDA-Economic Development District Fund, ARC-Local Development District and Regional Work Plan Fund, and ODOT Rural Transportation Planning Organization Fund as matching funds in accordance with grant agreements.

Note 11 – Long-Term Liabilities

Changes in the Commission’s long-term obligations during 2020 were as follows:

	Amount Outstanding 12/31/19	Additions	Deductions	Amount Outstanding 12/31/20	Due Within One Year
<i>Governmental Activities:</i>					
Capital Lease	\$213,870	\$0	(\$13,976)	\$199,894	\$14,473
Compensated Absences	14,194	71,472	(66,084)	19,582	19,582
Net Pension Liability	803,563	0	(199,326)	604,237	0
Net OPEB Liability	368,704	24,541	0	393,245	0
Total	\$1,400,331	\$96,013	(\$279,386)	\$1,216,958	\$34,055

The capital lease obligation will be paid from various funds in accordance with the Commission’s cost allocation plan. Compensated absences will be paid from the funds from which employees’ salaries are paid. The Commission pays obligations related to employee compensation from the fund benefitting from their service.

Note 12 – Capital Leases – Lessee Disclosure

The Commission entered into a lease purchase agreement on November 27, 2012 to finance the construction of a building. The proceeds from this lease were received in 2013 in the amount of \$300,000. The lease meets the criteria of a capital lease.

Capital lease payments have been reclassified and are reflected as debt service expenditures in the financial statements for the governmental funds. Principal payments in 2020 totaled \$13,976.

Ohio Valley Regional Development Commission

Notes to the Basic Financial Statements

For the Year Ended December 31, 2020

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the minimum lease payments as of December 31, 2020.

<u>Fiscal Year Ending December 31,</u>	
2021	\$21,239
2022	21,239
2023	21,239
2024	21,239
2025	21,239
2026-2030	106,195
2031-2032	<u>30,451</u>
Total Minimum Lease Payments	242,841
Less: Amounts Representing Interest	<u>(42,947)</u>
Present Value of Minimum Lease Payments	<u>\$199,894</u>

If the Commission is in default of the lease purchase agreement of more than ten (10) days after written notice from the Southern Ohio Diversification Initiative (SODI) (provided, however, that SODI shall not be required to give such written notice more than twice during any year) or if the Commission shall default on any of the other covenants within the lease purchase agreement, and should such default continue for thirty (30) days after receipt by the Commission of written notice thereof (or if the default is of such nature as to require more than thirty (30) days, and the Commission fails to use reasonable diligence in curing such default) then SODI may, at any time after such default, reenter and take possession of the building being leased without such reentry working a forfeiture of the payments to be paid and the covenants, agreements, and conditions to be kept and performed by the Commission for the full term of the lease purchase agreement and, in such event, SODI shall have the right to relet the same for such periods of time and at such rentals and for such use and upon such covenants and conditions as SODI may reasonably elect. Nothing contained within the lease purchase agreement shall limit the right of SODI to pursue any remedy available pursuant to applicable law.

Note 13 – Fund Balances

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the Commission is bound to observe constraints imposed upon the use of the resources in the governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Ohio Valley Regional Development Commission

Notes to the Basic Financial Statements

For the Year Ended December 31, 2020

	General	EDA- EDD	EDA- OU- OVRDC	ARC- LDDRWP	LDD-WD	ODOT RTPO
<i>Nonspendable</i>						
Prepays	\$23,216	\$3,639	\$0	\$6,257	\$0	\$878
<i>Restricted</i>						
RLF Programs	0	0	0	0	0	0
Community Development Administration	0	0	122	43,125	5,831	18
Total Restricted	0	0	122	43,125	5,831	18
<i>Unassigned (Deficit)</i>	225,142	(2,840)	0	0	0	0
Total Fund Balances	\$248,358	\$799	\$122	\$49,382	\$5,831	\$896

	EDA- RLF	ARC- RLF	USDA RLF	Other Governmental Funds	Total Governmental Funds
<i>Nonspendable</i>					
Prepays	\$1,120	\$828	\$0	\$0	\$35,938
<i>Restricted</i>					
RLF Programs	528,514	835,799	217,666	0	1,581,979
Community Development Administration	0	0	0	29,093	78,189
Total Restricted	528,514	835,799	217,666	29,093	1,660,168
<i>Unassigned (Deficit)</i>	0	0	0	0	222,302
Total Fund Balances	\$529,634	\$836,627	\$217,666	\$29,093	\$1,918,408

Note 14 – COVID-19

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Commission. The Commission’s investments of the pension and other employee benefit plan in which the Commission participates have incurred a significant decline in fair value, consistent with the general decline in financial markets. However, because the values of identified investments fluctuate with market conditions, and due to market volatility, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact of the Commission’s future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

During 2020, the Commission received CARES Act funding in the amount of \$50,990.

