



OHIO AUDITOR OF STATE  
**KEITH FABER**





**HURON COUNTY DEVELOPMENT COUNCIL  
HURON COUNTY**

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# OHIO AUDITOR OF STATE KEITH FABER



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## 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 December 31, 2018, 2017, and 2016, the related statements of activities and statements of cash flows for the years then ended, the statements of functional expenses for the years ended December 31, 2018 and 2017, 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 those risks of financial statement material 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 overall financial statement presentation.

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

**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, 2018, 2017, and 2016, 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.

**Emphasis of Matter**

As discussed in Note 6 to the 2018 financial statements, during 2018 the Council adopted new accounting guidance in Financial Accounting Standards Board (FASB) Accounting Standards Update 2016-14, *Presentation of Financial Statements of Not-For-Profit Entities*. We did not modify our opinion regarding this matter.

**Other Matters**

*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 for the years ended December 31, 2017 and 2016.

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 December 10, 2019, 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.



Keith Faber  
Auditor of State

Columbus, Ohio

December 10, 2019

**HURON COUNTY DEVELOPMENT COUNCIL**

**Statements of Financial Position  
December 31**

| <b>Assets</b>                                     | <b><u>2018</u></b>       | <b><u>2017</u></b>      |
|---|--------------------------|-------------------------|
| <b>Current assets:</b>                            |                          |                         |
| Cash  | \$ 100,047               | \$ 91,850               |
| Employee advance                                  | 1,373                    | -                       |
|   | <hr/>                    | <hr/>                   |
|   | 101,420                  | 91,850                  |
| <b>Property, at cost:</b>                         |                          |                         |
| Equipment   | 1,450                    | 1,450                   |
| Software  | 3,627                    | 3,627                   |
|   | <hr/>                    | <hr/>                   |
|   | 5,077                    | 5,077                   |
| Less accumulated depreciation<br>and amortization | 4,769                    | 4,408                   |
|   | <hr/>                    | <hr/>                   |
|   | 308                      | 669                     |
|   | <hr/>                    | <hr/>                   |
| <b>Total assets</b>                               | <b><u>\$ 101,728</u></b> | <b><u>\$ 92,519</u></b> |
| <b>Liabilities and net assets</b>                 |                          |                         |
| <b>Current liabilities:</b>                       |                          |                         |
| Accounts payable                                  | \$ 183                   | \$ -                    |
| Payroll liabilities                               | 3,257                    | 1,775                   |
|   | <hr/>                    | <hr/>                   |
|   | 3,440                    | 1,775                   |
| <b>Net assets:</b>                                |                          |                         |
| Net assets without donor restrictions             | 95,223                   | 87,679                  |
| Net assets with donor restrictions                | 3,065                    | 3,065                   |
|   | <hr/>                    | <hr/>                   |
| Total net assets                                  | 98,288                   | 90,744                  |
|   | <hr/>                    | <hr/>                   |
| <b>Total liabilities and net assets</b>           | <b><u>\$ 101,728</u></b> | <b><u>\$ 92,519</u></b> |

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

**HURON COUNTY DEVELOPMENT COUNCIL**

**Statements of Activities  
For the years ended December 31**

|  | <u>2018</u><br>Amount | <u>2017</u><br>Amount |
|--|-----------------------|-----------------------|
| <b>Change in net assets without donor restrictions:</b>    |                       |                       |
| <b>Revenues and support:</b>                               |                       |                       |
| Local government support                                   | \$ 59,169             | \$ 58,975             |
| Membership dues  | 18,800                | 16,300                |
| Jobs Ohio Retention/Expansion                              | -                     | 4,450                 |
| Grants   | 36,273                | 1,900                 |
| Golf outing  | 3,814                 | 2,570                 |
| Interest income  | 50                    | 50                    |
| Miscellaneous income                                       | 2,898                 | 501                   |
| Net assets released from purpose or<br>time restrictions   | -                     | 1,935                 |
|  | <b>121,004</b>        | 86,681                |
| <b>Operating expenses:</b>                                 |                       |                       |
| Payroll and related expenses                               | 50,720                | 61,315                |
| Grants   | 35,773                | -                     |
| Contract services  | 25                    | 20,500                |
| Office expense   | 8,433                 | 7,642                 |
| Golf outing  | 1,398                 | 2,570                 |
| Insurance  | 10,969                | 9,500                 |
| Future makers  | -                     | 1,935                 |
| Meetings and travel  | 1,973                 | 5,714                 |
| Dues and subscriptions                                     | 509                   | 885                   |
| Depreciation and amortization                              | 361                   | 361                   |
| Professional services                                      | 2,413                 | 4,552                 |
| Miscellaneous expense                                      | 836                   | 680                   |
| Advertising  | 50                    | 62                    |
|  | <b>113,460</b>        | 115,716               |
| <b>Change in net assets without<br/>donor restrictions</b> | <b>7,544</b>          | <b>(29,035)</b>       |
| <b>Change in net assets with donor restrictions:</b>       |                       |                       |
| Grant  | -                     | 5,000                 |
| Net assets released from purpose or<br>time restrictions   | -                     | (1,935)               |
|  | -                     | 3,065                 |
| <b>Change in net assets with<br/>donor restrictions</b>    | <b>-</b>              | <b>3,065</b>          |
| <b>Change in net assets</b>                                | <b>7,544</b>          | <b>(25,970)</b>       |
| Net assets, beginning of year                              | <b>90,744</b>         | 116,714               |
| Net assets, end of year                                    | <b>\$ 98,288</b>      | <b>\$ 90,744</b>      |

