



Dave Yost • Auditor of State

HURON COUNTY DEVELOPMENT COUNCIL
HURON COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Huron County Development Council
Huron County
180 Milan Avenue
Norwalk, Ohio 44857

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of Huron County Development Council, Huron County, Ohio (the Council), (a not-for-profit corporation), which comprise the statements of financial position as of and for the years ended December 31, 2016 and 2015, the related statements of activities and cash flows for the years ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the 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 such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Huron County Development Council, Huron County, Ohio as of December 31, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matter

Supplementary and Other Information

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

The Schedules of Functional Expenses present additional analysis and are not a required part of the financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 12, 2018, 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. While we did not opine on the internal control over financial reporting or on compliance, 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.



Dave Yost
Auditor of State

Columbus, Ohio

January 12, 2018

HURON COUNTY DEVELOPMENT COUNCIL

**Statements of Financial Position
December 31**

Assets	<u>2016</u>	<u>2015</u>
Current assets:		
Cash	\$ 117,352	\$ 141,648
Property, at cost:		
Equipment	1,450	1,450
Software	<u>3,627</u>	<u>3,627</u>
	5,077	5,077
Less accumulated depreciation and amortization	<u>4,046</u>	<u>3,664</u>
	1,031	1,413
Other assets:		
Workers' compensation deposit	<u>-</u>	<u>10</u>
Total assets	<u>\$ 118,383</u>	<u>\$ 143,071</u>
Liabilities and net assets		
Liabilities:		
Payroll liabilities	\$ 1,669	\$ 1,505
Net assets:		
Unrestricted	<u>116,714</u>	<u>141,565</u>
Total liabilities and net assets	<u>\$ 118,383</u>	<u>\$ 143,070</u>

The accompanying notes are an integral part of the financial statements.

HURON COUNTY DEVELOPMENT COUNCIL

**Statements of Activities and Changes in Net Assets
For the year ended December 31**

	<u>2016</u>	<u>2015</u>
Revenues and support:		
Local government support	\$ 54,170	\$ 48,975
Membership dues	20,400	19,000
Jobs Ohio Retention/Expansion	5,000	-
Grants	4,900	3,700
Golf outing	10,488	12,769
Luncheon income	1,100	1,127
Interest income	50	50
Miscellaneous income	210	46
	<u>96,318</u>	<u>85,667</u>
Operating expenses:		
Payroll and related expenses	58,571	46,693
Contract services	26,639	22,670
Office expense	11,302	4,880
Golf outing	3,255	4,313
Insurance	10,094	8,477
Meetings and travel	4,899	3,802
Dues and subscriptions	795	455
Depreciation and amortization	382	428
Professional services	1,801	4,084
Miscellaneous expense	1,668	332
SCORE program	-	36
Annual luncheon	-	968
Advertising	1,763	1,701
	<u>121,169</u>	<u>98,839</u>
Change in net assets	(24,851)	(13,172)
Net assets, beginning of year	<u>141,565</u>	<u>154,737</u>
Net assets, end of year	<u>\$ 116,714</u>	<u>\$ 141,565</u>

The accompanying notes are an integral part of the financial statements.

HURON COUNTY DEVELOPMENT COUNCIL

**Statements of Cash Flows
December 31**

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ (24,851)	\$ (13,172)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization expense	382	428
Increase (decrease) in assets:		
Workers' compensation deposit	10	-
Increase (decrease) in liabilities:		
Payroll liabilities	163	75
	<hr/>	<hr/>
Net cash provided by (used in) operating activities	(24,296)	(12,669)
	<hr/>	<hr/>
Net increase (decrease) in cash	(24,296)	(12,669)
Cash at beginning of year	141,648	154,317
	<hr/>	<hr/>
Cash at end of year	\$ 117,352	\$ 141,648
	<hr/> <hr/>	<hr/> <hr/>

The accompanying notes are an integral part of the financial statements.

HURON COUNTY DEVELOPMENT COUNCIL

Notes to Financial Statements For the years ended December 31, 2016 and 2015

1. Nature of operations

The Huron County Development Council (the Council) was organized as a community improvement corporation in the state of Ohio and is exempt from federal taxation under Internal Revenue code section 501(c)(3) effective May 23, 2016 and prior to this the Council was exempt from federal taxation under Internal Revenue code section 501(c)(4). A portion of the Council's revenue is generated from grant administration.

2. Summary of significant accounting policies

Property

Property and equipment that has a useful life greater than one year is recorded at cost if purchased and fair value if donated. Routine maintenance, repairs and renewals are expensed when incurred. Depreciation is computed using the straight-line method with lives of three to five years. When property is sold or otherwise disposed of, the cost and related accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is reflected in other income or expense.

Accounting basis

The Council follows the recommendations of the Financial Accounting Standards Board in its presentation of the financial statements. Under FASB ASC 958-205, the Council is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

Unrestricted net assets are assets not subject to donor imposed restrictions.

Temporarily restricted net assets are assets with a donor- imposed restriction that allows the Council to use the assets as specified either upon the passage of time or by actions of the Council. When a restriction expires temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Restricted contributions whose restrictions are met in the same reporting period are reflected as unrestricted contributions. There were no temporarily restricted net assets held in 2016 or 2015.

HURON COUNTY DEVELOPMENT COUNCIL

Notes to Financial Statements For the years ended December 31, 2016 and 2015

2. Summary of significant accounting policies - continued

Permanently restricted net assets are subject to donor-imposed stipulations that they be maintained permanently. The donors of these assets may permit the Council to use a specified portion of these assets for general purposes. There were no permanently restricted net assets held in 2016 and 2015.

