



OHIO AUDITOR OF STATE
KEITH FABER



**AMERICAN TOWNSHIP (ALLEN COUNTY)
OHIO ENERGY SPECIAL IMPROVEMENT DISTRICT, INC.
ALLEN COUNTY
DECEMBER 31, 2018 AND 2017**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Prepared by Management:	
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Regulatory Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2018	3
Notes to the Financial Statements For the Year Ended December 31, 2018	5
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Regulatory Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2017	9
Notes to the Financial Statements for the Year Ended December 31, 2017	11
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	15
Schedule of Findings.....	17

This page intentionally left blank.

OHIO AUDITOR OF STATE KEITH FABER



One First National Plaza
130 West Second Street, Suite 2040
Dayton, Ohio 45402-1502
(937) 285-6677 or (800) 443-9274
WestRegion@ohioauditor.gov

INDEPENDENT AUDITOR'S REPORT

American Township (Allen County)
Ohio Energy Special Improvement District, Inc
Allen County
C/O Washington Prime Group
Attn: Jeff Pallay
180 E. Broad Street
Columbus, Ohio 43215

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the American Township (Allen County), Ohio Energy Special Improvement District, Inc., Allen County, Ohio (the District) as of and for the years ended December 31, 2018 and 2017.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District'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 District'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 2 of the financial statements, the District prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the District as of December 31, 2018 and 2017, and the respective changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of the American Township (Allen County), Ohio Energy Special Improvement District, Inc., Allen County as of December 31, 2018 and 2017, for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 19, 2020, on our consideration of the District'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 District's internal control over financial reporting and compliance.



Keith Faber
Auditor of State
Columbus, Ohio

February 19, 2020

American Township (Allen County), Ohio Energy Special Improvement District, Inc.

Allen County

Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)

All Governmental Fund Types

For the Year Ended December 31, 2018

	General	Debt Service	Capital projects	Totals (Memorandum Only)
Cash Receipts				
ESID Special Assessment	-	\$135,950	-	\$135,950
Earnings on Investments	-	-	\$2,402	2,402
<i>Total Cash Receipts</i>	<u>-</u>	<u>135,950</u>	<u>2,402</u>	<u>138,352</u>
Cash Disbursements				
Administrative Expenses	-	1,500	-	1,500
Disbursement draws	-		92,405	92,405
Debt Service:				-
Principal Retirement	-	69,000	-	69,000
Interest and Fiscal Charges	-	61,000	-	61,000
<i>Total Cash Disbursements</i>	<u>-</u>	<u>131,500</u>	<u>92,405</u>	<u>223,905</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>-</u>	<u>4,450</u>	<u>(90,003)</u>	<u>(85,553)</u>
Other Financing Receipts (Disbursements)				
Transfers In	\$4,450			4,450
Transfers Out		(4,450)		(4,450)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>4,450</u>	<u>(4,450)</u>	<u>-</u>	<u>-</u>
<i>Net Change in Fund Cash Balances</i>	4,450	-	(90,003)	(85,553)
<i>Fund Cash Balances, January 1</i>	9,550	750	153,354	163,654
Fund Cash Balances, December 31				
Restricted	<u>14,000</u>	<u>750</u>	<u>63,351</u>	<u>78,101</u>
<i>Fund Cash Balances, December 31</i>	<u>\$14,000</u>	<u>\$750</u>	<u>\$63,351</u>	<u>\$78,101</u>

See accompanying notes to the basic financial statements.

This page intentionally left blank.

American Township (Allen County), Ohio Energy Special Improvement District, Inc.
Allen County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 1 - Reporting Entity

The American Township (Allen County), Ohio Energy Special Improvement District (the District) is a not for-profit corporation formed to govern an energy special improvement district pursuant to Ohio Revised Code Chapter 1710. The District was established as a mechanism to effect the construction of energy efficiency improvements for the benefit of its members and the community generally.

The District is directed by an appointed five member board of directors. Three members are representatives of the Washington Prime Group (owner management company – Lima Mall), one member is a representative of the Port Authority of Allen County, and one member is a representative of American Township, Allen County.

The Board of Director's authority was transferred to a Trustee, Huntington National Bank, by the Cooperative Agreement dated October 1, 2015. The Trustee executes all provisions of the Trust Agreement dated October 1, 2015 entered into by the Port Authority of Allen County and the Trustee, Huntington National Bank.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The District's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (cash basis) for all governmental fund types.