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



**HURON COUNTY DEVELOPMENT COUNCIL**

**Statements of Cash Flows  
For the years ended December 31**

|   | <u>2018</u>       | <u>2017</u>      |
|---|-------------------|------------------|
| <b>Cash flows from operating activities:</b>  |                   |                  |
| Change in net assets  | \$ 7,544          | \$ (25,970)      |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: |                   |                  |
| Depreciation and amortization expense   | 361               | 361              |
| Decrease in assets:   |                   |                  |
| Employee advance  | (1,373)           | -                |
| Increase in liabilities:  |                   |                  |
| Accounts payable  | 183               | -                |
| Payroll liabilities   | 1,482             | 107              |
|   | <hr/>             | <hr/>            |
| Net cash provided by (used in) operating activities   | 8,197             | (25,502)         |
|   | <hr/>             | <hr/>            |
| <b>Net increase (decrease) in cash</b>  | <b>8,197</b>      | <b>(25,502)</b>  |
|   | <hr/>             | <hr/>            |
| Cash at beginning of year   | 91,850            | 117,352          |
|   | <hr/>             | <hr/>            |
| Cash at end of year   | <u>\$ 100,047</u> | <u>\$ 91,850</u> |

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

**HURON COUNTY DEVELOPMENT COUNCIL**

**Statement of Functional Expenses  
For the year ended December 31**

|                               | 2018                 |                       |                     |                       |
|-------------------------------|----------------------|-----------------------|---------------------|-----------------------|
|                               | Services             | Supporting Activities |                     | Total                 |
|                               |                      | and General           | Fund Raising        |                       |
| Operating expenses:           |                      |                       |                     |                       |
| Payroll and related expenses  | \$ 25,360            | \$ 25,360             | \$ -                | \$ 50,720             |
| Grants                        | 35,773               | -                     | -                   | 35,773                |
| Contract services             | 13                   | 12                    | -                   | 25                    |
| Office expense                | 4,217                | 4,216                 | -                   | 8,433                 |
| Golf outing                   | -                    | -                     | 1,398               | 1,398                 |
| Insurance                     | 5,485                | 5,484                 | -                   | 10,969                |
| Future makers                 | -                    | -                     | -                   | -                     |
| Meetings and travel           | 987                  | 986                   | -                   | 1,973                 |
| Dues and subscriptions        | 254                  | 255                   | -                   | 509                   |
| Depreciation and amortization | -                    | 361                   | -                   | 361                   |
| Professional services         | 1,207                | 1,206                 | -                   | 2,413                 |
| Miscellaneous expense         | 418                  | 418                   | -                   | 836                   |
| Advertising                   | 50                   | -                     | -                   | 50                    |
| <br>Total expenses            | <br><u>\$ 73,764</u> | <br><u>\$ 38,298</u>  | <br><u>\$ 1,398</u> | <br><u>\$ 113,460</u> |

