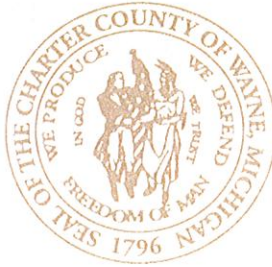


Office of Legislative
Auditor General

MARCELLA CORA CPA, CIA, CICA, CGMA
AUDITOR GENERAL



500 GRISWOLD STREET
STE. 842 GUARDIAN BLDG
DETROIT, MICHIGAN 48226

TELEPHONE: (313) 224-8354

August 9, 2018

FINAL REPORT TRANSMITTAL LETTER

Wayne County Commission:

Enclosed is our copy of the Office of Legislative Auditor General's Financial Assessment – Limited Review report for the Greater Wayne County Economic Development Corporation's audited financial statements for the fiscal years ended September 30, 2017 and 2016. Our report is dated June 4, 2018; DAP No. 2018-57-903. The report was accepted by the Committee on Audit at its meeting held on August 1, 2018 and formally received by the Wayne County Commission on August 9, 2018.

We are pleased to inform you that officials from the Greater Wayne County Economic Development Corporation provided their full cooperation. If you have any questions, concerns, or desire to discuss the report in greater detail, we would be happy to do so at your convenience. This report is intended for your information and should not be used for any other purpose.

Sincerely,

Marcella Cora, CPA, CIA, CGMA, CICA
Auditor General

REPORT DISTRIBUTION

Wayne County Economic Development Corporation

Khalil Rahal Executive Director, Wayne County Economic Development Corporation

Department of Management & Budget

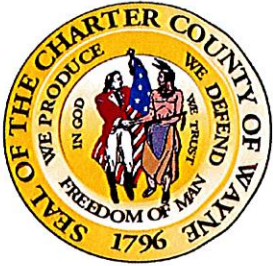
Henry Dachowitz, Chief Financial Officer

Mathieu Dube, Deputy Chief Financial Officer

Yogesh Gusani, Director of Financial Reporting

Shauntika Bullard, Assistant Director, Grants Compliance and Contract Management

Wayne County Executive



WAYNE COUNTY OFFICE OF LEGISLATIVE AUDITOR GENERAL

County of Wayne, Michigan
Office of Legislative Auditor General

Financial Assessment – Limited Review Report

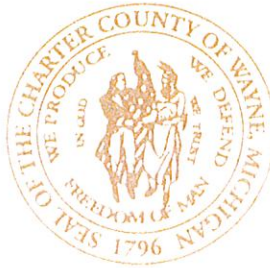
Greater Wayne County Economic Development Corporation
Years Ended September 30, 2017 and 2016
Financial Statements

DAP NO. 2018-57-903

June 4, 2018

Office of Legislative
Auditor General

MARCELLA CORA CPA, CIA, CICA, CGMA
AUDITOR GENERAL



500 GRISWOLD STREET
STE. 842 GUARDIAN BLDG
DETROIT, MICHIGAN 48226

TELEPHONE: (313) 224-8354

June 4, 2018

DAP No. 2018-57-903

Honorable Raymond E. Basham, Chairman
Committee on Audit
Wayne County Commission
County of Wayne, Michigan
500 Griswold, Suite 766
Detroit, MI 48226

Subject: Office of Legislative Auditor General's Financial Assessment – Limited Review
Report of the Greater Wayne County Economic Development Corporation's
financial statements for the fiscal years ended September 30, 2017 and 2016.

Dear Chairman Basham:

The Office of Legislative Auditor General (OAG) received (see Attachment) the Greater Wayne County Economic Development Corporation's (GWCEDC) financial statements for the fiscal years ended September 30, 2017 and 2016. We elected to conduct a limited review of their financial statements for the fiscal years ended September 30, 2017 and 2016.

Our limited review is substantially less in scope than an examination or audit in accordance with Generally Accepted Government Auditing Standards or Generally Accepted Auditing Standards, the objective of which is the expression of an opinion on the audited financial statements. Accordingly, we do not express such an opinion.

