

**ASHLAND AREA COUNCIL
FOR ECONOMIC DEVELOPMENT**

**FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006**



Mary Taylor, CPA
Auditor of State

Trustees
Ashland Area Council for Economic Development
206 Claremont Ave.
Ashland, Ohio 44805

We have reviewed the *Independent Auditor's Report* of the Ashland Area Council for Economic Development, Ashland County, prepared by Baker, Bowman & Co., for the audit period January 1, 2006 through December 31, 2007. 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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

April 21, 2009

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Ashland Area Council for Economic Development
Management's Discussion and Analysis
For the Years ended December 31, 2007 and 2006

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. We are pleased to report that in only three years we have increased our number of private investors to 23, with annual investments ranging from \$250 to \$5000. These generous companies have become much more than providers of valuable financial resources. They also serve as close advisors in all of AACED's activities. In addition to meeting with the staff and Board at quarterly Investor Luncheons, investors are often called upon for ideas and advice.

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

Financial Highlights

The organization's downsizing to 2 full-time staff members in 2006 led to a year end net increase in assets of approximately \$119,000. The City of Ashland contributed less funding in 2007 which resulted in a decrease in over all revenues. The City made a 3 year commitment with declining amounts each year.

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. This basis for accounting takes into account all of the current year's revenues and expenses regardless of when the cash was paid or received.

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 2007 compared to 2006:

Table 1
Net Assets

	<u>2007</u>	<u>2006</u>
Assets		
Current assets:		
Cash and accrued interest	201,596	130,744
Investments & Deposit	<u>5,700</u>	
Total assets	<u>\$207,296</u>	<u>\$130,744</u>
Liabilities		
Current liabilities	<u>12,586</u>	<u>11,605</u>
Net assets:		
Restricted	800	
Unrestricted	<u>193,910</u>	<u>119,139</u>
Total net assets	<u>194,710</u>	<u>119,139</u>
	=====	=====

Total assets increased by \$76,552. The increase was primarily due to an increased cash balance. Total liabilities increased by \$981. The majority of this increase was the result of an increase in accounts payable.

Table 2 shows changes in net assets for the year 2007. 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.

Table 2
Changes in Net Assets

	<u>2007</u>	<u>2006</u>
Revenues:	<u>\$261,719</u>	<u>\$283,546</u>
Expenses:		
Compensation	111,955	100,123
Payroll taxes and benefits	35,396	31,879
Travel and meetings	11,335	5,537
Office	8,368	7,722
Dues and publications	4,365	3,989
General insurance	3,540	
Advertising and promotional	2,883	4,269
Professional fees	2,828	2,860
Utilities	1,976	2,428
Training	1,555	285
Regional support	1,000	2,000
Automation	638	2,811
Miscellaneous	<u>309</u>	<u>504</u>
	<u>186,148</u>	<u>164,407</u>
Increase in net assets	75,571 =====	119,139 =====

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

Compensation is the largest of the expenses and represents 60% 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 Director, 206 Claremont Avenue, Suite 100, Ashland, Ohio 44805.

INDEPENDENT AUDITOR'S REPORT

To the Trustees of the
Ashland Area Council for Economic Development
Ashland, Ohio

We have audited the accompanying financial statements of the business-type activities of the Ashland Area Council for Economic Development as of and for the years ended December 31, 2007 and 2006. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Ashland Area Council for Economic Development as of December 31, 2007 and 2006, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis are not a required part of the basic financial statements but are the supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consist principally of 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.

In accordance with Government Auditing Standards, we have also issued our report dated July 22, 2008, on our consideration of the Ashland Area Council for Economic Development's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

BAKER, BOWMAN & CO.

Ashland, Ohio
July 22, 2008

ASHLAND AREA COUNCIL FOR ECONOMIC DEVELOPMENT

Statements of Financial Condition December 31,

	<u>2007</u>	<u>2006</u>
Assets		
Current assets:		
Cash	\$201,283	\$130,270
Accrued interest income	<u>313</u>	<u>474</u>
Total current assets	201,596	130,744
Investments	800	
Deposit	<u>4,900</u>	<u> </u>
	<u>5,700</u>	<u> </u>
Total assets	<u>\$207,296</u>	<u>\$130,744</u>
	=====	=====
Liabilities and net assets		
Current liabilities:		
Accounts payable	\$ 2,492	\$ 783
Payroll taxes	<u>10,094</u>	<u>10,822</u>
Total current liabilities	12,586	11,605
Net assets:		
Restricted	800	
Unrestricted	<u>193,910</u>	<u>119,139</u>
Total net assets	<u>194,710</u>	<u>119,139</u>
Total liabilities and net assets	<u>\$207,296</u>	<u>\$130,744</u>
	=====	=====