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

HURON COUNTY DEVELOPMENT COUNCIL

Statement of Functional Expenses  
For the year ended December 31

|                               | 2017             |                       |                 |                   |
|-------------------------------|------------------|-----------------------|-----------------|-------------------|
|                               | Program Services | Supporting Activities |                 | Total             |
|                               |                  | General               | Fund Raising    |                   |
| Operating expenses:           |                  |                       |                 |                   |
| Payroll and related expenses  | \$ 30,658        | \$ 30,658             | \$ -            | \$ 61,315         |
| Grants                        | -                | -                     | -               | -                 |
| Contract services             | 10,250           | 10,250                | -               | 20,500            |
| Office expense                | 3,821            | 3,821                 | -               | 7,642             |
| Golf outing                   | -                | -                     | 2,570           | 2,570             |
| Insurance                     | 4,750            | 4,750                 | -               | 9,500             |
| Future makers                 | -                | -                     | 1,935           | 1,935             |
| Meetings and travel           | 2,857            | 2,857                 | -               | 5,714             |
| Dues and subscriptions        | 443              | 443                   | -               | 885               |
| Depreciation and amortization | -                | 361                   | -               | 361               |
| Professional services         | 2,276            | 2,276                 | -               | 4,552             |
| Miscellaneous expense         | 340              | 340                   | -               | 680               |
| Advertising                   | 62               | -                     | -               | 62                |
| Total expenses                | <u>\$ 55,456</u> | <u>\$ 55,755</u>      | <u>\$ 4,505</u> | <u>\$ 115,716</u> |

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, 2018 and 2017

### 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

The Council capitalizes all expenditures for property and equipment in excess of \$500. 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, the Council is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions are currently available for operating purposes under the direction of the board, designated by the board for specific use, or invested in property and equipment.

Net assets with donor restrictions are stipulated by donors for specific operating purposes or for the acquisition of property and equipment or are time restricted. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Contributions whose restrictions are met in the same reporting period are reflected as contributions without donor restrictions.

## HURON COUNTY DEVELOPMENT COUNCIL

### Notes to Financial Statements For the years ended December 31, 2018 and 2017

#### 2. Summary of significant accounting policies - continued

##### Accounting basis - continued

There were net assets with donor restrictions of \$3,065 and \$3,065 held at December 31, 2018 and 2017, respectively.

Net assets with donor restrictions that they be held in perpetuity 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 net assets with donor restrictions that they be held in perpetuity held in 2018 and 2017.

##### 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.

##### Uncertain tax positions

The financial statement effects of a tax position taken or expected to be taken are recognized in the financial statements when it is more likely than not, based on the technical merits, that the position will be sustained upon examination. Interest and penalties, if any, are included in expenses in the statement of activities. As of December 31, 2018, the Council had no uncertain tax positions that qualify for recognition or disclosure in the financial statements.

## HURON COUNTY DEVELOPMENT COUNCIL

### Notes to Financial Statements For the years ended December 31, 2018 and 2017

#### 2. Summary of significant accounting policies - continued

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 2015.

##### Subsequent events

Management has evaluated subsequent events to December 31, 2018 through the date of the opinion letter and has concluded that no additional disclosures are required.

#### 3. Support

The Huron County Commissioners provided \$35,250 in 2018 and \$47,000 in 2017 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. Liquidity and funds available

The following table reflects the Council's financial assets as of December 31, 2018, reduced by amounts not available for general expenditure within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year, assets held by others, perpetual endowments, or because the governing board has set aside the funds for a specific contingency reserve or a long-term investment as board designated endowments. These board designations could be drawn upon if the board approves that action.

**HURON COUNTY DEVELOPMENT COUNCIL**

**Notes to Financial Statements  
For the years ended December 31, 2018 and 2017**

**5. Liquidity and funds available - continued**

|  |                   |
|--|-------------------|
| Financial assets:  |                   |
| Cash   | \$100,047         |
| Employee advance   | <u>1,373</u>      |
| Financial assets at year-end   | <u>101,420</u>    |
| Less those unavailable for general expenditure within one year:                        |                   |
| None   | <u>-</u>          |
| Financial assets available to meet cash needs for general expenditures within one year | <u>\$ 101,420</u> |

The Council has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

**6. Adoption of new accounting standard**

The Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-14, Presentation of Financial Statements of Not-for-Profit Entities (Topic 958) became effective for the Council's financial statements beginning in 2018. The ASU amends how not-for-profit organizations classify their net assets, as well as the information presented in the financial statements and notes about liquidity, financial performance and cash flows. The Council adopted this new standard during the year ended December 31, 2018 on a retrospective basis. Below is a summary of the changes made.

The Organization has adjusted the presentation of its financial statements accordingly, applying the changes retrospectively to the comparative period presented. The new standards change the following aspects of the Organization's financial statements:

- The temporarily restricted (and permanently restricted) net asset classes have been combined into a single net asset class called net assets with donor restrictions.
- The unrestricted net asset class has been renamed net assets without donor restrictions.
- The financial statements include a new disclosure about liquidity and availability of resources (Note 5).

