

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

***ASHLAND COUNTY***

**Audit Report**

**For the Years Ended December 31, 2011 and 2010**

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





# Dave Yost • Auditor of State

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

We have reviewed the *Independent Accountants' Report* of the Ashland Area Council for Economic Development, Ashland County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2010 through December 31, 2011. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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 black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

November 27, 2012

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**ASHLAND AREA COUNCIL FOR ECONOMIC DEVELOPMENT**  
**ASHLAND COUNTY**  
**AUDIT REPORT**  
**For the Years Ending December 31, 2011 and 2010**

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

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**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 statement of financial position of the Ashland Area Council for Economic Development, Ashland County, Ohio (the Council), as of and for the years ended December 31, 2011 and 2010, and the related statements of activities and cash flows for the years then ended. 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 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 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 financial position of the Council as of December 31, 2011 and 2010, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 13, 2012 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.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, as 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 have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

*Charles Harris Associates*

**Charles E. Harris & Associates, Inc.**  
July 13, 2012



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

**MANAGEMENT'S DISCUSSION & ANALYSIS  
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2011  
(UNAUDITED)**

Ashland Area Council for Economic Development (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. The City of Ashland held their funding at the reduced \$14,000 level for 2010 and increased modestly to \$38,315 for 2011. The County increased their contribution to \$22,498 for 2010 and \$50,000 for 2011. The Council operated at a loss for 2010 for which funds were transferred from the Business Development fund to the General account to cover operating expenses. 2011 saw the Council at basically a break-even point. The Council is projected to operate at slight profit for 2012 as the City has increased their contribution to \$50,000 and the Council has secured and additional \$11,250 from the County in exchange for performing duties formerly assigned to County Planning. The Mohican Area Growth Foundation has remained a stable investor by remaining at the \$40,000 level since the inception of AACED.

At the end of 2011, AACED had 31 private investors with annual investments ranging from \$250 to \$5,000. 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.

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

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

**MANAGEMENT'S DISCUSSION & ANALYSIS  
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2011  
(UNAUDITED)**

**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.

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 2011 compared to 2010:

**Table 1  
Net Assets**

	2011	2010	2009
<b>Assets</b>			
<b>Current assets:</b>			
Cash and accrued interest	\$118,853	\$113,071	\$156,302
Accounts Receivable	<u>1,370</u>	<u>3,045</u>	<u>4,435</u>
<b>Total assets</b>	<u>\$120,223</u>	<u>\$116,116</u>	<u>\$160,737</u>
<b>Liabilities</b>			
<b>Current liabilities</b>	<u>\$9,356</u>	<u>\$8,386</u>	<u>\$10,844</u>
<b>Net assets:</b>			
Unrestricted	<u>\$110,867</u>	<u>\$107,730</u>	<u>\$149,893</u>
<b>Total liabilities and net assets</b>	<u>\$120,223</u>	<u>\$116,116</u>	<u>\$149,893</u>

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

**MANAGEMENT'S DISCUSSION & ANALYSIS  
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2011  
(UNAUDITED)**

Total assets increased by \$4,107 from 2010 to 2011. Total liabilities increased by \$970. The majority of the increase was a result of an increase in payroll benefits payable.

Table 2 shows changes in net assets for the year 2010 and 2011. 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>2011</u>	<u>2010</u>	<u>2009</u>
<b>Revenues:</b>	<u>\$169,863</u>	<u>\$129,349</u>	<u>\$115,652</u>
<b>Expenses:</b>			
<b>Compensation</b>	105,263	107,066	120,594
<b>Payroll taxes and benefits</b>	40,426	41,636	43,944
<b>Professional fees</b>	1,135	6,618	10,568
<b>Travel and meetings</b>	2,883	3,264	5,687
<b>Office</b>	7,120	4,817	6,741
<b>Utilities</b>	2,057	2,069	2,223
<b>Training</b>	310	92	15
<b>Insurance</b>	1,809	1,809	1,809
<b>Advertising and promotinal</b>	5,723	2,131	1,224
<b>Maintenance</b>	-	-	363
<b>Abandonment loss</b>	-	-	709
<b>Bad Debt Writeoff</b>	-	2,010	-
<b>Total Expenses</b>	<u>\$166,726</u>	<u>\$171,512</u>	<u>\$193,877</u>
<b>Increase/decrease in net assets</b>	<u>\$3,137</u>	<u>(\$42,163)</u>	<u>(\$78,225)</u>

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

**MANAGEMENT'S DISCUSSION & ANALYSIS  
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2011  
(UNAUDITED)**

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

Compensation is the largest of the expenses and represents 63% - 64% 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 Nikki McConnell, Treasurer 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>2011</u>	<u>2010</u>
<b>Assets</b>		
<b>Current assets:</b>		
Cash	\$ 118,853	\$ 113,071
Accounts receivable	1,370	3,045
Total current assets	120,223	116,116
Total assets	\$ 120,223	\$ 116,116
<b>Liabilities and net assets</b>		
<b>Current liabilities:</b>		
Accounts Payable	\$ 184	\$ -
Payroll taxes	9,172	8,386
Total current liabilities	9,356	8,386
<b>Net assets:</b>		
Unrestricted	110,867	107,730
Total net assets	110,867	107,730
Total liabilities and net assets	\$ 120,223	\$ 116,116

