

***ASHLAND AREA COUNCIL FOR ECONOMIC
DEVELOPMENT***

ASHLAND COUNTY

Audit Report

For the Years Ended December 31, 2009 and 2008

CHARLES E. HARRIS & ASSOCIATES, INC.
Certified Public Accountants and Government Consultants



Mary Taylor, CPA

Auditor of State

Board of Trustees
Ashland Area Council for Economic Development
211 Claremont Avenue
Ashland, Ohio 44805

We have reviewed the *Report of Independent Accountants* of the Ashland Area Council for Economic Development, Ashland County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2008 through December 31, 2009. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

July 15, 2010

This Page is Intentionally Left Blank.

**ASHLAND AREA COUNCIL FOR ECONOMIC DEVELOPMENT
ASHLAND COUNTY
AUDIT REPORT
For the Years Ending December 31, 2009 and 2008**

TABLE OF CONTENTS

TITLE	PAGE
Report of Independent Accountants.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Statement of Financial Position.....	7
Statement of Activities.....	8
Statement of Cash Flows.....	9
Notes to the Basic Financial Statements.....	10
Independent Accountant's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Required by Government Auditing Standards.....	16
Schedule of Prior Audit Findings.....	18

Charles E. Harris & Associates, Inc.
Certified Public Accountants

Rockefeller Building
614 W Superior Ave Ste 1242
Cleveland OH 44113-1306
Office phone - (216) 575-1630
Fax - (216) 436-2411

REPORT OF INDEPENDENT ACCOUNTANTS

Ashland Area Council for Economic Development
Ashland County
211 Claremont Avenue
Ashland, Ohio 44805

To the Board of Trustees:

We have audited the accompanying financial statements of the business-type activities of the Ashland Area Council for Economic Development, Ashland County, Ohio, (the Council), as of and for the years ended December 31, 2009 and 2008. These financial statements are the responsibility of the Council's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Ashland Area Council for Economic Development, Ashland County, Ohio, as of December 31, 2009 and 2008, and the respective changes in financial position and its cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 18, 2010 on our consideration of the Council's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

The management's discussion and analysis is not a required part of the basic financial statements, but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, which consisted principally on inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Charles E. Harris & Associates, Inc.
June 18, 2010

**ASHLAND AREA COUNCIL FOR ECONOMIC DEVELOPMENT
ASHLAND COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008
(UNAUDITED)**

AACED became a Council of Governments (COG), organized under ORC §167 in late 2005 with the first fiscal year and operations beginning on January 1, 2006. The City of Ashland and Ashland County serve as its founding partners with permanent Board seats. The Mohican Area Growth Foundation (MAGF) is the third primary funder and also holds a permanent Board seat. However, from its inception AACED has been challenged to raise private sector funds to supplement the major investments of local governments and MAGF.

The Recession of 2008 led to extreme declines in the City and County revenue. Major cuts had to be made to both budgets. As a result, the City reduced their contribution from \$128,000 in 2008 to \$14,000 in 2009. The County reduced their contribution from \$42,500 to \$15,000 in those same years. AACED operated at a loss for 2009 and moved cash from the Business Development account to the General account to cover operations. The Council continues to operate at a loss in 2010 and has begun a robust fundraising effort to secure the funding to operate at a break even for 2011.

At the end of 2009, AACED had 30 private investors with annual investments ranging from \$250 to \$2,500. These generous companies have become much more than providers of valuable financial resources. They also serve as advisors. In addition to meeting with the staff and Board at quarterly Investor Luncheons, investors are often called upon for ideas and advice. They will also be a part of a strategic planning effort for AACED in 2010.

AACED utilizes internal accounting controls to safeguard assets and to properly record transactions according to the Board's authorization and approval. An independent accounting (local CPA) reviews the internal accounting on a quarterly basis. Payroll is also handled by the independent CPA's office.

