



Dave Yost • Auditor of State

**BUTLER TOWNSHIP – CITY OF VANDALIA JOINT ECONOMIC DEVELOPMENT DISTRICT
MONTGOMERY COUNTY**

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INDEPENDENT AUDITOR'S REPORT

Butler Township-Vandalia Joint Economic Development District
Montgomery County
3510 Sudachi Drive
Dayton, Ohio 45414-2435

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of Butler Township-City of Vandalia Joint Economic Development District, Montgomery County, (the District) as of and for the years ended December 31, 2012 and 2011.

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 of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03; 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 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 opinion.

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, which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 2 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

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, 2012 and 2011, or changes in financial position thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of Butler Township - City of Vandalia Joint Economic Development District, Montgomery County as of December 31, 2012 and 2011, and its combined cash receipts and disbursements 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 permits, described in Note 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 24, 2013, 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.



Dave Yost
Auditor of State

April 24, 2013

**BUTLER TOWNSHIP - CITY OF VANDALIA JOINT ECONOMIC DEVELOPMENT DISTRICT
MONTGOMERY COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS
AND CHANGES IN FUND CASH BALANCES
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

	2012	2011
Cash Receipts:		
Income Taxes	\$85,838	\$59,764
Interest	41	25
Checking Account Service Fee Refunds	60	54
Total Cash Receipts	85,939	59,843
 Cash Disbursements:		
Current:		
Insurance	2,476	3,560
Income Tax Disbursements, Vandalia	12,876	8,965
Income Tax Disbursements, Butler Township	50,165	
Income Tax Collection Software		4,219
Checking Account Service Fees	15	114
Check Printing Costs		21
Total Cash Disbursements	65,532	16,879
 Net Change in Fund Cash Balances	 20,407	 42,964
 Fund Cash Balances, January 1	 50,464	 7,500
 Fund Cash Balances, December 31:		
Restricted		
Payments to Butler Township	70,143	50,165
Unassigned	728	299
 Fund Cash Balances, December 31	 \$70,871	 \$50,464

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

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**BUTLER TOWNSHIP – CITY OF VANDALIA JOINT ECONOMIC DEVELOPMENT DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011**

1 REPORTING ENTITY

The Butler Township – City of Vandalia Joint Economic Development District (the “District”) is a political body incorporated and established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the state of Ohio. The Contract between the two entities forming the District was authorized, under provisions of sections 715.72 to 715.83 of the Ohio Revised Code, by the Butler Township Board of Trustees on August 9, 2010, by Resolution 10-052 and Resolution 10-R-48 on September 7, 2010 by the City of Vandalia’s Council.

The District operates under the direction of a five member board of directors (the “Board”). By law, the Board is comprised of one member representing the City, appointed by the City Council; one member representing the Township, appointed by the Township Trustees; one member representing the owners of the businesses located in the District, appointed by the City Council with concurrence by the Township Trustees; one member representing the persons employed in the District, appointed by the Township Trustees with concurrence by the City Council; and one member selected by the other Board members.

Bylaws for operation of the District were adopted by the Board on December 28, 2010. The District’s management believes these financial statements present all activities for which the District is financially accountable.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. 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 Auditor of State prescribes or permits.

B. Fund Accounting

The District uses fund accounting to maintain its financial records. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Funds can be used to segregate resources that are restricted as to use, but all activities of this District are reported in the Cash Journal (General Fund).

C. Basis of Accounting

Financial statements for the District are prepared using the cash basis of accounting. Receipts are recorded in the financial records of the District, as well as reported in the financial statements, when cash is received rather than when earned. Similarly, disbursements are recorded when cash is paid rather than when a liability is incurred.

D. Cash

District cash is held in two depository accounts, those being one checking and one savings account. There were no investments during the year. Both accounts were fully insured by the Federal Deposit Insurance Corporation.

**BUTLER TOWNSHIP – CITY OF VANDALIA JOINT ECONOMIC DEVELOPMENT DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process

The Contract between the Township and City prescribes a budgetary process for the District. The Budget is prepared on a cash basis, and reflects an estimate of the balance of funds available for operational and capital expenses and reserves. The Board is required to expend funds in accordance with the budget. The Board approves an annual District budget along with amendments thereto.

F. Property, Plant, and Equipment

The District records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

G. Fund Balance Classifications

The fund cash balance is divided into five classifications, based primarily on the extent to which the District must observe constraints within the Contract, and pursuant to Section 715.74(C)(3) of the Revised Code. The classifications are based upon the implementation of GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions* for the year ended December 31, 2011 as follows:

A fund cash balance share is reported as non-spendable when amounts cannot be spent because they are either: (a), not in spendable form; or (b), legally or contractually required to be maintained intact.

A fund cash balance share is reported as restricted when constraints placed on the use of resources are either: (a), externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b), imposed by law through constitutional provisions or enabling legislation.

A fund cash balance share is reported as committed when the board of directors passes resolutions requiring specific revenues be used for specific purposes. The board of directors can modify or rescind such resolutions at any time through additional formal action.

A fund cash balance share is reported as assigned when a revenue source is not previously restricted or committed, but the treasurer determines, in the treasurer's professional opinion, that the assigning of the revenue is desired or made at the direction of the board of directors.

A fund cash balance share is reported as unassigned when resources have not been assigned to other board of director commitments or contractual responsibilities, and have not been restricted, committed, or assigned to any other specific purposes.

The District will apply 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 balances, 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.

**BUTLER TOWNSHIP – CITY OF VANDALIA JOINT ECONOMIC DEVELOPMENT DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

3. INSURANCE

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. There have been no claims. The District maintains property, general liability, fidelity, and directors' and officers' liability coverage through the Alliant Insurance Services, Inc. The year 2011 represents the first year of JEDD activity and insurance coverage.

4. SIGNIFICANT CONTRACTUAL COMMITMENTS

The City of Vandalia finance department collects income taxes from certain entities in the District. Such collection became effective during the second quarter of 2011. The share of income tax assets contractually accruing to Vandalia was either paid to the city monthly by the District Treasurer, or retained monthly by the city before a distribution to the township. The share of income tax assets contractually accruing to Butler Township will accrue for distribution during February of next fiscal year. As of December 31, 2012 and December 31, 2011, the District had no outstanding contractual commitment concerning the distribution of income tax monies to the City of Vandalia, but was contractually bound to distribute \$70,143 and \$50,165 respectively to Butler Township.

5. CASH AND INVESTMENTS

The carrying amount of cash as of December 31, 2012 and December 31, 2011 was as follows:

	<u>2012</u>	<u>2011</u>
Demand deposits	\$ 3,921	\$ 1,573
Other time deposits (savings and NOW accounts)	66,950	48,891
Total deposits and investments	<u>\$70,871</u>	<u>\$50,464</u>

6. CASH BALANCE BEGINNING OF YEAR

District's beginning cash balance of \$7,500 at January 1, 2011 consisted of initial deposits supplied by the Township.

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Dave Yost • Auditor of State

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

Butler Township-Vandalia Joint Economic Development District
Montgomery County
3510 Sudachi Drive
Dayton, Ohio 45414-2435

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 Butler Township – City of Vandalia Joint Economic Development District, Montgomery County, (the District) as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements and have issued our report thereon dated April 24, 2013.

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 opinion 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. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

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 communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D".

Dave Yost
Auditor of State

April 24, 2013



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**BUTLER TOWNSHIP CITY OF VANDALIA JOINT ECONOMIC DEVELOPMENT DISTRICT
MONTGOMERY 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
MAY 14, 2013**