



**BLENDON WESTERVILLE JOINT ECONOMIC DEVELOPMENT ZONE
FRANKLIN COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013



Dave Yost • Auditor of State

**BLENDON WESTERVILLE JOINT ECONOMIC DEVELOPMENT ZONE
FRANKLIN COUNTY**

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INDEPENDENT AUDITOR'S REPORT

Blendon Westerville Joint Economic Development Zone
Franklin County
6330 South Hempstead Rd.
Westerville, Ohio 43086

To the Board of Directors:

Report on the Financial Statement

We have audited the accompanying financial statement and related notes of Blendon Westerville Joint Economic Development Zone, Franklin County, Ohio (the JEDZ) as of and for the years ended December 31, 2014 and 2013.

Management's Responsibility for the Financial Statement

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

Auditor's Responsibility

Our responsibility is to opine on this financial statement based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial 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 JEDZ's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the JEDZ's internal control. Accordingly, we express no 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 statement, the JEDZ prepared this financial statement using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the JEDZ as of December 31, 2014 and 2013, or changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above present fairly, in all material respects, the combined cash balances of Blendon Westerville Joint Economic Development Zone, Franklin County, Ohio as of December 31, 2014 and 2013, 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(D) permit, described in Note 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 28, 2015, on our consideration of the JEDZ's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the JEDZ's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

July 28, 2015

**BLENDON-WESTERVILLE JOINT ECONOMIC DEVELOPMENT ZONE
FRANKLIN COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS
AND CHANGES IN FUND CASH AND BALANCES**

FOR THE YEAR ENDED DECEMBER 31, 2014 AND 2013

| | <u>2014</u> | <u>2013</u> |
|---|---------------------|------------------|
| Cash Receipts | | |
| Income Taxes | \$ 2,097,226 | \$ 945,216 |
| Penalties and Interest | 2,924 | 2,710 |
| Bank Contribution | - | 75 |
| | <hr/> | <hr/> |
| Total Cash Receipts | <u>2,100,150</u> | <u>948,001</u> |
| | | |
| Cash Disbursements | | |
| Legal | - | 6,373 |
| Accounting | 255 | 155 |
| Income Tax Disbursements, Blendon Twp | 204,810 | 91,001 |
| Income Tax Disbursements, City of Westerville | 1,802,686 | 800,808 |
| Economic Development Plan, Blendon Twp | 6,930 | - |
| Income Tax Collection Fee | 51,685 | 37,917 |
| | <hr/> | <hr/> |
| Total Cash Disbursements | <u>2,066,366</u> | <u>936,254</u> |
| | | |
| Net Change in Fund Cash Balance | 33,784 | 11,747 |
| | | |
| Fund Cash Balance, January 1 | <hr/> <u>11,747</u> | <hr/> <u>-</u> |
| | | |
| Fund Cash Balance December 31 | | |
| Unassigned | <u>\$ 45,531</u> | <u>\$ 11,747</u> |

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS STATEMENT

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**BLENDON - WESTERVILLE JOINT ECONOMIC DEVELOPMENT ZONE
FRANKLIN COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENT
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

NOTE 1 – DESCRIPTION OF THE ENTITY

The Blendon – Westerville Joint Economic Development Zone (the “JEDZ”) is a political and corporate body for the purpose of enjoying and exercising the rights and privileges conferred upon it under a contract between Blendon Township (the “Township”) and the City of Westerville (the “City”). The JEDZ may sue and be sued, and plead and be impleaded in its own name. The Board of Directors (the “Board”) has specific powers set forth in the contract and, in addition, shall have the power to do all acts that it determines to be necessary and appropriate to carry out its authorized purposes pursuant to Ohio Revised Code Section 715.691.

The JEDZ operates under the Board established by the City and Township with each appointing three members of the Board to serve terms of two years. No more than one member of the Board shall be an elected officer of the City or the Township, respectively. The elected official shall not serve as Chair of the Board. The City and Township, in their sole discretion, may reappoint members of the Board for additional terms on the Board. The members of the Board serve without compensation. The JEDZ operates on a calendar year basis.

The Board is authorized to promote, advertise, and publicize the JEDZ and its authorized purposes, and provide information to persons with an interest in establishing or expanding business and employment opportunities within the JEDZ. The Board may establish and collect fees for the provision of any promotional, advertising, and publicity services rendered at the request of a business or landowner within the JEDZ.

The term of the contract for the existence of the JEDZ terminates on December 31, 2042, and automatically renews unless the Township or the City provides written notice to the other that it has elected to not renew the contract. Notice is to be not more than 365 days and not less than 180 days prior to the expiration of the then current term of the contract. Upon the termination (i) the levy of JEDZ income tax shall cease, (ii) any remaining assets or funds of the JEDZ shall be distributed as follows: 25% to the City and 75% to the Township, and (iii) the City and the Township shall be the successors in interest to any uncollected funds and unliquidated assets of the JEDZ, including the interest of the JEDZ in any legal proceedings, in the proportions set forth above.

NOTE 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 the cash receipts and disbursements accounting basis. The JEDZ recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred.

This statement includes adequate disclosure of material matters, as the Auditor of State prescribes or permits.

**BLENDON - WESTERVILLE JOINT ECONOMIC DEVELOPMENT ZONE
FRANKLIN COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENT
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013
(Continued)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Fund Accounting

The JEDZ 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. The JEDZ's only fund is the General Fund.