The changes have the following effect on net assets at January 1, 2017:

**HURON COUNTY DEVELOPMENT COUNCIL**

**Notes to Financial Statements  
For the years ended December 31, 2018 and 2017**

**6. Adoption of new accounting standard – continued**

| <u>Net Asset Class</u>                | <u>As Originally<br/>Presented</u> | <u>After Adoption of<br/>ASU 2016-14</u> |
|---------------------------------------|------------------------------------|--|
| Unrestricted net assets               | \$87,679                           | \$ -                                     |
| Temporarily restricted net assets     | 3,065                              | -  |
| Permanently restricted net assets     | -                                  | -  |
| Net assets without donor restrictions | -                                  | 87,679                                   |
| Net assets with donor restrictions    | <u>-</u>                           | <u>3,065</u>                             |
| Total net assets                      | <u>\$90,744</u>                    | <u>\$90,744</u>                          |

In addition, certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

**7. Expenses by both nature and function**

The statements of functional expenses report certain categories of expenses that are attributable to one or more program or supporting functions of the Council. These expenses include payroll and related expenses, grants, insurance, office expenses and other operating expenses. Payroll and related expenses are allocated based upon individual job duties. The remaining costs are allocated based on estimates made by management of the functions benefited by the specific cost item.



**HURON COUNTY DEVELOPMENT COUNCIL**

**Statements of Financial Position  
December 31**

| <b>Assets</b>                                     | <b><u>2017</u></b>      | <b><u>2016</u></b>       |
|---|-------------------------|--------------------------|
| <b>Current assets:</b>                            |                         |                          |
| Cash  | \$ 91,850               | \$ 117,352               |
| <b>Property, at cost:</b>                         |                         |                          |
| Equipment   | 1,450                   | 1,450                    |
| Software  | 3,627                   | 3,627                    |
|   | <u>5,077</u>            | <u>5,077</u>             |
| Less accumulated depreciation<br>and amortization | <u>4,408</u>            | <u>4,046</u>             |
|   | <u>669</u>              | <u>1,031</u>             |
| <b>Total assets</b>                               | <b><u>\$ 92,519</u></b> | <b><u>\$ 118,383</u></b> |
| <b>Liabilities and net assets</b>                 |                         |                          |
| <b>Liabilities:</b>                               |                         |                          |
| Payroll liabilities                               | \$ 1,775                | \$ 1,669                 |
| <b>Net assets:</b>                                |                         |                          |
| Unrestricted                                      | 87,679                  | 116,714                  |
| Temporarily restricted                            | 3,065                   | -                        |
|   | <u>90,744</u>           | <u>116,714</u>           |
| <b>Total liabilities and net assets</b>           | <b><u>\$ 92,519</u></b> | <b><u>\$ 118,383</u></b> |

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

**HURON COUNTY DEVELOPMENT COUNCIL**

**Statements of Activities  
For the years ended December 31**

|   | <u>2017</u><br>Amount | <u>2016</u><br>Amount |
|---|-----------------------|-----------------------|
| <b>Unrestricted net assets:</b>             |                       |                       |
| <b>Revenues and support:</b>                |                       |                       |
| Local government support                    | \$ 58,975             | \$ 54,170             |
| Membership dues                             | 16,300                | 20,400                |
| Jobs Ohio Retention/Expansion               | 4,450                 | 5,000                 |
| Grants                                      | 1,900                 | 4,900                 |
| Golf outing                                 | 2,570                 | 10,488                |
| Luncheon income                             | -                     | 1,100                 |
| Interest income                             | 50                    | 50                    |
| Miscellaneous income                        | 501                   | 210                   |
| Assets released from temporary restrictions | 1,935                 | -                     |
|   | <b>86,681</b>         | <b>96,318</b>         |
| <br>  |                       |                       |
| <b>Operating expenses:</b>                  |                       |                       |
| Payroll and related expenses                | 61,315                | 58,571                |
| Contract services                           | 20,500                | 26,639                |
| Office expense                              | 7,642                 | 11,302                |
| Golf outing                                 | 2,570                 | 3,255                 |
| Insurance                                   | 9,500                 | 10,094                |
| Future makers                               | 1,935                 | -                     |
| Meetings and travel                         | 5,714                 | 4,899                 |
| Dues and subscriptions                      | 885                   | 795                   |
| Depreciation and amortization               | 361                   | 382                   |
| Professional services                       | 4,552                 | 1,801                 |
| Miscellaneous expense                       | 680                   | 1,668                 |
| Advertising                                 | 62                    | 1,763                 |
|   | <b>115,716</b>        | <b>121,169</b>        |
| <br>  |                       |                       |
| <b>Change in unrestricted net assets</b>    | <b>(29,035)</b>       | <b>(24,851)</b>       |
| <br>  |                       |                       |
| <b>Temporarily restricted net assets:</b>   |                       |                       |
| Grant                                       | 5,000                 | -                     |
| Assets released from temporary restrictions | (1,935)               | -                     |
|   | <b>3,065</b>          | <b>-</b>              |
| <br>  |                       |                       |
| <b>Change in net assets</b>                 | <b>(25,970)</b>       | <b>(24,851)</b>       |
| <br>  |                       |                       |
| Net assets, beginning of year               | <b>116,714</b>        | 141,565               |
| <br>  |                       |                       |
| Net assets, end of year                     | <b>\$ 90,744</b>      | <b>\$ 116,714</b>     |