Our limited review of the Greater Wayne County Economic Development Corporation's audited financial statements for the fiscal years ended September 30, 2017 and 2016 included, but was not necessarily limited to, a thorough and complete review of the financial statements, limited inquiries of Department of Management & Budget officials and analytical review procedures. Below we have summarized some key items from the financial statements for consideration by the committee and commission members:

Background

- Greater Wayne County Economic Development Corporation (GWCEDC) was created on November 22, 2004 as a Michigan Public Body Corporate. It was created through an inter-local agreement between the Economic Development Corporation (EDC) of the Charter County of Wayne, Michigan (The County) the EDC of the City of Taylor, and the EDC of the City of Detroit for the purpose of administering economic development programs and function in Michigan.
- The GWCEDC is governed by Executive Committee and a ten member Board of Directors. The County Executive appoints six (6) of the board members. The other board members are appointed by the EDC of the City of Detroit, The EDC of the City of Taylor, the EDC of Wayne County, and the final board member is appointed by the Wayne County Commission.
- For financial reporting purposes, the GWCEDC is a component unit of the County of Wayne, and though the GWCEDC is a separate legal entity, its financial results are included in the County's CAFR as a component unit. As a component unit, the County is financially accountable.
- The Greater Wayne County Economic Development Corporation's main source of funding is "Facilities Fees" of \$523,600 from the Wayne County Building Authority issuance of (a) \$7,365,000 Building Authority Revenue Bonds, Series 2011A, the proceeds of which were used to acquire a building located in Hamtramck and (b) \$7,595,000 Building Authority Revenue Bonds, Series 2011B, the proceeds of which were used to acquire a building in Inkster. The Building Authority charged the seller of the Hamtramck building a facility fee of \$257,775 and charged the seller of the Inkster building a facility fee of \$265,825 (collectively, the "Facilities Fees"). The Facilities Fees were deposited with the GWCEDC and were required, per the bond documents, to be used to grant funds to third parties unrelated to both GWCEDC and Wayne County, Michigan for economic development purposes. As of September 30, 2017 and 2016, \$264,075 and \$339,075, respectively, remains available to be granted. The GWCEDC's only revenue for FY ending September 30, 2017 and 2016 is Interest Income of \$3,103 and \$3,143, respectively.

External Auditors Reports and Letters

- Plante & Moran, PLLC, the independent external auditor, stated that the financial statements presented fairly, in all material respects, the financial position of the governmental activities and General Fund of the GWCEDC as of September 30, 2017. In addition the changes in its

financial position for the year ended were in accordance with accounting principles generally accepted in the United States of America. This type of opinion is issued by an auditor when the financial statements presented are free of material misstatements and are represented fairly in accordance with the Generally Accepted Accounting Principles. It is the best type of opinion an entity may receive from an external auditor.

The basic financial statements of the governmental activities and General Fund of the Greater Wayne County Economic Development Corporation as of and for the year ended September 30, 2016 were audited by a predecessor auditor, which expressed unmodified opinions on the governmental activities and General Fund. The predecessor auditor's report was dated February 7, 2017.

- A Report on Internal Controls over Financial Reporting and on Compliance and Other Matters was provided in accordance with Generally Accepted Government Auditing Standards. The report identified a deficiency in internal controls over financial reporting that is considered a material weakness; and, noncompliance with laws and regulations (*see the internal controls/compliance section below*).

Financial Results /Operations

The GWCEDC's only major fund is the General Fund, which is the primary operating fund because it accounts for all financial resources used to provide government services other than those specifically assigned to another fund.

Statement of Net Position (In Thousands)

Description	FY 2017	FY 2016	Increase /(Decrease)	Primary Reasons
Assets	\$304,459	\$402,715	(\$98,256)	This decrease is primarily due to a \$90,000 write off of forgivable loans.
Liabilities	\$19,250	\$12,325	\$6,925	
Change in Net Position	\$285,299	390,390	(\$105,091)	

*See Wayne Co. GWCEDC Audited Financial Statements, FYE 9/30/2017, pg. 9

Internal Controls/Compliance

The GWCEDC's Report on Internal Controls over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements disclosed a deficiency in internal controls over financial reporting that was considered to be material weakness. It also disclosed an issue of noncompliance with laws and regulations.