Fund Accounting

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the District are presented below:

General Fund: The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the District for any purpose. The District calls its General Fund the ESID Administrative Expense Fund.

Debt Service Funds: These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The District had the following significant Debt Service Fund:

Bond Fund - The Bond Fund, including the Revenue Fund, Principal Account and Interest Account therein, accounts for the portion of the special assessments received that are pledged to the payment of interest and principal on the \$1,366,000 Property Assessed Clean Energy Taxable Revenue Bonds (Lima Mall Project), Series 2015, issued by the Port Authority of Allen County (the "Bonds") under the Trust Agreement date October 1, 2015, by and between the Port Authority of Allen County and the Huntington National Bank.

Capital Project Funds: These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The District had the following capital project fund:

Project Fund - The Project Fund accounts for and reports proceeds of the \$1,366,000 Property Assessed Clean Energy Taxable Revenue Bonds (Lima Mall Project), Series 2015, issued by the Port Authority of Allen County under the Trust Agreement date October 1, 2015, by and between the Port Authority of Allen County and the Huntington National Bank. The proceeds are restricted for construction of energy efficiency improvements further described in the Trust Agreement.

American Township (Allen County), Ohio Energy Special Improvement District, Inc.
Allen County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The District recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred.

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

Deposits and Investments

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

The District values U.S. Treasury Notes at cost. Money market mutual funds are recorded at share values the mutual funds report.

Fund Balance

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

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

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.

Committed Governing Board can *commit* amounts via formal action (resolution). The District must adhere to these commitments unless the Governing Board amends 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.

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 District or a District official delegated that authority by resolution, or by State Statute.

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 District 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.

American Township (Allen County), Ohio Energy Special Improvement District, Inc.
Allen County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 3 – Debt

Debt outstanding at December 31, 2018 was as follows:

	Principal	Interest Rate
Assessment Revenue Bonds	\$1,168,000	5%

The debt outstanding includes only the \$1,366,000 Property Assessed Clean Energy Taxable Revenue Bonds (Lima Mall Project), Series 2015, issued by the Port Authority of Allen County under the Trust Agreement date October 1, 2015, by and between the Port Authority of Allen County and the Huntington National Bank (the “Trust Agreement”). The Bonds are payable only from the Pledged Revenues under the Trust Agreement consisting of assessments levied by American Township (Allen County), Ohio, and assigned to The Huntington National Bank, as trustee, for the benefit of bondholders. Assessments are payable semiannually on each June 1 and December 1, with the final payment occurring on December 1, 2030. The Bonds were issued to finance energy efficiency improvements in accordance with ORC Chapter 1710.

Amortization

Amortization of the above debt, including interest, is scheduled as follows:

	Special Assessment Bonds
Year ending December 31:	
2019	\$130,500
2020	130,800
2021	130,900
2022	130,800
2023	130,500
2024-2028	652,325
2029-2030	<u>261,575</u>
Total	<u>\$1,567,400</u>

Debt Service Trust Funds

The Trust Agreement dated October 1, 2015, by and between the Port Authority of Allen County and the Huntington National Bank (the “Trust Agreement”) required the District to establish a debt service fund to be maintained by The Huntington National Bank (the “Trustee”). The Bond Fund (includes “Principal account” and “Interest account” and the Revenue Fund) held under the Trust Agreement has been established for this purpose. At December 31, 2018, the Trustee held \$750 dollars in this account.

Note 4 – Other Trust Funds

The Trust Agreement required the District to establish a construction fund to be maintained by the Trustee and used to fund construction of energy efficiency improvements. The Project Account held under the Trust Agreement has been established for this purpose and is reported on the financial statements as a capital projects fund. At December 31, 2018, the Trustee held \$63,351 in this account.

The Trust Agreement required the District to establish an administrative expense fund to be maintained by The Huntington National Bank and use to pay administrative expenses incurred by the District. The Administrative Expense Account held under the Trust Agreement has been established for this purpose and is reported on the financial statements as a Special Revenue Fund. At December 31, 2018, the Trustee held \$14,000 in this account for this purpose.

This page intentionally left blank.

American Township (Allen County), Ohio Energy Special Improvement District, Inc.