C. Cash

JEDZ cash is held in one checking depository account. There were no investments during the year. The account was fully insured by the Federal Deposit Insurance Corporation.

D. Fund Balance Classifications

The fund cash balance is divided into five classifications based primarily on the extent to which the JEDZ must observe constraints in the JEDZ contract. The classifications are based upon GASB Statement No. 54, "*Fund Balance Reporting and Governmental Fund Type Definitions*" and are as follows:

Non-spendable – When amounts cannot be spent because they are either: (a), not in a spendable form; or (b), legally or contractually required to be maintained intact.

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.

Committed – When the Board of Directors passes resolutions requiring specific revenues be used for specific purposes. The Board can modify or rescind such resolutions at any time through additional formal action.

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.

Unassigned – When resources have not been assigned to other Board commitments or contractual responsibilities, and have not been restricted, committed, or assigned to any other specific purposes.

The JEDZ 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.

**BLENDON - WESTERVILLE JOINT ECONOMIC DEVELOPMENT ZONE
FRANKLIN COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENT
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013
(Continued)**

NOTE 3 – INCOME TAXES

The JEDZ levies a 2 percent income tax whose proceeds are placed into the General Fund. The JEDZ levies and collects the tax on all income earned within the JEDZ. Employers within the JEDZ are required to withhold income tax on employee earnings and remit the tax to the JEDZ monthly or quarterly depending on the amount of taxes involved. Individual taxpayers, whose only income is subject to withholding by employers, are not required to file a final annual return. Corporations and other individual taxpayers are required to pay their estimated tax at least quarterly or file a final return annually.

The net income tax revenues are distributed 10 percent to the Township, and 90 percent to the City. The distributions are made quarterly. The allocation to the Township is restricted to purposes of the JEDZ. The allocation to the City is recorded in the General Fund. The JEDZ Board retains two percent for operations of the JEDZ.

NOTE 4 – CASH

The carrying amount of cash as of December 31, 2014 and December 31, 2013 was as follows:

| | <u>2014</u> | <u>2013</u> |
|-----------------|-------------|-------------|
| Demand Deposits | \$45,531 | \$11,747 |

NOTE 5 – CONTRIBUTIONS

As part of the contract forming the JEDZ, the Township and City provide certain services to the JEDZ. The Township furnishes all usual and customary governmental services furnished by the Township to the other territory of the Township, including, but not limited to administration of zoning, maintenance of township roads, snow removal, fire protection, police protection, emergency medical services and general administration. The City pursuant to the JEDZ income tax agreement furnishes services set forth in the income tax agreement and engages in activities to promote, complement and benefit economic development in the JEDZ. The Township and the City may provide additional services as allowed by law as the Township and/or City and the Board deem appropriate and agree. The fair value of the services provided are not determined and recorded in the financial statements.

NOTE 6 – CONTRACTUAL COMMITMENTS

- A. The JEDZ contracts with the City of Westerville (the “City”) for the collection of the Income Tax. The Board compensates the City not to exceed the sum of 2 percent of the gross revenues for 2014 and 4 percent for 2013 for the collection of the income tax. The amounts paid to the City for these services in 2014 and 2013 were \$51,685 and \$37,917, respectively.

**BLENDON - WESTERVILLE JOINT ECONOMIC DEVELOPMENT ZONE
FRANKLIN COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENT
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013
(Continued)**

NOTE 6 – CONTRACTUAL COMMITMENTS (continued)

- B. Under the JEDZ contract, the Township and City entered into a Cooperative Economic Development Agreement which addresses the continued economic development within the CEDA territory. The CEDA provides for cooperative economic development payments to the Township in consideration of the Townships' waiver of its right to terminate the JEDZ Contract, and provides for the provision of additional governmental services by the Township to the CEDA Territory. The additional services provided by the Township include enhanced police protection services, enhanced fire inspection and protection services and enhanced landscaping to the CEDA Territory. The Township may also from time to time provide additional or enhanced governmental services to the CEDA Territory.

In consideration of Township's waiver of its right to terminate the JEDZ Contract and its provisions of services to the CEDA Territory, the City pays an amount equal to 70 percent of the amount of the proceeds of the JEDZ Income Tax that the City receives pursuant to the JEDZ Agreement. The Cooperative Economic Development Payments are paid quarterly to the Township by the City.



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*

Blendon-Westerville JEDZ
Franklin County
6330 South Hempstead Rd.
Westerville, Ohio 43086

To the Board of Directors:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statement of the Blendon-Westerville Joint Economic Development Zone, Franklin County, Ohio (the JEDZ), (a nonprofit corporation), as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statement, and have issued our report thereon dated July 28, 2015, wherein we noted the JEDZ followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the JEDZ's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the JEDZ's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the JEDZ's financial statement. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. 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 JEDZ's financial statement is free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

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Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the JEDZ's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the JEDZ's internal control and compliance. Accordingly, this 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 "D" and "Y".

Dave Yost
Auditor of State
Columbus, Ohio

July 28, 2015



Dave Yost • Auditor of State

BLENDON WESTERVILLE JOINT ECONOMIC DEVELOPMENT ZONE

FRANKLIN 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
AUGUST 20, 2015**