Potential Risk Exposures

Noncompliance with Laws and Regulations

Public Act 2 of 1968 requires that all local units of government, in Michigan, adopt balanced budgets, to establish responsibilities and define the procedures for preparation, adoption and maintenance of the budget, and to require certain information for the budget process. The GWCEDC was required to adopt a budget for their main operating fund, which had total expenditures of approximately \$108,000 and \$181,000 for fiscal year ending September 30, 2017 and 2016, respectively. The Board did not meet during FY 2017. The external auditors recommended GWCEDC to adopt an annual budget, in accordance with Michigan Law. This finding was also cited in the FY 2016 audit.

During our inquiry with management, we were informed the Board of Directors met in December of 2017; however, they did not approve a budget for Fiscal Year 2018. Management indicated a Board meeting will be scheduled at which a budget will be approved in accordance with Public Act 2.

Loans Forgiven Were not Properly Classified – Material Weakness

The GWCEDC enters into loan agreements with not-for-profit organizations and writes off these loans upon completion of the project. For the year ended September 30, 2017, the GWCEDC forgave \$90,000 in loans. Instead of being reported as loan forgiveness, the GWCEDC classified these payments as professional services and other expenditures. An adjustment was identified as part of the audit to properly reclassify forgiven loans for correct financial statement presentation. This was a result of the GWCEDC not having the proper procedures in place to ensure that the general ledger was properly stated and supported. The external auditors recommended the GWCEDC place additional emphasis on producing complete and accurate financial information.

Conclusion

Based on our limited review, nothing came to our attention that caused us to believe the Greater Wayne County Economic Development Corporation audited financial statements are not presented in conformity with generally accepted accounting principles.

It is our recommendation that the Greater Wayne County Economic Development Corporation's audited financial statements for fiscal years ended September 30, 2017 and 2016 are forwarded to the Wayne County Commission for receiving and filing.

Chairman Basham
Greater Wayne County Economic Development Corporation
DAP No. 2018-57-903
June 4, 2018
Page 5 of 5

Respectfully submitted,

A handwritten signature in black ink that reads "Marcella Cora". The signature is written in a cursive, flowing style.

Marcella Cora, CPA, CIA, CICA, CGMA
Auditor General

Cc: Henry Dachowitz, Chief Financial Officer
Mathieu Dube, Deputy Chief Financial Officer
Yogesh Gusani, Director of Financial Reporting
Shauntika Bullard, Assistant Director, Grants Compliance and Contract Management
Khalil Rahal, Director of Economic Development Corporation

Attachment

**Greater Wayne County Economic Development Corporation
Financial Statements
Fiscal Years Ended September 30, 2017 and 2016**

Greater Wayne County Economic Development Corporation (GWCEDC)

(a discretely presented component unit of the County of Wayne, Michigan)

Financial Report
September 30, 2017 and 2016

Greater Wayne County Economic Development Corporation

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Independent Auditor's Report

To the Board of Directors
Greater Wayne County Economic Development Corporation

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and General Fund of Greater Wayne County Economic Development Corporation (the "GWCEDC"), a discretely presented component unit of the Charter County of Wayne, Michigan, as of and for the year ended September 30, 2017 and the related notes to the financial statements, which collectively comprise the Greater Wayne County Economic Development Corporation's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and General Fund of the Greater Wayne County Economic Development Corporation as of September 30, 2017 and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Report on Prior Year Financial Statements

The basic financial statements of the governmental activities and General Fund of Greater Wayne County Economic Development Corporation as of and for the year ended September 30, 2016 were audited by a predecessor auditor, which expressed unmodified opinions on the governmental activities and General Fund. The predecessor auditor's report was dated February 7, 2017.

To the Board of Directors
Greater Wayne County Economic Development Corporation

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the budgetary comparison schedule that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2018 on our consideration of Greater Wayne County Economic Development Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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 Greater Wayne County Economic Development Corporation's internal control over financial reporting and compliance.

Plante & Moran, PLLC

March 27, 2018

Greater Wayne County Economic Development Corporation

Management's Discussion and Analysis

As management of the Greater Wayne County Economic Development Corporation (GWCEDC), we offer this narrative overview and analysis of the financial activities of GWCEDC for the year ended September 30, 2017. Readers are encouraged to read it in conjunction with the accompanying basic financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of two types of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities of GWCEDC as a whole and present a longer-term view of GWCEDC's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending.

The financial statements consist of the General Fund Balance Sheet/Statement of Net Position, and the Statement of General Fund Revenues, Expenditures and Changes in Fund Balance/Statement of Activities.