Allen County

Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)

All Governmental Fund Types

For the Year Ended December 31, 2017

	General	Debt Service	Capital projects	Totals (Memorandum Only)
Cash Receipts				
ESID Special Assessment	-	\$135,950	-	\$135,950
Earnings on Investments	-	-	\$2,647	2,647
<i>Total Cash Receipts</i>	-	135,950	2,647	138,597
Cash Disbursements				
Administrative Expenses	-	-	-	-
Disbursement draws	-		1,017,500	1,017,500
Debt Service:				-
Principal Retirement	-	66,000	-	66,000
Interest and Fiscal Charges	-	64,325	-	64,325
<i>Total Cash Disbursements</i>	-	130,325	1,017,500	1,147,825
<i>Excess of Receipts Over (Under) Disbursements</i>	-	5,625	(1,014,853)	(1,009,228)
Other Financing Receipts (Disbursements)				
Cost of Issuance			(25,000)	(25,000)
Transfers In	\$4,125			4,125
Transfers Out		(4,125)		(4,125)
<i>Total Other Financing Receipts (Disbursements)</i>	4,125	(4,125)	(25,000)	(25,000)
<i>Net Change in Fund Cash Balances</i>	4,125	1,500	(1,039,853)	(1,034,228)
<i>Fund Cash Balances, January 1</i>	5,425	(750)	1,193,207	1,197,882
Fund Cash Balances, December 31				
Restricted	9,550	750	153,354	163,654
<i>Fund Cash Balances, December 31</i>	<u>\$9,550</u>	<u>\$750</u>	<u>\$153,354</u>	<u>\$163,654</u>

See accompanying notes to the basic financial statements.

This page intentionally left blank.

American Township (Allen County), Ohio Energy Special Improvement District, Inc.
Allen County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 1 - Reporting Entity

The American Township (Allen County), Ohio Energy Special Improvement District (the District) is a not for-profit corporation formed to govern an energy special improvement district pursuant to Ohio Revised Code Chapter 1710. The District was established as a mechanism to effect the construction of energy efficiency improvements for the benefit of its members and the community generally.

The District is directed by an appointed five member board of directors. Three members are representatives of the Washington Prime Group (owner management company – Lima Mall), one member is a representative of the Port Authority of Allen County, and one member is a representative of American Township, Allen County.

The Board of Director's authority was transferred to a Trustee, Huntington National Bank, by the Cooperative Agreement dated October 1, 2015. The Trustee executes all provisions of the Trust Agreement dated October 1, 2015 entered into by the Port Authority of Allen County and the Trustee, Huntington National Bank.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The District's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (cash basis) for all governmental fund types.

Fund Accounting

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the District are presented below:

General Fund: The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the District for any purpose. The District calls its General Fund the ESID Administrative Expense Fund.

Debt Service Funds: These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The District had the following significant Debt Service Fund:

Bond Fund - The Bond Fund, including the Revenue Fund, Principal Account and Interest Account therein, accounts for the portion of the special assessments received that are pledged to the payment of interest and principal on the \$1,366,000 Property Assessed Clean Energy Taxable Revenue Bonds (Lima Mall Project), Series 2015, issued by the Port Authority of Allen County (the "Bonds") under the Trust Agreement date October 1, 2015, by and between the Port Authority of Allen County and the Huntington National Bank.

Capital Project Funds These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The District had the following capital project fund:

Project Fund - The Project Fund accounts for and reports proceeds of the \$1,366,000 Property Assessed Clean Energy Taxable Revenue Bonds (Lima Mall Project), Series 2015, issued by the Port Authority of Allen County under the Trust Agreement date October 1, 2015, by and between the Port Authority of Allen County and the Huntington National Bank. The proceeds are restricted for construction of energy efficiency improvements further described in the Trust Agreement.

American Township (Allen County), Ohio Energy Special Improvement District, Inc.
Allen County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The District recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred.

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

Deposits and Investments

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

The District values U.S. Treasury Notes at cost. Money market mutual funds are recorded at share values the mutual funds report.

Fund Balance

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

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

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.

Committed Governing Board can *commit* amounts via formal action (resolution). The District must adhere to these commitments unless the Governing Board amends 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.

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 District or a District official delegated that authority by resolution, or by State Statute.

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 District 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.

