

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

ASHLAND COUNTY, OHIO

AUDIT REPORT

For the Years Ended December 31, 2015 and 2014





Dave Yost • Auditor of State

Board of Directors
Ashland Area Council of Economic Development
1123 State Route 96
Ashland, Ohio 44805

We have reviewed the *Independent Auditor's Report* of the Ashland Area Council of Economic Development, Ashland County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2014 through December 31, 2015. 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 of 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

June 20, 2016

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ASHLAND AREA COUNCIL FOR ECONOMIC DEVELOPMENT
ASHLAND COUNTY, OHIO
Audit Report
For the Years Ended December 31, 2015 and 2014

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INDEPENDENT AUDITOR'S REPORT

Ashland Area Council for Economic Development
Ashland County
1123 State Route 96
Ashland, OH 44805

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of the Ashland Area Council for Economic Development, Ashland County, (the Council) as of and for the years ended December 31, 2015 and 2014.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; 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.

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 Council'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 Council's internal control. Accordingly, we express no 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.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statements, the Council prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Though the Council does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis permitted is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Council as of December 31, 2015 and 2014, or changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting


In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances of the Ashland Area Council for Economic Development, Ashland County as of December 31, 2015 and 2014, and its cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

Emphasis of Matter

As discussed in Note 5 to the financial statements, during 2015 and 2014, the Council has elected to change its financial presentation to the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. We did not modify our opinion regarding this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 18, 2016, 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 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 Council's internal control over financial reporting and compliance.



Charles E. Harris & Associates, Inc.
May 18, 2016

**ASHLAND AREA COUNCIL FOR ECONOMIC DEVELOPMENT
ASHLAND COUNTY, OHIO
STATEMENT OF RECEIPTS, DISBURSEMENTS AND
CHANGES IN FUND BALANCES (CASH BASIS) - GENERAL FUND
For the Year Ended December 31, 2015**

	General Fund
Cash Receipts:	
Investor contributions	\$ 145,707
Fees	9,790
Sponsorships	1,750
Interest Income	69
Miscellaneous income	2,948
 Total Cash Receipts	 160,264
Cash Disbursements:	
Salaries	103,258
Employee Benefits	20,398
Professional fees	7,059
Travel and meetings	9,613
Office	1,989
Utilities	4,716
Training	745
Insurance	754
Advertising and promotional	10,065
Maintenance	2,929
Dues and subscriptions	2,542
 Total Cash Disbursements	 164,068
 Excess of Cash Receipts Over/(Under) Cash Disbursements	 (3,804)
 Fund Cash Balance, January 1, 2015	 117,017
 Fund Cash Balance, December 31, 2015	
Unassigned	113,213
Fund Cash Balance, December 31, 2015	\$ 113,213

The notes to the financial statements are an integral part of this statement.

**ASHLAND AREA COUNCIL FOR ECONOMIC DEVELOPMENT
ASHLAND COUNTY, OHIO
STATEMENT OF RECEIPTS, DISBURSEMENTS AND
CHANGES IN FUND BALANCES (CASH BASIS) - GENERAL FUND
For the Year Ended December 31, 2014**

	General Fund
Cash Receipts:	
Investor contributions	\$ 142,797
Fees	6,050
Sponsorships	5,590
Interest Income	31
Miscellaneous income	2,375
 Total Cash Receipts	 156,843
Cash Disbursements:	
Salaries	104,861
Employee Benefits	26,760
Professional fees	3,511
Travel and meetings	11,519
Office	3,981
Utilities	4,158
Training	1,660
Insurance	2,028
Advertising and promotional	9,480
Maintenance	209
Dues and subscriptions	1,248
 Total Cash Disbursements	 169,415
 Excess of Cash Receipts Over/(Under) Cash Disbursements	 (12,572)
 Fund Cash Balance, January 1, 2014 - Restated (See Note 5)	 129,589
 Fund Cash Balance, December 31, 2014	
Unassigned	117,017
Fund Cash Balance, December 31, 2014	\$ 117,017

The notes to the financial statements are an integral part of this statement.