Ohio Valley Regional Development Commission
Required Supplementary Information
Schedule of the Commission's Proportionate Share of the Net Pension Liability
Last Seven Years (1)

	2014	2015	2016	2017	2018	2019	2020
<i>Ohio Public Employees Retirement System</i>							
Commission's proportion of the net pension liability	0.002607%	0.002607%	0.002759%	0.002939%	0.002769%	0.002934%	0.003057%
Commission's proportionate share of the net pension liability	\$307,330	\$314,432	\$477,894	\$667,397	\$434,402	\$803,563	\$604,237
Commission's covered-employee payroll	\$320,254	\$354,150	\$418,900	\$427,600	\$411,985	\$410,171	\$430,107
Commission's proportionate share of the net pension liability as a percentage of its covered-employee payroll	95.96%	88.78%	114.08%	156.08%	105.44%	195.91%	140.49%
Plan fiduciary net position as a percentage of the total pension liability	86.36%	86.45%	81.08%	77.25%	84.85%	74.70%	82.17%

The amounts presented for each year were determined as of December 31 of the previous year, which is the Commission's measurement date.

(1) Information not available prior to 2014.

See accompanying notes to the required supplementary information.

Ohio Valley Regional Development Commission
Required Supplementary Information
Schedule of the Commission's Proportionate Share of the Net OPEB Liability
Last Four Years (1)

	2017	2018	2019	2020
<i>Ohio Public Employees Retirement System</i>				
Commission's proportion of the net OPEB liability	0.002939%	0.002910%	0.002828%	0.002847%
Commission's proportionate share of the net OPEB liability	\$296,849	\$316,005	\$368,704	\$393,245
Commission's covered-employee payroll	\$427,600	\$411,985	\$410,171	\$430,107
Commission's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	69.42%	76.70%	89.89%	91.43%
Plan fiduciary net position as a percentage of the total OPEB liability	54.05%	54.14%	46.33%	47.80%

The amounts presented for each year were determined as of December 31 of the previous year, which is the Commission's measurement date.

(1) Information not available prior to 2017.

See accompanying notes to the required supplementary information.

Ohio Valley Regional Development Commission
Required Supplementary Information
Schedule of Commission Contributions
Last Ten Years

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<i>Ohio Public Employees Retirement System</i>										
Contractually required contribution - pension	\$22,191	\$33,094	\$41,633	\$42,498	\$50,268	\$51,312	\$53,558	\$57,424	\$60,215	\$67,494
Contractually required contribution - OPEB	8,876	13,238	3,203	7,083	8,378	8,552	4,123	0	0	0
Contractually required contribution - total	31,067	46,332	44,836	49,581	58,646	59,864	57,681	57,424	60,215	67,494
Contributions in relation to the contractually required contribution	22,191	33,094	41,633	42,498	50,268	51,312	53,558	57,424	60,215	67,494
Contribution deficiency (excess)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Commission's covered-employee payroll	\$221,910	\$330,940	\$320,254	\$354,150	\$418,900	\$427,600	\$411,985	\$410,171	\$430,107	\$482,100
Contributions as a percentage of covered-employee payroll - pension	10.00%	10.00%	13.00%	12.00%	12.00%	12.00%	13.00%	14.00%	14.00%	14.00%
Contributions as a percentage of covered-employee payroll - OPEB	4.00%	4.00%	1.00%	2.00%	2.00%	2.00%	1.00%	0.00%	0.00%	0.00%
Contributions as a percentage of covered-employee payroll - total	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%

See accompanying notes to the required supplementary information.

Ohio Valley Regional Development Commission
Notes to the Required Supplementary Information
For the Year Ended December 31, 2020

Ohio Public Employees Retirement System

Pension

Changes in assumptions

There were no significant changes in benefit terms for 2015 through 2017.

COLAs provided up to December 31, 2018 will be based upon a simple, 3% COLA. COLAs provided after December 31, 2018 continue to be simple, but will be based upon the annual percentage change in the Consumer Price Index (CPI), and not greater than 3%.

There were no significant changes in benefit terms for 2019 and 2020.

Changes in assumptions

There were no significant changes in assumptions for 2015 through 2018.

For 2018, the employer contribution rate allocated to pensions increased from 13.00 percent to 14.00 percent.

For 2019, the investment rate of return decreased from 7.5 percent to 7.2 percent.

There were no significant changes in assumptions for 2020.

OPEB

Changes in benefit terms

There were no significant changes in benefit terms for 2018 through 2020.