Dues

Dues are recognized as income during the calendar year that the first month of the membership period falls, rather than ratably over the membership period.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and cash equivalents

The Council considers cash equivalents to be all highly liquid instruments purchased with a maturity of three months or less.

Advertising costs

Advertising is expensed in the period in which it is incurred.

Open tax years

The Organization files its Form 990, Return of Organization Exempt from Income Tax, in the U.S. federal jurisdiction. The Organization is generally no longer subject to examination by the tax authorities for years before 2013.

Subsequent events

Management has evaluated subsequent events through January 12, 2018, the date the financial statements were available to be issued. No issues requiring disclosure were found.

HURON COUNTY DEVELOPMENT COUNCIL

**Notes to Financial Statements
For the years ended December 31, 2016 and 2015**

3. Support

The Huron County Commissioners provided \$42,000 in 2016 and \$37,000 in 2015 as dues and support for the Council.

4. Administrative contract

On May 2, 1994 the Council entered into an annual agreement with The Ohio State University to administer the economic development activities of the Council. This agreement is self-renewing until terminated by either party.

Beginning in 2009, the Executive Director is now a paid position of the Council. The agreement with The Ohio State University now includes only bookkeeping and related duties.

5. Functional classification of expenses

The Council incurred the following functional expenses during 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Program Services	\$ 59,645	\$ 48,399
Management and general	58,269	46,127
Fundraising	<u>3,255</u>	<u>4,313</u>
	<u>\$121,169</u>	<u>\$ 98,839</u>

HURON COUNTY DEVELOPMENT COUNCIL

**Schedule I - Schedule of Functional Expenses
For the year ended December 31**

2016

	<u>Program Services</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>Total</u>
Operating expenses:				
Payroll and related expenses	\$ 29,285	\$ 29,286	\$ -	\$ 58,571
Contract services	13,319	13,320	-	26,639
Insurance	5,047	5,047	-	10,094
Golf outing	-	-	3,255	3,255
Office expense	5,651	5,651	-	11,302
Meetings and travel	2,449	2,450	-	4,899
Professional services	900	901	-	1,801
Annual luncheon	-	-	-	-
Dues and subscriptions	397	398	-	795
Miscellaneous expense	834	834	-	1,668
Depreciation and amortization	-	382	-	382
SCORE program	-	-	-	-
Advertising	1,763	-	-	1,763
	<u>1,763</u>	<u>-</u>	<u>-</u>	<u>1,763</u>
Total expenses	<u>\$ 59,645</u>	<u>\$ 58,269</u>	<u>\$ 3,255</u>	<u>\$ 121,169</u>

HURON COUNTY DEVELOPMENT COUNCIL

**Schedule I - Schedule of Functional Expenses
For the year ended December 31**

2015

	<u>Program Services</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>Total</u>
Operating expenses:				
Payroll and related expenses	\$ 23,346	\$ 23,347	\$ -	\$ 46,693
Contract services	11,334	11,335	-	22,670
Insurance	4,239	4,240	-	8,477
Golf outing	-	-	4,313	4,313
Office expense	2,439	2,440	-	4,880
Meetings and travel	1,901	1,901	-	3,802
Professional services	2,041	2,042	-	4,084
Annual luncheon	968	-	-	968
Dues and subscriptions	227	228	-	455
Miscellaneous expense	166	166	-	332
Depreciation and amortization	-	428	-	428
SCORE program	36	-	-	36
Advertising	1,701	-	-	1,701
	<u>1,701</u>	<u>-</u>	<u>-</u>	<u>1,701</u>
Total expenses	<u>\$ 48,399</u>	<u>\$ 46,127</u>	<u>\$ 4,313</u>	<u>\$ 98,839</u>



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

Huron County Development Council
Huron County
180 Milan Avenue
Norwalk, Ohio 44857

To the Board of Trustees:

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 Huron County Development Council, Huron County, Ohio (the Council) as of and for the years ended December 31, 2016 and 2015 and the related notes to the financial statements, and have issued our report thereon dated January 12, 2018.

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 opinion 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. Therefore, unidentified material weaknesses or significant deficiencies may exist. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a significant deficiency. We consider finding 2016-001 to be a significant deficiency.

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*.

Council's Response to Finding

The Council's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Council's response and, accordingly, we express no opinion on it.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the 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.



Dave Yost
Auditor of State

Columbus, Ohio

January 12, 2018

**HURON COUNTY DEVELOPMENT COUNCIL
HURON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2016 AND 2015**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2016-001

Significant Deficiency – Financial Reporting

Sound financial reporting is the responsibility of the Executive Director and the Board of Trustees and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

We identified the following error requiring adjustment to the financial statements for the year ended December 31, 2015:

Membership dues in the amount of \$5,000 were incorrectly classified as local government support.

This error was not identified and corrected prior to the Council preparing its financial statements due to deficiencies in the Council's internal controls over financial statement monitoring. The accompanying financial statements have been adjusted to reflect this change.

To help ensure the Council's financial statements are complete and accurate, the Council should adopt policies and procedures, including a final review of the financial statements, and notes to the financial statements by the Executive Director, to identify and correct errors and omissions.

Officials' Response:

The Huron County Executive Director, administrative support staff, and/or treasurer will review the annual financial report of the Huron County Development Council to ensure that the report reflects the proper account classifications.

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HURON COUNTY DEVELOPMENT COUNCIL

HURON 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
FEBRUARY 13, 2018