The Statement of Net Position presents information on all of the assets and liabilities of GWCEDC, with the difference between the two reported as net position. Net position can be thought of as one way of measuring the financial strength of GWCEDC. Increases or decreases in net position over time may serve as a useful indicator of whether the financial condition of GWCEDC is improving or deteriorating.

The Statement of Activities presents information showing how the net position of GWCEDC has changed over the course of the most recent fiscal year. All changes in net position are recognized as soon as the underlying transactions take place, regardless of the timing of the related cash flows. As a result, certain revenues and expenses reported in these statements are related to items that will only result in cash flows in future years.

The General Fund Balance Sheet and Statement of General Fund Revenues, Expenditures and Changes in Fund Balance present information on the modified accrual basis of accounting. This methodology is focused primarily on the current use of available resources.

The Notes to the Financial Statements provide additional information that is essential to gain a full understanding of the data presented in both the government-wide and fund financial statements.

FINANCIAL OVERVIEW

It is important to recognize the mission of GWCEDC when analyzing its financial position. GWCEDC is funded primarily by Wayne County and was created on November 22, 2004 for the purpose of administering economic development programs and functions in Michigan. As required by the Governmental Accounting Standards Board, the discussion and analysis contains comparisons between 2017 and 2016.

Greater Wayne County Economic Development Corporation

Management's Discussion and Analysis (Continued)

Governmental Activities

The following table shows, in a condensed format, the current year's net position and changes in net position compared to the prior two years (in thousands of dollars):

	Governmental Activities			
	2015	2016	2017	Change
Current assets	\$ 583,194	\$ 402,715	\$ 304,549	\$ 98,166
Total assets	<u>583,194</u>	<u>402,715</u>	<u>304,549</u>	\$ 98,166
Current liabilities	15,226	12,325	19,250	\$ (6,925)
Total liabilities	<u>15,226</u>	<u>12,325</u>	<u>19,250</u>	\$ (6,925)
Net position:				
Net investment in capital as	-	-	-	\$ -
Restricted	493,600	339,075	264,075	\$ 75,000
Unrestricted	<u>74,368</u>	<u>51,315</u>	<u>21,224</u>	\$ 30,091
Total net position	<u>\$ 567,968</u>	<u>\$ 390,390</u>	<u>\$ 285,299</u>	\$ 105,091

As indicated in the following schedule, the net position of GWCEDC decreased by \$105,091 and \$177,578 for the years ended September 30, 2017 and 2016 respectively. The decrease in net position is due primarily to the write-off of forgivable loans.

	Governmental Activities			
	2015	2016	2017	Change
Revenue				
Investment income	<u>2,640</u>	<u>3,143</u>	<u>3,103</u>	\$ 40
Total revenue	<u>2,640</u>	<u>3,143</u>	<u>3,103</u>	\$ 40
Program Expenses				
Community and economic devel	28,564	180,721	108,194	\$ 72,527
Total expenses	<u>28,564</u>	<u>180,721</u>	<u>108,194</u>	\$ 72,527
Change in Net Position	<u>\$ (25,924)</u>	<u>\$ (177,578)</u>	<u>\$ (105,091)</u>	\$ (72,487)

Greater Wayne County Economic Development Corporation

Management's Discussion and Analysis (Continued)

BUDGETARY OVERVIEW

The estimated operating net position for the fiscal year 2017 was \$390,390. For the fiscal year, GWCEDC did not have any operating revenues, other than interest income of \$3,103. GWCEDC's total operating expenditures was \$108,194 which resulted in total net position of \$285,299 as of September 30, 2017.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

GWCEDC has an operating net position of \$285,299 for the year ended September 30, 2017. GWCEDC plans on continuing to build and grow economic development programs throughout fiscal year 2018.

