



OHIO AUDITOR OF STATE
KEITH FABER



**SPENCER TOWNSHIP – VILLAGE OF WHITEHOUSE
JOINT ECONOMIC DEVELOPMENT ZONE
LUCAS COUNTY
DECEMBER 31, 2018**

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OHIO AUDITOR OF STATE KEITH FABER



INDEPENDENT AUDITOR'S REPORT

Spencer Township-Village of Whitehouse
Joint Economic Development Zone
Lucas County
6925 Providence Street
P.O. Box 2476
Whitehouse, Ohio 45871-2476

To the Board of Directors:

Report on the Financial Statement

We have audited the accompanying financial statement of the cash balances, receipts and disbursements by fund type, and related notes of the Spencer Township-Village of Whitehouse Joint Economic Development Zone, Lucas County, Ohio (the JEDZ) as of and for the year ended December 31, 2018.

Management's Responsibility for the Financial Statement

Management is responsible for preparing and fairly presenting this financial statement in accordance with the financial reporting provisions 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 this financial statement 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 statement is 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 JEDZ's preparation and fair presentation of the financial statement 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 JEDZ'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 opinions.

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

As described in Note 1 of the financial statement, the JEDZ prepared this financial statement 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 (GAAP), to satisfy these requirements.

Although the effects on the financial statement of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the JEDZ does not intend this statement 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 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 statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the JEDZ as of December 31, 2018, and the respective changes in financial position thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of the Spencer Township-Village of Whitehouse Joint Economic Development Zone, Lucas County, Ohio as of December 31, 2018, for the year 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 10, 2019, on our consideration of the JEDZ'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 JEDZ's internal control over financial reporting and compliance.



Keith Faber
Auditor of State

Columbus, Ohio

April 10, 2019

**SPENCER TOWNSHIP - VILLAGE OF WHITEHOUSE
JOINT ECONOMIC DEVELOPMENT ZONE
LUCAS COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGE IN FUND BALANCE (CASH BASIS)
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2018**

| | |
|---|------------------|
| Cash Receipts | |
| Local Taxes | \$1,379,587 |
| Cash Disbursements | |
| Current: | |
| General Government | 50,662 |
| Intergovernmental | 1,310,811 |
| <i>Total Cash Disbursements</i> | <i>1,361,473</i> |
| <i>Net Change in Fund Balance</i> | 18,114 |
| <i>Fund Cash Balance, January 1</i> | 335,885 |
| Fund Cash Balance, December 31 | |
| Unassigned | 353,999 |
| <i>Fund Cash Balance, December 31</i> | \$353,999 |

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

**SPENCER TOWNSHIP - VILLAGE OF WHITEHOUSE
JOINT ECONOMIC DEVELOPMENT ZONE
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2018**

1. Summary of Significant Accounting Policies

A. Description of the Entity

The Spencer Township - Village of Whitehouse Joint Economic Development Zone, Lucas County, Ohio (the JEDZ) contract was entered into as of January 2014 under the authority of Ohio Revised Code Section 715.691. The JEDZ is comprised of Spencer Township and the Village of Whitehouse. The JEDZ operates under an appointed six member Board of Directors established in accordance with Ohio Revised Code Section 715.78(A). The purpose of the JEDZ is to facilitate economic development to create or preserve jobs and employment opportunities and to improve the economic welfare of the people in the JEDZ. Economic development includes development for industry, commerce, distribution or research, as well as other development as determined by the contracting parties. Pursuant to Ohio Revised Code 715.691, the Board adopted a resolution to levy an income tax in the JEDZ at a rate of 1.5%.

B. Basis of Presentation

The JEDZ's financial statement consists of a statement of receipts, disbursements and change in fund balance (regulatory cash basis.)

C. Accounting Basis

This financial statement follows 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.

This statement includes 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.

D. Deposits and Investments

As agreed upon in the JEDZ contract, the Village of Whitehouse is the custodian for the JEDZ's deposits. The Village's deposit and investment pool holds the JEDZ's assets, valued at the Village's reported carrying amount.

E. Fund Accounting

The JEDZ used fund accounting to segregate cash and investments that are restricted as to use. The JEDZ has the following fund:

General Fund – The General Fund is the general operating fund. It is used to report all financial resources.

**SPENCER TOWNSHIP-VILLAGE OF WHITEHOUSE
JOINT ECONOMIC DEVELOPMENT ZONE
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2018
(CONTINUED)**

F. Fund Balance

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

1. Nonspendable

The JEDZ 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

The Board can *commit* amounts via formal action (resolution). The JEDZ must adhere to these commitments unless the Board 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 or a JEDZ 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 JEDZ 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.