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

**HURON COUNTY DEVELOPMENT COUNCIL**

**Statements of Cash Flows  
For the years ended December 31**

|   | <u>2017</u>             | <u>2016</u>              |
|---|-------------------------|--------------------------|
| <b>Cash flows from operating activities:</b>  |                         |                          |
| Change in net assets  | \$ (25,970)             | \$ (24,851)              |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: |                         |                          |
| Depreciation and amortization expense   | 361                     | 382                      |
| Increase in liabilities:  |                         |                          |
| Payroll liabilities   | <u>107</u>              | <u>163</u>               |
| Net cash used in operating activities   | <u>(25,502)</u>         | <u>(24,306)</u>          |
| <b>Net decrease in cash</b>   | <b>(25,502)</b>         | <b>(24,306)</b>          |
| Cash at beginning of year   | <u>117,352</u>          | <u>141,658</u>           |
| Cash at end of year   | <u><u>\$ 91,850</u></u> | <u><u>\$ 117,352</u></u> |

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, 2017 and 2016

### 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 temporarily restricted net assets of \$3,065 and \$-0- held at December 31, 2017 and 2016, respectively.

# HURON COUNTY DEVELOPMENT COUNCIL

## Notes to Financial Statements For the years ended December 31, 2017 and 2016

### 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 2017 and 2016.

#### 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 2014.

#### Subsequent events

Management has evaluated subsequent events to December 31, 2017 through the date of the opinion letter and has concluded that no additional disclosures are required.

### 3. Support

The Huron County Commissioners provided \$47,000 in 2017 and \$42,000 in 2016 as dues and support for the Council.

**HURON COUNTY DEVELOPMENT COUNCIL**

**Notes to Financial Statements  
For the years ended December 31, 2017 and 2016**

**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 2017 and 2016:

|                        | <u>2017</u>       | <u>2016</u>       |
|------------------------|-------------------|-------------------|
| Program services       | \$ 55,456         | \$ 59,645         |
| Management and general | 55,755            | 58,269            |
| Fundraising            | <u>4,505</u>      | <u>3,255</u>      |
|                        | <u>\$ 115,716</u> | <u>\$ 121,169</u> |

**HURON COUNTY DEVELOPMENT COUNCIL**

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

|                               | 2017                        |                                   |                     |                   |
|-------------------------------|-----------------------------|-----------------------------------|---------------------|-------------------|
|                               | <u>Program<br/>Services</u> | <u>Management<br/>and General</u> | <u>Fund Raising</u> | <u>Total</u>      |
| Operating expenses:           |                             |                                   |                     |                   |
| Payroll and related expenses  | \$ 30,658                   | \$ 30,657                         | \$ -                | \$ 61,315         |
| Contract services             | 10,250                      | 10,250                            | -                   | 20,500            |
| Office expense                | 3,821                       | 3,821                             | -                   | 7,642             |
| Golf outing                   | -                           | -                                 | 2,570               | 2,570             |
| Insurance                     | 4,750                       | 4,750                             | -                   | 9,500             |
| Future makers                 | -                           | -                                 | 1,935               | 1,935             |
| Meetings and travel           | 2,857                       | 2,857                             | -                   | 5,714             |
| Dues and subscriptions        | 442                         | 443                               | -                   | 885               |
| Depreciation and amortization | -                           | 361                               | -                   | 361               |
| Professional services         | 2,276                       | 2,276                             | -                   | 4,552             |
| Miscellaneous expense         | 340                         | 340                               | -                   | 680               |
| Advertising                   | 62                          | -                                 | -                   | 62                |
|                               | <u>\$ 55,456</u>            | <u>\$ 55,755</u>                  | <u>\$ 4,505</u>     | <u>\$ 115,716</u> |
| Total expenses                |                             |                                   |                     |                   |

