

# Jackson-Canton Joint Economic Development District SM

*Basic Financial Statements*

For the Year Ended December 31, 2018

**Jackson-Canton Joint Economic Development District SM**  
**STARK COUNTY, OHIO**  
*Table of Contents*

	<i>Page</i>
Accountant's Compilation Report .....	1
Management's Discussion and Analysis .....	3
Basic Financial Statements:	
Statement of Net Position.....	5
Statement of Activities .....	6
Balance Sheet .....	7
Reconciliation of Total Governmental Fund Balance to Net Position of Governmental Activities .....	8
Statement of Revenues, Expenditures and Changes in Fund Balance .....	9
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities .....	10
Notes to the Basic Financial Statements .....	11

May 24, 2019

Board of Directors  
Jackson-Canton Joint Economic Development District SM  
218 Cleveland Avenue S.W.  
Canton, Ohio 44702

Management is responsible for the accompanying basic financial statements of the Jackson-Canton Joint Economic Development District SM, as of and for the year ended December 31, 2018 and the related notes to the financial statements in accordance with accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

The management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by the accounting principles generally accepted in the United States of America. This information is the representation of management. The information was subject to our compilation engagement, however, we have not audited or reviewed the information and, accordingly, do not express an opinion, a conclusion, nor provide any assurance on such information.

*Rea & Associates, Inc.*

Medina, Ohio

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## Jackson-Canton Joint Economic Development District SM

### Stark County, Ohio

#### *Management's Discussion and Analysis*

*For the Year Ended December 31, 2018*

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The discussion and analysis of the Jackson-Canton Joint Economic Development District's SM (the "JEDD SM") financial performance provides an overall review of the JEDD SM's financial activities for the period ended December 31, 2018. The intent of this discussion and analysis is to look at the JEDD SM's performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the JEDD SM's financial performance.

### **Financial Highlights**

- The JEDD SM was established by an agreement entered into by the City of Canton, Ohio and Jackson Township, Ohio effective August 31, 2016.
- 2018 revenues and expenses were \$376,253 and \$354,862, respectively with overall net position increasing \$21,391

### ***Using this Annual Financial Report***

This report is designed to allow the reader to look at the financial activities of the JEDD SM as a whole and is intended to allow the reader to obtain a summary view or a more detailed view of the JEDD SM's operations, as they prefer.

The Statement of Net Position and the Statement of Activities provide information from a summary perspective showing the effects of the operations for the year ending December 31, 2018 and how they affected the operations of the JEDD SM as a whole.

### ***Reporting the JEDD SM as a Whole***

The *Statement of Net Position* and *Statement of Activities* provide information about the activities of the whole JEDD SM, presenting both an aggregate view of the JEDD SM's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending.

A question typically asked about the JEDD SM's finances is "How did we do financially during the year ended December 31, 2018?" The Statement of Net Position and the Statement of Activities answer this question. These statements include *all assets and deferred outflows* and *liabilities and deferred inflows* using the *accrual basis of accounting* similar to the accounting method used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the JEDD SM's *net position* and *changes in net position*. This change in net position is important because it tells the reader that, for the JEDD SM as a whole, the *financial position* of the JEDD SM has improved or diminished. The causes of this change may be the result of many factors, some financial, some not.

### ***Reporting the JEDD SM's Most Significant Funds***

#### *Fund Financial Statements*

A fund is a grouping of related accounts that is used to maintain control over resources that have been safeguarded for specific activities or objectives. The JEDD SM, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related requirements. All activities of the JEDD

**Jackson-Canton Joint Economic Development District SM**  
**Stark County, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2018*

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SM are reported in the general fund. The basic governmental fund financial statements can be found on pages 7-10 of this report.

*Notes to the Basic Financial Statements*

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 11-16.

**Governmental Activities**

The funding for the governmental activities comes from municipal income tax. The City of Canton, Ohio levies a municipal income tax of 2.0 percent on all salaries and net profits. Effective July 1, 2018 the levy was increased by .5 percent. The City of Canton collects the income tax and then remits it to the JEDD SM for distribution in accordance with the JEDD SM agreement between the City of Canton and Jackson TWP, which established the JEDD SM.

During the year, the JEDD SM's cash held with fiscal agent increase from \$7,000 to \$89,884. In addition, accounts receivable and accounts payable increased from \$104,891 to \$168,495 and \$104,891 to \$229,988, respectively. The increase in cash was due to the timing of collections vs distributions in accordance with the JEDD SM agreement. The increase in accounts receivable and accounts payable is based on the timing of the City collections and remittance to the JEDD SM and the timing of the subsequent distributions owed by the JEDD SM.