CONTACTING THE MANAGEMENT OF GWCEDC

This financial report is designed to provide the citizens, taxpayers, investors, creditors and others with a general overview of the finances of GWCEDC. Questions concerning any information contained in this report or requests for additional information should be addressed to the attention of the Office Administrator at the following address: Greater Wayne County Economic Development Corporation, 500 Griswold, 28th Floor, Detroit, MI 48226

Greater Wayne County Economic Development Corporation

Statement of Net Position

September 30, 2017 and 2016

Governmental Activities

	2017	2016
Assets		
Cash and cash equivalents	\$ 299,316	\$ 382,573
Loan receivable	-	15,000
Due from other funds	29	29
Prepaid expenses	5,204	5,113
Total assets	304,549	402,715
Liabilities - Accounts payable	19,250	12,325
Net Position		
Restricted - Economic development	264,075	339,075
Unrestricted	21,224	51,315
Total net position	<u>\$ 285,299</u>	<u>\$ 390,390</u>

Greater Wayne County Economic Development Corporation

Statement of Activities

Years Ended September 30, 2017 and 2016

Functions/Programs	Program Revenue				Primary Government	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	2016
Primary government - Governmental activities - Community and economic development	\$ 108,194	\$ -	\$ -	\$ -	\$ (108,194)	\$ (180,721)
Total primary government	<u>\$ 108,194</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	(108,194)	(180,721)
General revenue - Unrestricted investment income					3,103	3,143
Change in Net Position					(105,091)	(177,578)
Total Net Position - Beginning of year					390,390	567,968
Total Net Position - End of year					<u>\$ 285,299</u>	<u>\$ 390,390</u>

See notes to financial statements.

Greater Wayne County Economic Development Corporation

Balance Sheet

September 30, 2017 and 2016

		General Operating Fund	
		2017	2016
Assets			
Cash and cash equivalents	\$	299,316	\$ 382,573
Loan receivable		-	15,000
Due from other funds		29	29
Prepaid expenses		5,204	5,113
Total assets	\$	<u>304,549</u>	<u>\$ 402,715</u>
Liabilities - Accounts payable		\$ 19,250	\$ 12,325
Fund Balance			
Nonspendable - Prepaids		5,204	5,113
Restricted - Economic development		264,075	339,075
Unassigned		16,020	46,202
Total fund balance		<u>285,299</u>	<u>390,390</u>
Total liabilities and fund balance	\$	<u>304,549</u>	<u>\$ 402,715</u>

Greater Wayne County Economic Development Corporation

Statement of Revenue, Expenditures, and Changes in Fund Balances

Years Ended September 30, 2017 and 2016

	<u>General Operating Fund</u>	
	<u>2017</u>	<u>2016</u>
Revenue - Interest income	\$ 3,103	\$ 3,143
Expenditures		
Current services -		
Community and economic development:		
Bank service charges	-	118
Operations	1,576	715
Write off of forgivable loans	90,000	139,525
Professional services	8,590	24,635
Insurance	6,153	1,132
Travel and meetings	1,875	14,596
Total expenditures	<u>108,194</u>	<u>180,721</u>
Net Change in Fund Balances	(105,091)	(177,578)
Fund Balances - Beginning of year	<u>390,390</u>	<u>567,968</u>
Fund Balances - End of year	<u><u>\$ 285,299</u></u>	<u><u>\$ 390,390</u></u>

Greater Wayne County Economic Development Corporation

Notes to Financial Statements

September 30, 2017 and 2016

Note 1 - Nature of Business

Greater Wayne County Economic Development Corporation (the "GWCEDC") was created on November 22, 2004 as a Michigan Public Body Corporate. It was created through an inter-local agreement between the Economic Development Corporation (EDC) of the Charter County of Wayne, Michigan (the "County"), the EDC of the City of Taylor, and the EDC of the City of Detroit for the purpose of administering economic development programs and functions in Michigan.

The GWCEDC is a legal unit separate from the County of Wayne, Michigan. The financial statements of the GWCEDC will be incorporated in the financial statements of the County as a discretely presented component unit.

Note 2 - Significant Accounting Policies

Accounting and Reporting Principles

The GWCEDC follows accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. Accounting and financial reporting pronouncements are promulgated by the Government Accounting Standards Board. The following is a summary of the significant accounting policies used by the GWCEDC:

Report Presentation

Governmental accounting principles require that financial reports include two different perspectives - the government-wide perspective and the fund-based perspective. The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. The government-wide financial statements are presented on the economic resources measurement focus and the full accrual basis of accounting. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The statements also present a schedule reconciling these amounts to the modified accrual based presentation found in the fund-based statements. For the year ended September 30, 2017, there are no reconciling items.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Unrestricted intergovernmental receipts, and other items not properly included among program revenue are reported instead as general revenue.