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

**Notes to the Financial Statements
For the Years Ended December 31, 2015 and 2014**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF THE ENTITY

The Ashland Area Council for Economic Development, Ashland County, Ohio, (the Council) became a Council of Governments (COG) as organized under ORC §167 in late 2005 with the first fiscal year and operations beginning on January 1, 2006. The Council operates under an appointed five-member Board of Directors, with the City of Ashland and Ashland County Commissioners 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. The Council was formed to advance, encourage and promote the industrial, economic, commercial and civic development of the area.

The Council's management believes these financial statements present all activities for which the Council is financially accountable.

B. ACCOUNTING BASIS

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

C. DEPOSITS AND INVESTMENTS

The Council's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

D. FUND ACCOUNTING

The Council uses fund accounting to segregate cash and investments that are restricted as to use. The Council classifies its fund into the following type:

General Fund: The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

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

**Notes to the Financial Statements
For the Years Ended December 31, 2015 and 2014**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

E. FUND BALANCE

Fund balance is divided into classifications based primarily on the extent to which the Council must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. Nonspendable

The Council classifies assets as nonspendable when legally or contractually required to maintain the amounts intact.

2. Restricted

Fund balance is 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.

3. Committed

Trustees can commit amounts via formal action (resolution). The Council must adhere to these commitments unless the Trustees amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as restricted or committed. Governmental funds other than the general fund report all fund balances as assigned unless they are restricted or committed. In the general fund, assigned amounts represent intended uses established by the Board of Directors or a Council official delegated that authority by resolution, or by State Statute.

5. Unassigned

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Council 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.

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

**Notes to the Financial Statements
For the Years Ended December 31, 2015 and 2014**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

F. PROPERTY, PLANT AND EQUIPMENT

The Council records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

G. ACCUMULATED LEAVE

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

2. EQUITY IN POOLED DEPOSITS AND INVESTMENTS

The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits and investments at December 31 was as follows:

	2015	2014
Demand Deposits	\$ 42,414	\$ 46,286
Certificates of Deposit	70,799	70,731
Total Deposits	<u>\$ 113,213</u>	<u>\$ 117,017</u>

Deposits: Deposits are insured by the Federal Deposit Insurance Corporation.

3. RETIREMENT SYSTEM

Employees of the Council belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost sharing, multiple employer plan. The Ohio Revised Code prescribes the plan benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2015 and 2014, OPERS members contributed 10% of their gross salaries and the Council contributed an amount equaling 14% of participants' gross salaries. The Council has paid all contributions required through December 31, 2015.

4. RISK MANAGEMENT

Commercial Insurance

The Council has obtained commercial insurance for the following risks:

- Comprehensive property and general liability; and
- Errors and omissions.

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 and is paid on an annual basis.

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

**Notes to the Financial Statements
For the Years Ended December 31, 2015 and 2014**

5. CHANGE IN BASIS OF ACCOUNTING

In 2014, the Council changed their basis of accounting from generally accepted accounting principles to the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) described in Note 1. The implementation of this change resulted in the following adjustment to the prior period fund balance.

Net Position, Previously Reported at December 31, 2013	\$124,464
Adjustment	<u>\$5,125</u>
Restated Fund Cash Balance, January 1, 2014	<u>\$129,589</u>

INDEPENDENT AUDITOR'S 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
1123 State Route 96
Ashland, Ohio 44805

To the Board of Directors:

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 Ashland Area Council for Economic Development, Ashland County, (the Council) as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements and have issued our report thereon dated May 18, 2016, wherein we noted the Council followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Further, as discussed in Note 5 to the financial statements, in 2014, the Council has elected to change its financial presentation.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Council's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Council'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 Council'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. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

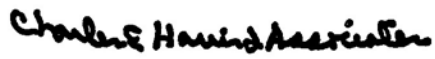
As part of reasonably assuring whether the Council's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, 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*.

Ashland Area Council for Economic Development
Ashland County
Independent Auditor's Report on Internal Control
Over Financial Reporting and on Compliance and
Other Matters Required by *Government Auditing Standards*
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We did note certain matters not requiring inclusion in this report that we reported to the Council's management in a separate letter dated May 18, 2016.

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 Council's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Council's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Charles E. Harris and Associates, Inc.

May 18, 2016

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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
JUNE 30, 2016**