**SPENCER TOWNSHIP-VILLAGE OF WHITEHOUSE
JOINT ECONOMIC DEVELOPMENT ZONE
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2018
(CONTINUED)**

2. Deposits and Investments

The Village of Whitehouse, as fiscal agent for the JEDZ, maintains a cash and investments pool used by all of the Village's funds, including those of the JEDZ. The Ohio Revised Code prescribes allowable deposits and investments and the Village of Whitehouse is responsible for compliance. The reported carrying amount of JEDZ deposits and investments at December 31 was \$353,999.

The fiscal agent is responsible for maintaining adequate depository collateral for all funds in the fiscal agent's pooled and deposit accounts. All risks associated with the above deposits are the responsibility of the fiscal agent.

3. Local Income Tax

The JEDZ levies a municipal income tax of 1.5% on substantially all earned income arising from employment or business activities within the JEDZ.

Income taxes are withheld and remitted to the JEDZ by the Village of Whitehouse. Net tax receipts (after approved expenses and/or grants are paid) are distributed as follows: 75% to Spencer Township and 25% to the Village of Whitehouse.

4. Risk Management

The JEDZ has obtained errors and omissions (E&O) insurance for JEDZ Board.

OHIO AUDITOR OF STATE KEITH FABER



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

Spencer Township-Village of Whitehouse
Joint Economic Development Zone
Lucas County
6925 Providence Street
P.O. Box 2476
Whitehouse, Ohio 45871-2476

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 statement of the cash balances, receipts, and disbursements of the Spencer Township-Village of Whitehouse Joint Economic Development Zone, Lucas County, Ohio, (the JEDZ) as of and for the year ended December 31, 2018, and the related notes to the financial statement, and have issued our report thereon dated April 10, 2019, wherein we noted the JEDZ followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the JEDZ'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 statement, but not to the extent necessary to opine on the effectiveness of the JEDZ'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 JEDZ's financial statement. 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 2018-001 to be a significant deficiency.

Compliance and Other Matters

As part of reasonably assuring whether the JEDZ's financial statement is 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*.

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



Keith Faber
Auditor of State

Columbus, Ohio

April 10, 2019

**SPENCER TOWNSHIP – VILLAGE OF WHITEHOUSE
JOINT ECONOMIC DEVELOPMENT DISTRICT
LUCAS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2018**

| |
|---|
| FINDINGS RELATED TO THE FINANCIAL STATEMENT REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS |
|---|

FINDING NUMBER 2018-001

Significant Deficiency

Fund Balance Classification

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 statement; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting a financial statement free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16.

Accurate financial reporting is the responsibility of management and is essential to ensure the information provided to the readers of the financial statement accurately reflects the JEDZ's activity. The JEDZ should have procedures in place to prevent or detect material misstatements for the accurate presentation of the JEDZ's financial statement.

Governmental Accounting Standards Board (GASB) Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, introduces five fund balance classifications and clarifies the existing governmental fund type definitions. The fund balance classifications relate to constraints placed upon the use of resources reported in governmental funds. The five classifications are nonspendable, restricted, committed, assigned, and unassigned.

The unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund (GASB Cod. 1800.177).

Due to a clerical error in preparing the JEDZ's financial statement, the entire general fund balance of \$353,999 at year end was not classified into one of the five classifications listed above. The entire amount should have been classified as unassigned.

This error was not identified and corrected prior to the JEDZ preparing its financial statement due to deficiencies in the JEDZ's internal controls over financial statement monitoring. The accompanying financial statement has been adjusted to reflect this change. Additional insignificant errors were also noted for the year ended December 31, 2018.

To help ensure the JEDZ's financial statement and notes to the financial statement are complete and accurate and to help identify and correct errors and omissions, the JEDZ should adopt policies and procedures, including a final review of the statement and notes to the financial statement by the Fiscal Officer and Board of Directors. The Fiscal Officer can refer to Auditor of State Bulletin 2011-004 for information on Governmental Accounting Standards Board Statement No. 54.

Officials' Response:

We did not receive a response from Officials to this finding.

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OHIO AUDITOR OF STATE
KEITH FABER



SPENCER TOWNSHIP- VILLAGE OF WHITEHOUSE

JOINT ECONOMIC DEVELOPMENT ZONE

LUCAS 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
APRIL 23, 2019**