Financial Highlights

Statement of Financial Condition and Statement of Activities

The Statement of Financial Condition and Statement of Activities provide information about the activities of the Organization. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. The basis for accounting takes into account all of the current year's revenues and expenses regardless of when the cash was paid or received.

**ASHLAND AREA COUNCIL FOR ECONOMIC DEVELOPMENT
ASHLAND COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008
(UNAUDITED)**

These two statements report the Organization's net assets and changes in those net assets. This change in net assets is important because it tells the reader that, for the Organization, the financial position has improved or diminished.

Table 1 provides a summary of the Organization's net assets for 2009 compared to 2008:

**Table 1
Net Assets**

	<u>2009</u>	<u>2008</u>	<u>Restated 2007</u>
Assets			
Current assets:			
Cash and accrued interest	\$156,302	\$230,247	\$201,596
Accounts Receivable	4,435	3,345	5,700
Property and Equipment:			
Leasehold Improvements	-	733	-
Accumulated depreciation	-	(24)	-
Other assets:			
Deposit	-	4,900	-
Total assets	<u>\$160,737</u>	<u>\$239,201</u>	<u>\$206,496</u>
Liabilities			
Current liabilities	<u>\$10,844</u>	<u>\$11,083</u>	<u>\$12,586</u>
Net assets:			
Unrestricted	<u>\$149,893</u>	<u>\$228,118</u>	<u>\$193,910</u>
Total net assets	<u>\$149,893</u>	<u>\$228,118</u>	<u>\$193,910</u>

Total assets decreased by \$78,464. The decrease was due to the reduction in funding from the City and County. Total liabilities decreased by \$239. The majority of the decrease was a result of a decrease in payroll taxes.

Table 2 shows changes in net assets for the year 2009. This table will present two years in side by side comparison in successive reporting years. This will enable the reader to draw further conclusion about the Organization's financial status and possibly project future problems.

**ASHLAND AREA COUNCIL FOR ECONOMIC DEVELOPMENT
ASHLAND COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008
(UNAUDITED)**

**Table 2
Changes in Net Assets**

	<u>2009</u>	<u>2008</u>	<u>Restated 2007</u>
Revenues:	<u>\$115,652</u>	<u>\$249,875</u>	<u>\$261,719</u>
Expenses:			
Compensation	120,594	119,671	111,955
Payrol taxes and benefits	43,944	38,903	35,396
Professional fees	10,568	24,758	2,828
Travel and meetings	5,687	10,705	11,335
Office	6,741	12,338	8,368
Utilities	2,223	2,321	1,976
Training	15	2,365	1,555
Insurance	1,809	1,842	3,540
Advertising and promotinal	1,224	2,740	2,883
Maintenance	363	-	-
Abandonment loss	709	-	-
Depreciation	-	24	-
Dues and publications	-	-	4,365
Regional Support	-	-	1,000
Automation	-	-	638
Miscellaneous	-	-	309
Total Expenses	<u>\$193,877</u>	<u>\$215,667</u>	<u>\$186,148</u>
Increase/decrease in net assets	<u>(\$78,225)</u>	<u>\$34,208</u>	<u>\$75,571</u>

The funding comes from several different sources, the most significant being Investor's Contributions. Fees income, sponsorships, interest and a grant fee in 2009 are other prominent sources of income.

**ASHLAND AREA COUNCIL FOR ECONOMIC DEVELOPMENT
ASHLAND COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008
(UNAUDITED)**

Compensation is the largest of the expenses and represents 55% - 62% of the total expenses.

Contacting Ashland Area Council for Economic Development

This financial report is designed to provide a general overview of the Organization's finances and to show the Organization's accountability for the money that it receives. If you have questions about this report or need additional financial information, contact Evan Scurti, Director of Ashland Area Council for Economic Development, 211 Claremont Avenue, Ashland, Ohio 44805.