**HURON COUNTY DEVELOPMENT COUNCIL**

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

|                               | 2016                |                           |                 |                   |
|-------------------------------|---------------------|---------------------------|-----------------|-------------------|
|                               | Program<br>Services | Management and<br>General | Fund Raising    | Total             |
| Operating expenses:           |                     |                           |                 |                   |
| Payroll and related expenses  | \$ 29,285           | \$ 29,286                 | \$ -            | \$ 58,571         |
| Contract services             | 13,319              | 13,320                    | -               | 26,639            |
| Office expense                | 5,651               | 5,651                     | -               | 11,302            |
| Golf outing                   | -                   | -                         | 3,255           | 3,255             |
| Insurance                     | 5,047               | 5,047                     | -               | 10,094            |
| Future makers                 | -                   | -                         | -               | -                 |
| Meetings and travel           | 2,449               | 2,450                     | -               | 4,899             |
| Dues and subscriptions        | 397                 | 398                       | -               | 795               |
| Depreciation and amortization | -                   | 382                       | -               | 382               |
| Professional services         | 900                 | 901                       | -               | 1,801             |
| Miscellaneous expense         | 834                 | 834                       | -               | 1,668             |
| Advertising                   | 1,763               | -                         | -               | 1,763             |
|                               | <u>\$ 59,645</u>    | <u>\$ 58,269</u>          | <u>\$ 3,255</u> | <u>\$ 121,169</u> |



# OHIO AUDITOR OF STATE KEITH FABER



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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, 2018, 2017 and 2016, and the related notes to the financial statements, and have issued our report thereon dated December 10, 2019, wherein we noted the Council adopted new accounting guidance in Financial Accounting Standards Board (FASB) Accounting Standards Update 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* during 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 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. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2018-001 to be a material weakness.

### ***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 subject the Council's response to the auditing procedures applied in the audit of the financial statements 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 report is not suitable for any other purpose.



Keith Faber  
Auditor of State

Columbus, Ohio

December 10, 2019

**HURON COUNTY DEVELOPMENT COUNCIL  
HURON COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2018 AND 2017**

|  |
|--|
| <b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS<br/>REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b> |
|--|

**FINDING NUMBER 2018-001**

**Material Weakness – Financial Reporting**

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; 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 as discussed in AU-C Section 210 paragraphs .A14 & .A16.

The Council failed to record a local government support receipt in the amount of \$11,750 in the correct accounting period, resulting in a corresponding understatement of local government support revenues, net assets at the end of the year, and cash for the year ended December 31, 2018.

This error was not identified and corrected prior to the Council preparing its financial statements and notes to the financial statements due to deficiencies in the Council's internal controls over financial statement monitoring. The accompanying financial statements and notes to the financial statements have been adjusted to reflect these changes. An additional error in a smaller relative amount was also noted for the year ended December 31, 2018.

To help ensure the Council's financial statements and notes to the 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 and Board of Trustees to help identify and correct errors and omissions.

**Officials' Response:**

The Huron County Development Council Executive Director, staff, accountant, and/or treasurer will review the annual financial report of the Huron County Development Council to ensure that the report records revenue in the proper period.



**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2018 AND 2017**

| <b>Finding Number</b> | <b>Finding Summary</b>                                      | <b>Status</b>  | <b>Additional Information</b>   |
|-----------------------|---|--|---|
| 2016-001              | Significant deficiency for an error in financial reporting. | Not corrected and reissued as Finding 2018-001 in this report. | The matter reported as part of Finding 2016-001 was corrected during the current audit. However, a matter not previously communicated as part of Finding 2016-001 was identified during the current audit period, resulting in a material weakness. This error occurred due to deficiencies in the Council's internal controls over financial reporting. The Huron County Development Council Executive Director, staff, accountant, and/or treasurer will review the annual financial report of the Huron County Development Council to ensure that the report records revenue in the proper period. |

# OHIO AUDITOR OF STATE KEITH FABER



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  
DECEMBER 26, 2019