See notes to financial statements

ASHLAND AREA COUNCIL FOR ECONOMIC DEVELOPMENT

Statement of Activities Year ended December 31,

	<u>2007</u>	<u>2006</u>
Revenues:		
Investor's contributions	\$246,750	\$273,500
Fees	5,032	4,495
Sponsorships	1,000	1,050
Interest income	8,137	4,501
Donations	<u>800</u>	<u> </u>
	261,719	283,546
Expenses:		
Compensation	111,955	100,123
Payroll taxes and benefits	35,396	31,879
Travel and meetings	11,335	5,537
Office	8,368	7,722
Dues and publications	4,365	3,989
General insurance	3,540	
Advertising and promotional	2,883	4,269
Professional fees	2,828	2,860
Utilities	1,976	2,428
Training	1,555	285
Regional support	1,000	2,000
Automation	638	2,811
Miscellaneous	<u>309</u>	<u>504</u>
	<u>186,148</u>	<u>164,407</u>
Change in net assets	75,571	119,139
Net assets – beginning of year	<u>119,139</u>	<u> </u>
Net assets – end of year	<u>\$194,710</u>	<u>\$119,139</u>

See notes to financial statements

ASHLAND AREA COUNCIL FOR ECONOMIC DEVELOPMENT

Statements of Cash Flows Year ended December 31,

	<u>2007</u>	<u>2006</u>
Cash flows from operating activities:		
Cash received from investors	\$247,550	\$273,500
Cash received from interest earned	8,298	4,027
Cash received from fees and sponsorships	6,032	5,545
Cash payments to suppliers for goods and services	(78,912)	(52,679)
Cash payments to employees	<u>(111,955)</u>	<u>(100,123)</u>
Net cash provided by operating activities	71,013	130,270
Cash and cash equivalents, beginning of year	<u>130,270</u>	_____
Cash and cash equivalents, end of year	<u>\$201,283</u>	<u>\$130,270</u>
Reconciliation of operating income to net cash flows provided by operating activities:		
Operating income	75,571	119,139
Adjustments to assets and liabilities:		
Accrued interest income	161	(474)
Investments	(800)	
Deposits	(4,900)	
Accounts payable	1,709	783
Payroll taxes	<u>(728)</u>	<u>10,822</u>
Net cash provided by operating activities	<u>\$ 71,013</u>	<u>\$130,270</u>

See notes to financial statements

ASHLAND AREA COUNCIL FOR ECONOMIC DEVELOPMENT

Notes to Financial Statements
December 31, 2007 and 2006

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 Organization 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 – Cash flows

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

Note 3 – Subsequent events

At the January 2008 board meeting, a motion was passed approving the allocation of \$60,000 to the Business Development Fund.

Note 4 - Restricted net assets

Restricted net assets are available for the following purposes:

	<u>2007</u>	<u>2006</u>
Endowment	\$ 800	\$ -0-
	=====	=====

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 \$201,250. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2007, \$101,250 of the Council's bank balance of \$201,250 was exposed to custodial risk as discussed above, while \$100,000 was covered by Federal Deposit Insurance Corporation as arrangements to collateralize deposits have not yet been made.

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 2007, 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	1/1/07-12/31/07

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.

B. Additional insurance

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

The Council contracts with Principal Financial Group to provide dental, vision and health insurance to employees. The Council and the employees share the cost of the total monthly premiums of \$384.50 single health care, \$805.23 employee and spouse health care, \$632.11 employee and child health care and \$1,042.86 family health care. Premiums and co-payments are paid from the same funds that pay the employee's salaries.

Note 8 Defined benefit pension plans

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, 2007 and 2006 were \$15,097 and \$13,717, respectively. The full amount has been contributed for 2007 and 2006.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

The Board of Trustees
Ashland Area Council for Economic Development

We have audited the financial statements of Ashland Area Council for Economic Development as of and for the year ended December 31, 2007, and have issued our report thereon dated July 22, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Ashland Area Council for Economic Development's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Ashland Area Council for Economic Development's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Ashland Area Council for Economic Development's internal control over financial reporting.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a materials misstatement of the financial statements will not be prevented or detected by the entity's internal control.

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

Compliance and Other Matters

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

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

BAKER, BOWMAN & CO.

Ashland, Ohio
July 22, 2008



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
MAY 7, 2009**