The revenues (\$258,379) increased and expenses (\$229,988) decreased from the prior year in the amount of \$15,674 and \$19,717 respectively. The primary cause to this was based on the timing of the collections of income taxes on net profits. Due to the nature of corporate filing of income taxes and the confidentiality of their proprietary information, accounting estimates for revenues (receivables) or expenses associated with operations cannot be measured when preparing the JEDD SM's financial statements. As a result, revenues associated with net profit taxes are recognized when received or when income tax returns are remitted by local businesses.

***Governmental Funds***

Information about the JEDD SM's governmental fund begins on page 7. This fund is accounted for using the modified accrual method of accounting. The JEDD SM had revenues of \$312,649 and expenditures of \$354,862. Both increased over the prior year for similar reasons as stated above.

***Contacting the JEDD SM's Finance Department***

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the JEDD SM's finances and to show the JEDD SM's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Treasurer, City of Canton, 218 Cleveland Ave., Canton, Ohio 44702.

**Jackson-Canton Joint Economic Development District SM**  
**Stark County, Ohio**  
*Statement of Net Position*  
*December 31, 2018*

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	<u>Governmental Activities</u>
<b>Assets</b>	
Cash with Fiscal Agent	\$ 89,884
Income Taxes Receivable	<u>168,495</u>
<i>Total Assets</i>	<u>258,379</u>
<b>Liabilities</b>	
Intergovernmental Payable	<u>229,988</u>
<i>Total Liabilities</i>	<u>229,988</u>
<b>Net Position</b>	
Unrestricted	<u>\$ 28,391</u>

See accompanying notes and accountant's compilation report.

**Jackson-Canton Joint Economic Development District SM**  
**Stark County, Ohio**  
*Statement of Activities*  
For the Year Ended December 31, 2018

	Governmental Activities
<b>Expenses</b>	
Economic Development:	
Income Tax Disbursements, Jackson Township	\$ 135,719
Income Tax Disbursements, City of Canton	216,143
Professional Services	3,000
<i>Total Program Expenses</i>	354,862
<b>Revenues</b>	
General Revenues:	
Income Taxes	376,253
<i>Change in Net Position</i>	21,391
<i>Net Position at Beginning of Year</i>	7,000
<i>Net Position at End of Year</i>	\$ 28,391

See accompanying notes and accountant's compilation report.



**Jackson-Canton Joint Economic Development District SM  
Stark County, Ohio**

*Reconciliation of Total Governmental Fund Balance to  
Net Position of Governmental Activities  
December 31, 2018*

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<b>Total Governmental Fund Balance (Deficit)</b>	\$ (140,104)
 <i>Amounts reported for governmental activities in the statement of net position are different because:</i>	
 Income tax receivables that are not available to pay for current-period expenditures and therefore are in governmental funds.	 <u>168,495</u>
 <i>Net Position of Governmental Activities</i>	 <u><u>\$ 28,391</u></u>

See accompanying notes and accountant's compilation report.

**Jackson-Canton Joint Economic Development District SM**  
**Stark County, Ohio**  
*Balance Sheet*  
*Governmental Fund*  
*December 31, 2018*

	General Fund
<b>Assets</b>	
Cash with Fiscal Agent	\$ 89,884
Income Taxes Receivable	168,495
<i>Total Assets</i>	<i>\$ 258,379</i>
<b>Liabilities</b>	
Intergovernmental Payable	229,988
<b>Deferred Inflows of Resources</b>	
Unavailable Revenue - Income Tax	168,495
<b>Fund Balances</b>	
Unassigned	(140,104)
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balance</i>	<i>\$ (140,104)</i>

See accompanying notes and accountant's compilation report.

**Jackson-Canton Joint Economic Development District SM**  
**Stark County, Ohio**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Year Ended December 31, 2018*

	General Fund
<b>Revenues</b>	
Income Taxes	\$ 312,649
<i>Total Revenues</i>	<i>312,649</i>
<b>Expenditures</b>	
Current:	
Economic Development:	
Income Tax Disbursements, Jackson Township	135,719
Income Tax Disbursements, City of Canton	216,143
Professional Services	3,000
<i>Total Expenditures</i>	<i>354,862</i>
<i>Net Change in Fund Balance</i>	<i>(42,213)</i>
<i>Fund Balance Beginning of Year</i>	<i>(97,891)</i>
<i>Fund Balance (Deficit) End of Year</i>	<i>\$ (140,104)</i>

See accompanying notes and accountant's compilation report.