See notes to financial statements

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

	<u>2011</u>	<u>2010</u>
<b>Revenues:</b>		
Investor contributions	\$ 135,021	\$ 109,103
Fees	7,020	6,065
Sponsorships	1,000	1,000
Interest income	174	287
In Kind Contributions	26,452	12,749
Miscellaneous income	196	145
	169,863	129,349
 <b>Expenses:</b>		
Compensation	105,263	107,066
Payrol taxes and benefits	40,426	41,636
Professional fees	1,135	6,618
Travel and meetings	2,883	3,264
Office	7,120	4,817
Utilities	2,057	2,069
Training	310	92
Insurance	1,809	1,809
Advertising and promotinal	5,723	2,131
Write Off Bad Debts	-	2,010
	166,726	171,512
 Change in net assets	3,137	(42,163)
 Net assets - beginning of year	107,730	149,893
 Net assets - end of year	\$ 110,867	\$ 107,730

See notes to financial statements

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

	<u>2011</u>	<u>2010</u>
<b>Cash flows from operating activities:</b>		
Cash received from investors	\$ 136,696	\$ 108,850
Cash received from fees	7,020	6,065
Cash received from sponsorships	1,000	1,000
Cash received from interest earned	174	287
Cash received from other income	196	145
Cash paid to suppliers for goods and services	(20,853)	(20,800)
Cash payments to employees	<u>(118,451)</u>	<u>(138,763)</u>
<b>Net cash provided by operating activities</b>	<b>5,782</b>	<b>(43,216)</b>
<b>Cash and cash equivalents - beginning of year</b>	<u>113,071</u>	<u>156,287</u>
<b>Cash and cash equivalents - end of year</b>	<u><u>\$ 118,853</u></u>	<u><u>\$ 113,071</u></u>
<b>Reconciliation of operating income to net cash flows used by operating activities:</b>		
<b>Operating income</b>	<b>\$ 3,137</b>	<b>\$ (42,163)</b>
<b>Adjustments to assets and liabilities:</b>		
Accounts receivable	1,675	1,405
Accounts payable	184	-
Payroll taxes	<u>786</u>	<u>(2,458)</u>
<b>Net cash provided by operating activities</b>	<u><u>\$ 5,782</u></u>	<u><u>\$ (43,216)</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, 2011 and 2010**

**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.

**NOTE 4 – 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 \$118,853 for 2011 and \$113,071 for 2010. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2011 and December 31, 2010, none of the Council's bank balance of \$118,853 and \$113,071 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, 2011 and 2010**

**NOTE 5 – 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 2011 and 2010, 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	1/1/10-12/31/11

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 \$1 of salaries. This rate is calculated based on accident history and administrative costs.

**NOTE 6 – 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, 2011 and 2010**

**NOTE 6 – 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 for the year 2011 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 7 – 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.

**ASHLAND AREA COUNCIL FOR ECONOMIC DEVELOPMENT**  
**ASHLAND COUNTY**  
**Notes to Financial Statements**  
**For the Years Ended December 31, 2011 and 2010**

The Council's required contributions for pension obligations to all three plans for the years ended December 31, 2011, 2010 and 2009 were \$14,757, \$15,013, and \$16,883 respectively. The full amount has been contributed for all three years.

**NOTE 8 – 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 2011 and 2010, local government employers contributed 14.00% of covered payroll. These are the maximum employer contribution rates permitted by the Ohio revised Code. Active members do not make contributions to the OPEB Plan. Each year the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for the funding of the post-employment health care benefits.**

**ASHLAND AREA COUNCIL FOR ECONOMIC DEVELOPMENT**  
**ASHLAND COUNTY**  
**Notes to Financial Statements**  
**For the Years Ended December 31, 2011 and 2010**

**NOTE 8 – POSTRETIREMENT BENEFITS – (Continued)**

The portion of employer contributions allocated to health care for members in the Traditional Plan was 5.5% from January 1, 2010 through February 28, 2010, 5.0% from March 1, 2010 through December 31, 2010 and 4.0% during calendar year 2011. The portion of employer contributions allocated to health care for members in the Combined Plan was 4.73% from January 1 through February 28, 2010, and 4.23% from March 1 through December 31, 2010 and 6.05% for 2011. The portion of employer contributions allocated to health care for the year beginning January 1, 2012 remained the same, but they are subject to change based on Board action. Employers will be notified if the portion allocated to health care changes during calendar year 2012. The OPERS Board of Trustees 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.

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, 2011, 2010, and 2009 were \$4,229, \$5,566 and \$7,084, respectively; 100% has been contributed for 2011, 2010 and 2009.

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.

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

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**INDEPENDENT AUDITORS 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 financial statements of the Ashland Area Council for Economic Development, Ashland County, Ohio (the Council) as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated July 13, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal 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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected.

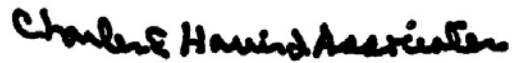
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be 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 grant 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 an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note certain matters not requiring inclusion in this report that we reported to the Council's management in a separate letter dated July 13, 2012.

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

A handwritten signature in black ink that reads "Charles E. Harris" followed by a stylized flourish.

*Charles E. Harris and Associates, Inc.*  
July 13, 2012

**ASHLAND AREA COUNCIL FOR ECONOMIC DEVELOPMENT  
ASHLAND COUNTY  
DECEMBER 31, 2011 AND 2010**

**SCHEDULE OF PRIOR AUDIT FINDINGS**

**The prior audit report, for the years ending December 31, 2009 and 2008, reported no material citations or recommendations.**

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# Dave Yost • 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  
DECEMBER 11, 2012**