Fund Accounting

Governmental Funds

Governmental funds include all activities that provide general governmental services. The GWCEDC's only major fund is the General Fund, which is the primary operating fund because it accounts for all financial resources used to provide government services other than those specifically assigned to another fund.

Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flow takes place.

The General Fund uses the current financial resources measurement focus and the modified accrual basis of accounting. This basis of accounting is intended to better demonstrate accountability for how the government has spent its resources.

Greater Wayne County Economic Development Corporation

Notes to Financial Statements

September 30, 2017 and 2016

Note 2 - Significant Accounting Policies (Continued)

Expenditures are reported when the goods are received or the services are rendered and recorded when a liability is incurred.

Revenue is not recognized until it is collected, or collected soon enough after the end of the year that it is available to pay for obligations outstanding at the end of the year. For this purpose, the GWCEDC considers amounts collected within 60 days of year end to be available for recognition.

Specific Balances and Transactions

Cash and Investments

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and will not be recognized as an outflow of resources (expense/expenditure) until then.

The GWCEDC has no deferred outflows at September 30, 2017.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time.

The GWCEDC has no deferred inflows at September 30, 2017.

Net Position

Net position is classified in three components. Net investment in capital assets consists of capital assets net of accumulated depreciation and is reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. The GWCEDC did not have net investment in capital assets at year end. The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Unrestricted net position is the remaining net position that does not meet the definition of invested in capital or restricted.

Net Position Flow Assumption

The GWCEDC will sometimes fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements (as applicable), a flow assumption must be made about the order in which the resources are considered to be applied. It is the GWCEDC's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Fund Balance Flow Assumptions

The GWCEDC will sometimes fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the GWCEDC's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Furthermore, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first followed by assigned fund balance. Unassigned fund balance is applied last.

Greater Wayne County Economic Development Corporation

Notes to Financial Statements

September 30, 2017 and 2016

Note 2 - Significant Accounting Policies (Continued)

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The nonspendable fund balance component represents amounts that are not in spendable form or are legally or contractually required to be maintained intact. Restricted fund balance represents amounts that are legally restricted by outside parties, constitutional provisions, or enabling legislation for use for a specific purpose. The GWCEDC itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the GWCEDC's highest level of decision-making authority. The board of directors is the highest level of decision-making authority for the GWCEDC that can, by passing a resolution prior to the end of the fiscal year, commit fund balance. Once passed, the limitation imposed by the resolution remains in place until a similar action is taken (the passing of another resolution) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The board has not given anyone the authority to assign fund balance; therefore, assignments may only be done by board action. The board of directors may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Note 3 - Stewardship, Compliance, and Accountability

Budgetary Information

Annual budgets should be adopted on a basis consistent with generally accepted accounting principles; state law requires the GWCEDC to have its budget in place by October 1. Expenditures in excess of amounts budgeted are a violation of Michigan law. State law permits districts to amend their budgets during the year.

The GWCEDC did not prepare a budget for the years ended September 30, 2017 or 2016.

Note 4 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The law also allows investments outside the state of Michigan when fully insured. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

Greater Wayne County Economic Development Corporation

Notes to Financial Statements

September 30, 2017 and 2016

Note 4 - Deposits and Investments (Continued)

The GWCEDC has its cash included as part of Wayne County's pooled cash (investment pool). The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investments in accordance with state statutory authority as listed above.

There are no limitations or restrictions on participant withdrawals for the investment pools with Wayne County that are recorded at amortized cost.

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the GWCEDC's deposits may not be returned to it. The GWCEDC does not have a deposit policy for custodial credit risk. The GWCEDC had \$3,943 of bank deposits (certificates of deposit and checking and savings accounts) that were insured for both 2017 and 2016 year end. The GWCEDC also has \$295,373 and \$378,630 as part of Wayne County, Michigan's pooled cash for 2017 and 2016 year end, respectively. The FDIC coverage for this is not independently ascertainable.

Note 5 - Other Income/Facility Fees

In October 2011, the Wayne County Building Authority issued (a) \$7,365,000 Building Authority Revenue Bonds, Series 2011A, the proceeds of which were used to acquire a building located in Hamtramck and (b) \$7,595,000 Building Authority Revenue Bonds, Series 2011B, the proceeds of which were used to acquire a building in Inkster. The Building Authority charged the seller of the Hamtramck building a facility fee of \$257,775 and charged the seller of the Inkster building a facility fee of \$265,825 (collectively, the "Facilities Fees"). The Facilities Fees were deposited with the GWCEDC and required, per the bond documents, to be used to grant funds to third parties unrelated to both GWCEDC and Wayne County, Michigan for economic development purposes. As of September 30, 2017 and 2016, \$264,075 and \$339,075, respectively, remains available to be granted.