**Jackson-Canton Joint Economic Development District SM  
Stark County, Ohio**

*Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Year Ended December 31, 2018*

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<b>Net Change in Fund Balance (Deficit) - Total Governmental Funds</b>	\$ (42,213)
 <i>Amounts reported for governmental activities in the statement of activities are different because:</i>	
Income tax revenues in the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds	<u>63,604</u>
<i>Change in Net Position of Governmental Activities</i>	<u><u>\$ 21,391</u></u>

See accompanying notes and accountant's compilation report.

**Jackson-Canton Joint Economic Development District SM**  
**Stark County, Ohio**

*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2018*

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**Note 1 – Description of the JEDD SM**

The Jackson-Canton Joint Economic Development District SM (the “JEDD SM”) was created by an agreement (in effect as of August 31, 2016) entered into by Jackson Township (the “Township”) and the City of Canton (the “City”) for the purpose of facilitating economic development to create and preserve jobs and employment opportunities and improve the economic welfare of the people in the JEDD SM district, the City, the Township, Stark County, and the State of Ohio. The City Treasurer shall be the appointed “Administrator” of the JEDD SM and will administer, collect, and enforce the income tax on behalf of the JEDD SM, which income tax has been levied in the JEDD SM by the Board pursuant to the contract.

The Board of Directors consists of five members. One member from the City and the Township, one member representing the owners of businesses located within JEDD SM appointed by the Township Trustees, one member representing the persons working within JEDD SM appointed by Township Trustees, and the Chair of the Board shall be selected as set forth in the Ohio Revised Code Section 715.78(A)(1)(e). The member from the City shall be the Mayor or an elected member of Council, or a designee who is appointed by the Mayor and approved by Council. The Township member shall be from the Board of Township Trustees.

The term of the contract for the existence of the JEDD SM shall be for fifty years from the date of the agreement. The agreement will be renewed for an additional fifty year term unless either party, by official legislative action, gives written notice to the other party of its intent not to renew on or before ninety days prior to the extension of the initial term, for the period of August 31, 2016 through December 31, 2017. Neither party exercised that option.

The management of the JEDD SM believes that these financial statements present all activities for which the JEDD SM is financially accountable.

**Note 2 – Summary of Significant Accounting Policies**

The basic financial statements of the JEDD SM have been prepared in conformity with accounting principles generally accepted in the United States (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The most significant of the JEDD SM’s accounting policies are described below.

***Basis of Presentation***

The JEDD SM’s basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

***Government-wide Financial Statements***

The statement of net position and the statement of activities display information about the JEDD SM as a whole. These statements include the financial activities of the primary government.

**Jackson-Canton Joint Economic Development District SM**  
**Stark County, Ohio**

*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2018*

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The statement of net position presents the financial condition of the governmental activities of the JEDD SM at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the JEDD SM's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore are clearly identifiable to a particular function. JEDD SM did not receive any program revenues and the only general revenues reported was for income tax collections. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the JEDD SM.

***Fund Financial Statements***

During the year, the JEDD SM segregates transactions related to certain JEDD SM functions or activities in a separate fund in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the JEDD SM at this more detailed level. All activities of the JEDD SM are reported in one fund, the general fund.

***Fund Accounting***

The JEDD SM uses one fund 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 only category of funds reported for the JEDD SM is governmental.

***Governmental Funds***

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and deferred outflows of resources and liabilities and deferred inflows of resources is reported as fund balance.

***Measurement Focus***

***Government-wide Financial Statements***

The government-wide financial statements are prepared using the economic resources measurement focus. All non-fiduciary assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of the JEDD SM are included on the statement of net position.

***Fund Financial Statements***

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and deferred outflows of resources and current liabilities and deferred inflows of resources generally are included on the balance sheet.

**Jackson-Canton Joint Economic Development District SM**  
**Stark County, Ohio**

*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2018*

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The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

***Basis of Accounting***

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred inflows/outflows of resources and in the presentation of expenses versus expenditures.

***Revenues - Exchange and Non-exchange Transactions***

Non-exchange transactions, in which the JEDD SM receives value without directly giving equal value in return, include income taxes. On an accrual basis, revenue from income taxes is recognized in the period in which the income is earned and measurable. On a modified accrual basis, revenue from income taxes must also be available before it can be recognized. For the JEDD SM, available means expected to be received within 31 days of year-end.