American Township (Allen County), Ohio Energy Special Improvement District, Inc.
Allen County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 3 – Debt

Debt outstanding at December 31, 2017 was as follows:

	Principal	Interest Rate
Assessment Revenue Bonds	\$1,237,000	5%

The debt outstanding includes only the \$1,366,000 Property Assessed Clean Energy Taxable Revenue Bonds (Lima Mall Project), Series 2015, issued by the Port Authority of Allen County under the Trust Agreement date October 1, 2015, by and between the Port Authority of Allen County and the Huntington National Bank (the “Trust Agreement”). The Bonds are payable only from the Pledged Revenues under the Trust Agreement consisting of assessments levied by American Township (Allen County), Ohio, and assigned to The Huntington National Bank, as trustee, for the benefit of bondholders. Assessments are payable semiannually on each June 1 and December 1, with the final payment occurring on December 1, 2030. The Bonds were issued to finance energy efficiency improvements in accordance with ORC Chapter 1710.

Amortization

Amortization of the above debt, including interest, is scheduled as follows:

Year ending December 31:	Special Assessment Bonds
2018	\$130,000
2019	130,500
2020	130,800
2021	130,900
2022	130,800
2023-2027	652,225
2028-2030	<u>392,175</u>
Total	<u>\$1,697,400</u>

Debt Service Trust Funds

The Trust Agreement dated October 1, 2015, by and between the Port Authority of Allen County and the Huntington National Bank (the “Trust Agreement”) required the District to establish a debt service fund to be maintained by The Huntington National Bank (the “Trustee”). The Bond Fund (includes “Principal account” and “Interest account” and the Revenue Fund) held under the Trust Agreement has been established for this purpose. At December 31, 2017, the Trustee held \$750 dollars in this account.

Note 4 – Other Trust Funds

The Trust Agreement required the District to establish a construction fund to be maintained by the Trustee and used to fund construction of energy efficiency improvements. The Project Account held under the Trust Agreement has been established for this purpose and is reported on the financial statements as a capital projects fund. At December 31, 2017, the Trustee held \$153,354 in this account.

The Trust Agreement required the District to establish an administrative expense fund to be maintained by The Huntington National Bank and use to pay administrative expenses incurred by the District. The Administrative Expense Account held under the Trust Agreement has been established for this purpose and is reported on the financial statements as a Special Revenue Fund. At December 31, 2017, the Trustee held \$9,550 in this account for this purpose.

The page intentionally left blank.

OHIO AUDITOR OF STATE KEITH FABER



One First National Plaza
130 West Second Street, Suite 2040
Dayton, Ohio 45402-1502
(937) 285-6677 or (800) 443-9274
WestRegion@ohioauditor.gov

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

American Township (Allen County)
Ohio Energy Special Improvement District, Inc.
Allen County
C/O Washington Prime Group
Attn: Jeff Pally
180 E. Broad Street
Columbus, Ohio 43215

To the Board of Directors:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of the American Township (Allen County), Ohio Energy Special Improvement District, Inc., Allen County, (the District) as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements and have issued our report thereon dated February 19, 2020, wherein we noted the District 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 District'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 District'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 District'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 District'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*.

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



Keith Faber
Auditor of State
Columbus, Ohio

February 19, 2020

**AMERICAN TOWNSHIP (ALLEN COUNTY)
OHIO ENERGY SPECIAL IMPROVEMENT DISTRICT, INC.
ALLEN COUNTY**

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

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

FINDING NUMBER 2018-001

Material Weakness

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 following errors were identified in the December 31, 2018 and 2017 financial statements:

- Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, (GASB Codification 1800.165), effective for periods beginning after June 15, 2010, established criteria for classifying fund balances into specifically defined classifications based on the constraints placed upon the resources. GASB 54 was not implemented for the years ending December 31, 2018 and 2017.

As a result of not implementing GASB 54, the December 31, 2018 the General Fund, Debt Service Fund and Capital Projects Fund ending balances of \$14,000, \$750, and \$63,351, respectively, had to be reclassified from fund cash balances to restricted fund balances. Also, the December 31, 2017 General Fund, Debt Service Fund and Capital Projects Fund ending balances of \$9,550, \$750, and \$153,354, respectively, had to be reclassified from fund cash balances to restricted fund balances.