Changes in assumptions

Changes in assumptions for 2018 were as follows:

- The single discount rate decreased from 4.23 percent to 3.85 percent.
- The employer contribution rate allocated to health care decreased from 1.00 percent to 0.00 percent.

For 2019, the following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- The single discount rate increased from 3.85 percent to 3.96 percent.
- The investment rate of return decreased from 6.5 percent to 6 percent.
- The municipal bond rate increased from 3.31 percent to 3.71 percent.
- The initial health care cost trend rate increased from 7.5 percent to 10 percent.

For 2020, the following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- The single discount rate decreased from 3.96 percent to 3.16 percent.
- The municipal bond rate decreased from 3.71 percent to 2.75 percent.

**OHIO VALLEY REGIONAL DEVELOPMENT COMMISSION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2020**

Federal grantor Pass-through grantor Program title	Federal CFDA Number	Direct Grant or Pass-through Number	Federal Expenditures
U.S. Department of Agriculture			
Rural Development			
Rural Business Enterprise Grant			
USDA RD RBEG (RLF)	10.351	257266271	\$ 215,000
Total U.S. Department of Agriculture			\$ 215,000
U.S. Department of Commerce			
Economic Development Administration			
Economic Development- Support for Planning Organizations	11.302	ED19CHI3020006	\$ 72,530
Economic Development Cluster:			
COVID 19 - EDA CARES Act Recovery Assistance	11.307	ED20CHI3070048	\$ 20,117
COVID 19 - EDA CARES Act Revolving Loan Fund (RLF)	11.307	06-79-06234	\$ 11,966
Economic Adjustment Assistance (RLF)	11.307	06-39-02181	\$ 385,229
Passed through Ohio University			
EDA OH Univ./OVRDC BOBCAT Network	11.307	06-79-06120	\$ 111,170
Total Economic Development Cluster			\$ 528,485
Total U.S. Department of Commerce			\$ 601,012
U.S. Department of Transportation			
Federal Highway Administration			
Passed through by Ohio Department of Transportation			
Highway Planning and Construction Cluster			
Rural Transportation Planning Organization (RTPO) 1'20 - 12'20	20.205	109396	\$ 117,298
Rural Transportation Planning Organization (RTPO) 7'20 - 12'20	20.205	109396	\$ 52,761
Total Highway Planning and Construction Cluster			\$ 170,059
Total U.S. Department of Transportation			\$ 170,059
Appalachian Regional Commission			
Local Development District Assistance	23.009	OH-0707D-C46-19	\$ 209,000
Appalachian Research, Technical Assistance, and Demonstration Project (RLF)	23.011	85-97 OH-9322-99	\$ 842,900
Total Appalachian Regional Commission			\$ 1,051,900
Total Expenditures of Federal Awards			\$ 2,037,971

The notes to the schedule of federal awards expenditures are an integral part of this schedule.

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**OHIO VALLEY REGIONAL DEVELOPMENT COMMISSION
PIKE COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED December 31, 2020**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Ohio Valley Regional Development Commission (the Commission) under programs of the federal government for the year ended December 31, 2020. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Commission, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Commission

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87 *Cost Principles for State, Local, and Indian Tribal Governments* (codified in 2 CFR Part 225), or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The Commission has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE C – LOAN PROGRAMS WITH CONTINUING COMPLIANCE REQUIREMENTS

The Commission has established a revolving loan program to provide low-interest loans to businesses to create jobs in the region. The Appalachian Regional Commission (ARC) and the Economic Development Administration (EDA) have granted money for these loans to the Commission. The initial loan of this money is recorded as a disbursement on the accompanying schedule. Loans repaid, including interest, are used to make additional loans. Such subsequent loans are subject to certain compliance requirements imposed by the grantors. Such loans are included as expenditures on the schedule.

In 2016 the Commission took over the revolving loan program from Ohio Valley Resource Conservation & Development Council (OVRC&D) who had decided to end operations. This loan program was funded by the United States Department of Agriculture, Rural Development, Rural Business Enterprise Grant (USDA RD RBEG).

Collateral for these loans is determined on a case-by-case basis, but includes mortgages on the real estate and liens on business equipment and inventory.

2020 revolving loan fund expenditures are based upon the following calculations, per ARC, EDA and USDA RD guidance.