ASHLAND AREA COUNCIL FOR ECONOMIC DEVELOPMENT
Statements of Financial Condition
December 31,

	<u>2009</u>	<u>2008</u>
Assets		
Current assets:		
Cash	\$ 156,287	\$ 230,199
Accounts receivable	4,435	3,345
Accrued interest income	15	48
Total current assets	160,737	233,592
Property and equipment:		
Leasehold improvements	-	733
Accumulated depreciation	-	(24)
Total property and equipment	-	709
Other assets:		
Deposit	-	4,900
Total other assets	-	4,900
Total assets	\$ 160,737	\$ 239,201
Liabilities and net assets		
Current liabilities:		
Payroll taxes	\$ 10,844	\$ 11,083
Total current liabilities	10,844	11,083
Net assets:		
Unrestricted	149,893	228,118
Total net assets	149,893	228,118
Total liabilities and net assets	\$ 160,737	\$ 239,201

See notes to financial statements

ASHLAND AREA COUNCIL FOR ECONOMIC DEVELOPMENT
Statements of Activities
Years ended December 31,

	<u>2009</u>	<u>2008</u>
Revenues:		
Investor contributions	\$ 98,568	\$ 237,917
Fees	6,105	4,970
Sponsorships	-	1,000
Grant fee	8,900	-
Interest income	2,032	5,470
Miscellaneous income	47	518
	115,652	249,875
 Expenses:		
Compensation	120,594	119,671
Payrol taxes and benefits	43,944	38,903
Professional fees	10,568	24,758
Travel and meetings	5,687	10,705
Office	6,741	12,338
Utilities	2,223	2,321
Training	15	2,365
Insurance	1,809	1,842
Advertising and promotinal	1,224	2,740
Maintenance	363	-
Abandonment loss	709	-
Depreciation	-	24
	193,877	215,667
 Change in net assets	(78,225)	34,208
 Restated net assets - beginning of year	228,118	193,910
 Net assets - end of year	\$ 149,893	\$ 228,118

See notes to financial statements

ASHLAND AREA COUNCIL FOR ECONOMIC DEVELOPMENT
Statements of Cash Flows
Years ended December 31,

	<u>2009</u>	<u>2008</u>
Cash flows from operating activities:		
Cash received from investors	\$ 97,468	\$ 234,572
Cash received from fees	15,005	4,970
Cash received from sponsorships	-	1,000
Cash received from interest earned	2,065	5,735
Cash received from other income	47	518
Cash paid to suppliers for goods and services	(67,903)	(98,208)
Cash payments to employees	(120,594)	(119,671)
	<hr/>	<hr/>
Net cash provided by operating activities	(73,912)	28,916
Cash and cash equivalents - beginning of year	<u>230,199</u>	<u>201,283</u>
Cash and cash equivalents - end of year	<u><u>\$ 156,287</u></u>	<u><u>\$ 230,199</u></u>
Reconciliation of operating income to net cash flows used by operating activities:		
Operating income	\$ (78,225)	\$ 34,208
Depreciation	-	24
Abandonment loss	709	-
Adjustments to assets and liabilities:		
Accounts receivable	(1,090)	(3,345)
Accrued interest income	33	265
Property	-	(733)
Deposits	4,900	-
Accounts payable	-	(2,492)
Payroll taxes	(239)	989
	<hr/>	<hr/>
Net cash provided by operating activities	<u><u>\$ (73,912)</u></u>	<u><u>\$ 28,916</u></u>

See notes to financial statements

ASHLAND AREA COUNCIL FOR ECONOMIC DEVELOPMENT
ASHLAND COUNTY
Notes to Financial Statements
For the Years Ended December 31, 2009 and 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting – The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Estimates – The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Nature of activities – The Council is an area-wide entity whose purpose is to enhance the industrial base of the area, create the opportunity for new industry and employment, and to assist in the success of existing businesses.

Advertising costs – Advertising costs are charged to operations as incurred.

NOTE 2 – DESCRIPTION OF FUNDS

The Council has only one enterprise fund that receives and disburses all activity. Money received is used for economic development.