Under the modified accrual basis, income tax revenue is considered to be both measurable and available at year-end.

***Deferred Inflows of Resources and Deferred Outflows of Resources***

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. The JEDD SM had no deferred outflows of resources at December 31, 2018.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the JEDD SM, deferred inflows of resources include unavailable income tax revenue. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. This amount is deferred and recognized as an inflow of resources in the period the amounts become available.

***Expenses/Expenditures***

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable.

## **Jackson-Canton Joint Economic Development District SM**

### **Stark County, Ohio**

*Notes to the Basic Financial Statements*

*For the Year Ended December 31, 2018*

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#### ***Budgetary Data***

The Ohio Revised Code does not require the JEDD SM to budget annually; therefore, budgetary information for the JEDD SM is not presented in the basic financial statements.

#### ***Cash with Fiscal Agent***

All monies received by the JEDD SM are held by the City which serves as fiscal agent. At year-end, cash with fiscal agent totaled \$89,884. The money is held by the City in a pooled account with other City funds and therefore cannot be classified by risk under GASB Statement 40. Any risk associated with the cash of the City as a whole may be obtained from their audit report or by contracting the City directly.

#### ***Accrued Liabilities and Long-Term Obligations***

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that once incurred, are paid in a timely manner and in full from current financial resources, and are reported as obligations of the JEDD SM.

#### ***Fund Balance***

In accordance with Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the JEDD SM classifies its fund balance based on the purpose for which the resources were received and the level of constraint placed on the resources. The classifications are as follows:

*Nonspendable* – The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed or assigned.

*Restricted* – Fund balance is reported as 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* – The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (ordinance) of the JEDD SM. Those committed amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specified use by taking the same type of action (ordinance) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.



**Jackson-Canton Joint Economic Development District SM**  
**Stark County, Ohio**

*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2018*

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*Assigned* – Amounts in the assigned fund balance classification are intended to be used by the JEDD SM for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by the Board of Directors. The Board of Directors has, by resolution, authorized the Administrator to assign fund balance. 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.

*Unassigned* – Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed or assigned.

The JEDD SM 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.

***Net Position***

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net position is reported as restricted when there are limitations imposed on their use either through constitutional provisions or enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. At December 31, 2018, there was no net position restricted by enabling legislation.

The JEDD SM applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

***Estimates***

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**Note 3 – Accountability and Compliance**

The General fund reported a negative fund balance of \$140,104 caused by adjustments for accrued liabilities.

**Note 4 – Income Taxes**

The City of Canton has levied an income tax in the amount of 2% covering the period of January 1, 2018 – June 30, 2018. Effective July 1, 2018, an additional .5% tax was levied.

**Jackson-Canton Joint Economic Development District SM**  
**Stark County, Ohio**

*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2018*

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Absent a formalized agreement, net income tax revenues will be split 50% Township and 50% City through June 30, 2018. Effective with the new .5% tax levy, the split will be 40% Township and 60% City. The City will receive all new taxes related to the .5%.

As part of a Job Creation Agreement entered into by all parties on December 27, 2017, for the first 10 years of the JEDD SM agreement, the distribution of the employee withholdings income tax will be 25% to the Township, 75% to the City through June 30, 2018. As part of the agreement, the City will then refund 50% back to Stolle Machinery. Effective with the new .5% tax levy, the split will 20% Township and 80% City.

After 10 years, the income tax will not be subject to a refund to Stolle Machinery; the Township and the City will each receive 50% of the income tax revenue collected. The JEDD SM shall set aside 1% of the income tax collected for long-term maintenance of the JEDD SM, provided the amount does not exceed \$500 annually without consent of the contracting parties.

**Note 5– Contributions**

As part of the contract forming the JEDD SM, the City provides certain services to the JEDD SM. The Treasurer of the City is the Administrator of the income tax of JEDD SM. The Administrator is responsible for the receipt, safekeeping and investment of the income tax revenues collected within the JEDD SM. The Administrator may utilize the personnel of the City’s Division of Taxation and others to assist in carrying out the duties of the administrator. The fair value of the services provided are not determined and not recorded in the financial statements.

**Note 6– Contractual Commitments**

The JEDD SM has no contractual commitments at December 31, 2018.

**Note 7– Subsequent Events**

The JEDD SM has evaluated subsequent events through the date of the “Accounts Compilation Report,” the date on which the financial statements were available to be issued. There were no events requiring disclosure.