**OHIO VALLEY REGIONAL DEVELOPMENT COMMISSION
PIKE COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED December 31, 2020
(Continued)**

US Dept. of Agriculture, Rural Development (USDA RD) CFDA #10.351

Outstanding loan balance at the end of the prior year	\$ 0
New loans disbursed during year	\$ 215,000
Total expended on eligible admin.	<u>0</u>
	\$ 215,000

Economic Development Administration (EDA) CFDA #11.307

	Total EDA	Federal Share
Outstanding loan balance at the end of the year	\$ 479,643	\$ 359,732
Cash and investment balance in the RLF at the end of the year	28,014	21,010
Administrative expenses paid out of the RLF income during the year	<u>5,982</u>	<u>4,487</u>
	\$ 513,639	\$ 385,229

Federal Share Calculation:

Sum of all EDA dollars from all grantee's RLF awards	\$ 300,000
Sum of all project dollars from all grantee's RLF awards	400,000
Federal share	75%

Appalachian Regional Commission (ARC) CFDA #23.011

Outstanding loan balance at the end of the prior year	\$ 466,027
New loans disbursed during year	364,470
Total expended on eligible admin. costs	<u>12,403</u>
	\$ 842,900

The outstanding loan balance at December 31, 2020 for the above revolving loan is \$770,039.

NOTE D - MATCHING REQUIREMENTS

Certain Federal programs require the Commission to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The Commission has met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.

OHIO AUDITOR OF STATE KEITH FABER



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

Ohio Valley Regional Development Commission
Pike County
73 Progress Drive
Waverly, Ohio 45690

To the Executive Committee:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Ohio Valley Regional Development Commission, Pike County, (the Commission) as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements and have issued our report thereon dated August 12, 2021. We noted the financial impact of COVID-19 and the continuing emergency measures which may impact subsequent periods of the Commission.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Commission's internal control over financial reporting (internal control) as a basis for designing audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Commission's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Commission's financial statements. 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 internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2020-001 to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the Commission'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 financial statements. However, opining 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*.

Commission's Response to Findings

The Commission's response to the finding identified in our audit is described in the accompanying schedule of findings and corrective action plan. We did not subject the Commission's response to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Commission's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Commission's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio
August 12, 2021

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Ohio Valley Regional Development Commission
Pike County
73 Progress Drive
Waverly, Ohio 45690

To the Executive Committee:

Report on Compliance for the Major Federal Program

We have audited Ohio Valley Regional Development Commission's (the Commission) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect Ohio Valley Regional Development Commission's major federal program for the year ended December 31, 2020. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the Commission's major federal program.

Management's Responsibility

The Commission's Management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal program.

Auditor's Responsibility

Our responsibility is to opine on the Commission's compliance for the Commission's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the Commission's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the Commission's major program. However, our audit does not provide a legal determination of the Commission's compliance.

Opinion on the Major Federal Program

In our opinion, Ohio Valley Regional Development Commission complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended December 31, 2020.

Report on Internal Control Over Compliance

The Commission's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the Commission's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the Commission's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

This report only describes the scope of our internal control over compliance tests and the results of this testing based on Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio
August 12, 2021

**OHIO VALLEY REGIONAL DEVELOPMENT COMMISSION
PIKE COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
DECEMBER 31, 2020**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	Yes
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material weaknesses in internal control reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under 2 CFR § 200.516(a)?	No
(d)(1)(vii)	Major Programs (list):	CFDA #11.307 – Economic Development Cluster
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee under 2 CFR § 200.520?	Yes

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

FINDING NUMBER 2020-001

Material Weakness

In our audit engagement letter, as required by AU-C Section 210, Terms of Engagement, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16. Governmental Accounting Standards Board (GASB) Cod. 1100 paragraph .101 states a governmental accounting system must make it possible both: (a) to present fairly and with full disclosure the funds and activities of the governmental unit in conformity with generally accepted accounting principles, and (b) to determine and demonstrate compliance with finance-related legal and contractual provisions.

**FINDING NUMBER 2020-001
(Continued)**

Due to deficiencies in the Commission's financial statement monitoring and review process, the Commission made the following errors:

- Accounts Payable was overstated in the Appalachian Regional Commission Revolving Loan Fund in the amount of \$1,691 and understated in the General Fund in the amount of \$1,691.

The Commission corrected the financial statements and accounting records, where appropriate.

Failure to accurately post and report transactions could result in material errors in the Commission's financial statements and reduces the Commission's ability to monitor financial activity and to make sound decisions which effect the overall available cash positions of the Commission.

The Commission should accurately record financial transactions.

Officials' Response:

See corrective action plan.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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None.

CORRECTIVE ACTION PLAN
2 CFR § 200.511(c)
DECEMBER 31, 2020

Finding Number:	2020-001
Planned Corrective Action:	I will talk with OVRDC's compiler to make sure correcting entries are completed.
Anticipated Completion Date:	August 23, 2021
Responsible Contact Person:	Juanita Bragg, Finance Director

OHIO AUDITOR OF STATE KEITH FABER



OHIO VALLEY REGIONAL DEVELOPMENT COMMISSION

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 9/7/2021

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
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