NOTE 3 – CASH FLOWS

For purposes of reporting cash flows, cash includes petty cash, cash in checking accounts, money market accounts, and savings accounts.

**ASHLAND AREA COUNCIL FOR ECONOMIC DEVELOPMENT
ASHLAND COUNTY
Notes to Financial Statements
For the Years Ended December 31, 2009 and 2008**

NOTE 4 – RESTATEMENT OF BEGINNING BALANCES

The 2006 and 2007 financial statements showed a restricted net asset of \$800. This reflected a donor directed fund for AACED at the Ashland County Community Foundation. This has been removed from the financial statements for 2008 and 2009 as it has been determined that AACED has no control over this account and has not made an investment in the account.

Net Assets	
December 31, 2007	\$194,710
Restatement	<u>(800)</u>

Net Assets	
January 1, 2008	<u><u>\$193,910</u></u>

NOTE 5 – DEPOSITS WITH FINANCIAL INSTITUTIONS

Custodial credit risk is the risk that, in the event of bank failure, the Council’s deposits may not be returned. All deposits, by law, are to be collateralized with eligible securities in amounts equal to at least 105 percent of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as collateral against all of the uninsured public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the Council.

At year-end, the carrying amount of the Council’s deposits was \$156,287 for 2009 and \$230,199 for 2008. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of December 31, 2009 and December 31, 2008, none of the Council’s bank balance of \$156,287 and \$230,199 was exposed to custodial risk as discussed above, as the entire amount was covered by Federal Deposit Insurance Corporation.

**ASHLAND AREA COUNCIL FOR ECONOMIC DEVELOPMENT
ASHLAND COUNTY
Notes to Financial Statements
For the Years Ended December 31, 2009 and 2008**

NOTE 6 – RISK MANAGEMENT

The Council 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. During 2008 and 2009, the Council contracted with private carriers for property and fleet insurance, liability insurance and inland marine coverage. Coverage provided is as follows:

<u>Company</u>	<u>Type of Coverage</u>	<u>Period</u>
The Cincinnati Insurance Companies/Spreng-Smith Agency, Inc.	D&O Commercial General Liability Employee Dishonesty Employment Practices Fiduciary Employee Benefits Admin Coverage	1/1/08-12/31/09

Settlement claims have not exceeded this commercial coverage in any of the past three years. There have been no significant reductions in insurance coverage from last year.

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

NOTE 7 – OTHER EMPLOYEE BENEFITS

A. Compensated absences

Council employees generally earn vacation ranging from two to five weeks per year based on length of service. Accumulated vacation leave cannot be carried over from one year to another without express written authorization of the Director. Sick leave is generally earned at the rate of 4.6 hours for every 80 hours worked and employees may accumulate on continuing basis. Sick leave is fully vested when earned. 25 percent of unused sick leave, up to the following maximums for employees who complete ten years of service plus any accumulated vacation leave, is paid at retirement or death. Sick leave accumulates up to a maximum of 688 hours.

ASHLAND AREA COUNCIL FOR ECONOMIC DEVELOPMENT
ASHLAND COUNTY
Notes to Financial Statements
For the Years Ended December 31, 2009 and 2008

NOTE 7 – OTHER EMPLOYEE BENEFITS – (Continued)

B. Additional insurance

The Council provides life insurance to all employees. The policy is in the amount of \$20,000.

The Council contracts with Medical Mutual of Ohio to provide health insurance to employees. The Council and the employees share the cost of the total monthly premiums of \$501 single health care, \$1,042 employee and spouse health care, \$828 employee and child health care and \$1,369 family health care. Premiums and co-payments are paid from the same funds that pay the employee's salaries. Dental and Vision is available through Humana if employees choose to purchase.

NOTE 8 – DEFINED BENEFIT PENSION PLAN

The Council participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing multiple-employer deferred benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report which may be obtained by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4562 or by calling (614) 222-6701 or (800) 222-7377.