Report on Internal Control Over Financial
Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements
Performed in Accordance with *Government
Auditing Standards*

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of
Financial Statements Performed in Accordance with *Government Auditing Standards*

Independent Auditor's Report

To Management and the Board of Directors
Greater Wayne County Economic Development Corporation

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Greater Wayne County Economic Development Corporation (the "GWCEDC") (a component unit of the County of Wayne, Michigan), which comprise the financial statements and the related notes to the financial statements as of September 30, 2017 and have issued our report thereon dated March 27, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the GWCEDC's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the GWCEDC's internal control. Accordingly, we do not express an opinion on the effectiveness of the GWCEDC's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the GWCEDC's financial statements will not be prevented, or detected and corrected, on a timely basis. 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 preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs as Finding 2017-002, we identified a certain deficiency in internal control that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the GWCEDC's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion.

The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as Finding 2017-001.

The GWCEDC's Responses to Findings

The GWCEDC's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The GWCEDC's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

To Management and the Board of Directors
Greater Wayne County Economic Development Corporation

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the GWCEDC's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the GWCEDC's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Plante & Morse, PLLC

March 27, 2018

Greater Wayne County Economic Development Corporation

Schedule of Findings and Questioned Costs

<u>Reference Number</u>	<u>Finding</u>
2017-001	Finding Type – Noncompliance with Laws and Regulations Criteria - Public Act 2 of 1968 requires that all local units of government, in Michigan, adopt balanced budgets, to establish responsibilities and define the procedures for preparation, adoption and maintenance of the budget, and to require certain information for the budget process. Condition - A budget was not adopted for fiscal year ending September 30, 2017. Context - GWCEDC was required to adopt a budget for their main operating fund, which had total expenditures of approximately \$108,000 for fiscal year ending September 30, 2017. Cause - The Board did not meet during the year. As a result, a budget was not adopted for fiscal year ending September 30, 2017. Effect - GWCEDC is not in compliance with Public Act 2 of 1968. Recommendation - It is recommended for GWCEDC to adopt an annual budget, in accordance with Michigan Law. Views of Responsible officials - Management agrees with the finding. A thorough discussion with responsible officials including elected offices personnel impacted by this finding will take place. Due to staff turnover during the past year a board meeting did not take place in FY 2017, therefore GWCEDC was unable to provide documentation supporting an approved budget for FY 2017. Processes and procedures will be documented and implemented to ensure that an annual board meeting occurs in order to approve the budget and documentation will be retained in accordance with Michigan Laws and Regulations.
2017-002	Finding Type – Material Weakness Criteria - The GWCEDC should ensure that the appropriate processes and controls are in place over the financial reporting function to allow it to prepare all financial information accurately. Condition - Loans forgiven were not properly classified within GWCEDC's trial balance. Context - GWCEDC enters into loan agreements with not-for-profit organizations and writes off these loans upon completion of the project. For the year ended September 30, 2017, GWCEDC forgave \$90,000 in loans. Instead of being reported as loan forgiveness, GWCEDC classified these payments as professional services and other expenditures. An adjustment was identified as part of the audit to properly reclassify forgiven loans for correct financial statement presentation. Cause - The GWCEDC did not have the proper procedures in place to ensure that the general ledger was properly stated and supported. Effect - Approximately \$90,000 of loans forgiven were not initially properly classified on the financial statements.

Greater Wayne County Economic Development Corporation

Schedule of Findings and Questioned Costs

Recommendation - We recommend GWCEDC place additional emphasis on producing complete and accurate financial information.

Views of Responsible officials - Management agrees with the finding. A thorough discussion with responsible officials including elected offices personnel impacted by this finding will take place. Significant staff turnover during past year disrupted the recording and reconciliation process for GWCEDC. A monthly or quarterly reconciliation process and procedures will be documented and implemented to ensure transactions are recorded in accordance with GAAP and in a timely manner throughout the year.