- During 2018, the semi-annual excess revenues and estimated expenses per trust agreement section 4.05(e) and the Cooperative Agreement Bond schedule B amortization schedule were not transferred out of the Debt Service – Revenue Fund and transferred into the General Fund in the amount of \$800 and \$1,500, respectively for the June 2018 payment and \$650 and \$1,500 for the December 2018 payment.
- During 2018, a prior period adjustment of \$12,000 was recorded as an administrative expenses disbursement in the General Fund and a negative administrative expenses disbursement in the Capital Projects Project Fund; however, this should have been a beginning fund balance adjustment during 2017 from the General Fund to the Capital Projects Project Fund.
- During 2018, \$5,050 was recorded as negative interest and fiscal charges disbursement in the General Fund and was recorded as a positive interest and fiscal charges disbursement in the Debt Service Revenue Fund; however, \$4,125 should have been recorded as a transfers in during 2017 in the General Fund and as a transfers out in the Debt Service Revenue Fund for semi-annual excess revenues and estimated expenses per trust agreement section 4.05(e) and the Cooperative Agreement Bond schedule B amortization schedule \$150 and \$1,500, respectively for the June 2017 payment and \$975 and \$1,500 for the December 2017 payment. The remaining balance of \$925 related to a prior period adjustment and should have been a beginning fund balance adjustment during 2017 from the Debt Service Revenue Fund to the General Fund.

**FINDING NUMBER 2018-001
(Continued)**

- During 2018, special assessments were recorded in the Debt Service Principal Fund in the amount of \$64,925 and \$67,975, respectively for the June and December payments. The principal and interest payments for the June and December debt payments were then paid from this fund also. Per the Trust agreement section 4.01 and section 4.05 (c), special assessments are to be deposited into the Debt Service Revenue Fund. Per the Trust agreement section 4.05(e), the Debt Service Revenue Fund shall transfer the amount needed for each debt payment to the Debt Service Principal Account Fund and Debt Service Interest Account Fund. Per the Trust Agreement sections 4.01 and section 4.03 the principal payments should be paid from the Debt Service Principal Account Fund and the interest payments should be paid from the Debt Service Interest Account Fund. This resulted in excess funds remaining in the Debt Service Principal Account Fund that had to be adjusted to the Debt Service Revenue Fund in the amount of \$2,900.
- During 2017, a prior period adjustment in the amount of \$25,000 was recorded as an administrative expenses disbursement in the General Fund; however, this should have been a beginning fund balance adjustment from the General Fund to the Capital Projects Project Fund. The \$25,000 cost of issuance should have been posted to the Capital Projects Project fund as a cost of issuance disbursement and not to the General Fund as an administrative expenses disbursement.

The 2018 and 2017 notes to the financial statements also contained errors such as, but not limited to errors in the description of the Basis of Presentation, the failure to disclose a description of the Debt Service Revenue Fund and errors in the debt note.

The accompanying financial statements and notes to the financial statements, and where necessary, the accounting records, have been adjusted to correct these recording errors.

Errors in the financial statements and supporting ledgers inhibit the ability of both the Board and the Record Keeper to monitor financial activity and to identify, analyze, and react to risks to make sound financial decisions. Reliance on financial information that contains errors could result in noncompliance with laws and regulations applicable to the District. In addition, financial information with errors reduces the likelihood that irregularities will be detected in a timely manner. Since the notes to the financial statements further the understanding of the financial statements, errors impact the users understanding of the financial statements and the District.

During 2018 and 2017, the Board did not hold any meetings and were not presented with detailed financial reports for review. Failure to review detailed financial reports may have contributed to the failure to identify the recording errors.

The errors identified above should be reviewed by the Board to help ensure that similar errors do not occur in subsequent years. The Record Keeper should provide the Board with detailed financial reports, such as but not limited to receipt reports which show the receipts by classification for each fund. The review of these reports by the Board will assist in the identification of recording errors in a timely manner. The annual financial statements and notes to the financial statements should be reviewed by the Board and Record Keeper to help detect errors.

OFFICIALS' RESPONSE: We did not receive a response from Officials to this finding.

OHIO AUDITOR OF STATE KEITH FABER



AMERICAN TOWNSHIP, OHIO ENERGY SPECIAL IMPROVEMENT DISTRICT, INC.

ALLEN 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 2, 2020**