The Council's required contributions for pension obligations to all three plans for the years ended December 31, 2009, 2008 and 2007 were \$16,883, \$16,754, and \$15,097 respectively. The full amount has been contributed for all three years.

ASHLAND AREA COUNCIL FOR ECONOMIC DEVELOPMENT
ASHLAND COUNTY
Notes to Financial Statements
For the Years Ended December 31, 2009 and 2008

NOTE 9 – POSTRETIREMENT BENEFITS

Ohio Public Employees Retirement System

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

To qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have ten years or more of qualifying Ohio service credit. The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the healthcare plan are presented separately in the OPERS financial report which may be obtained by writing to OPERS, Attention: Finance Director, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

Funding Policy - The post-employment healthcare plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). State statute requires that public employers fund post-employment healthcare through contributions to OPERS. A portion of each employer's contribution to the Traditional or Combined Plans is set aside for the funding of post-employment health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2008 and 2009, local government employers contributed 14.00% of covered payroll. Each year the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for the funding of the post-employment health care benefits. The portion of employer contributions allocated to fund post-employment healthcare for 2008 was 7.00%. For 2009 it was 7.00% from January 1 through March 31, 2009 and 5.50% from April 1 through December 31, 2009.

ASHLAND AREA COUNCIL FOR ECONOMIC DEVELOPMENT
ASHLAND COUNTY
Notes to Financial Statements
For the Years Ended December 31, 2009 and 2008

NOTE 9 – POSTRETIREMENT BENEFITS – (Continued)

The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the post-employment healthcare plan.

The Council's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2009, 2008, and 2007 were \$7,084, \$7,030 and \$6,335, respectively; 100% has been contributed for 2009, 2008 and 2007.

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

NOTE 10 – CAPITAL ASSETS

Capital asset activity for the two years ended December 31, 2009, was as follows:

	Balance December 31 <u>2007</u>	<u>Additions</u>	<u>Deductions</u>	Balance December 31 <u>2009</u>
Business-Type Activities				
<i>Capital assets, being depreciated:</i>				
Leasehold improvements	\$ -	\$ 733	\$ (733)	\$ -
Total capital assets, being depreciated	<u>-</u>	<u>733</u>	<u>(733)</u>	<u>-</u>
<i>Less: accumulated depreciation</i>				
Leasehold improvements	-	(24)	24	-
Total accumulated depreciation	<u>-</u>	<u>(24)</u>	<u>24</u>	<u>-</u>
Business activities capital assets, net	<u>\$ -</u>	<u>\$ 709</u>	<u>\$ (709)</u>	<u>\$ -</u>

Rockefeller Building
614 West Superior Ave Suite 1242
Cleveland OH 44113-1306
Office phone - (216) 575-1630
Fax - (216) 436-2411

Charles E. Harris & Associates, Inc.
Certified Public Accountants

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

Ashland Area Council for Economic Development
Ashland County
211 Claremont Avenue
Ashland, Ohio 44805

To the Board of Trustees:

We have audited the basic financial statements of the Ashland Area Council for Economic Development (the Council), as of and for the years ended December 31, 2009 and 2008, and have issued our report thereon dated June 18, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Controls Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of reasonably assuring whether the Council's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grants agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We noted certain matters that we have reported to management of the Council in a separate letter dated June 18, 2010.

We intend this report solely for the information and use of management, the Board of Trustees, the audit committee and others within the Council. We intend it for no one other than these specified parties.

Charles E. Harris & Associates, Inc.

June 18, 2010

**ASHLAND AREA COUNCIL FOR ECONOMIC DEVELOPMENT
ASHLAND COUNTY
DECEMBER 31, 2009 AND 2008**

SCHEDULE OF PRIOR AUDIT FINDINGS

The prior audit report, for the years ending December 31, 2007 and 2006, reported no material citations or recommendations.



Mary Taylor, CPA
Auditor of State

ASHLAND AREA COUNCIL FOR ECONOMIC DEVELOPMENT

ASHLAND COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JULY 27, 2010**