



Dave Yost • Auditor of State

**COLUMBIA TOWNSHIP JOINT ECONOMIC DEVELOPMENT ZONE
HAMILTON COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Columbia Township Joint Economic Development Zone
Hamilton County
5903 Hawthorne Avenue
Cincinnati, Ohio 45227

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Columbia Township Joint Economic Development Zone, Hamilton County, Ohio (the Zone) as of and for the years ended December 31, 2017 and 2016.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Zone'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 Zone's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 2 of the financial statements, the Zone prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Zone as of December 31, 2017 and 2016, and the respective changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of the Columbia Township Joint Economic Development Zone, Hamilton County as of December 31, 2017 and 2016, 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 November 16, 2018, on our consideration of the Zone'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 Zone's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

November 16, 2018

Columbia Township Joint Economic Development Zone

Hamilton County

Combined Statement of Receipts, Disbursements

and Changes in Fund Balances (Regulatory Cash Basis)

All Governmental Fund Types

For the Year Ended December 31, 2017

	<u>General</u>
Cash Receipts	
Income Taxes	\$1,045,860
Miscellaneous	<u>31,075</u>
<i>Total Cash Receipts</i>	<u>1,076,935</u>
Cash Disbursements	
Current:	
Personal Services	25,968
Fringe Benefits	3,929
Contractual Services	1,035,928
Supplies and Materials	5,353
Other	<u>49,253</u>
<i>Total Cash Disbursements</i>	<u>1,120,431</u>
<i>Net Change in Fund Cash Balances</i>	(43,496)
<i>Fund Cash Balances, January 1</i>	<u>281,015</u>
Fund Cash Balances, December 31	
Assigned	339
Unassigned (Deficit)	<u>237,180</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$237,519</u></u>

See accompanying notes to the basic financial statements

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Columbia Township Joint Economic Development Zone

Hamilton County

Notes to the Financial Statements

For the Years Ended December 31, 2017

Note 1 – Reporting Entity

The Columbia Township Joint Economic Development Zone, Hamilton County, Ohio (the Zone) contract was entered into on August 5, 2013 by and among Columbia Township, Hamilton County, Ohio and the Village of Fairfax, Hamilton County, Ohio. The contract was authorized in accordance of the Ohio Revised Code Section 715.691, by ordinance 35-2013 passed by the Council of the Village on August 5, 2013, and Resolution 13-10 adopted by the Board of Trustees of the Township. The Village of Fairfax is responsible for fiscal control of the resources of the Zone.

The Zone operates under an appointed six member Board of Directors established in accordance with Ohio Revised Code Section 715.691(G)(1). The purpose of the Zone is to facilitate new or expanded commercial and economic development, create and preserve jobs, and improve the economic welfare of the Township, Village and Zone. Pursuant to Ohio Revised Code 715.691, the Board adopted a resolution to levy an income tax in the Zone at a rate of 1.0%.

The Zone's management believes these financial statements present all activities for which the Zone is financially accountable.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

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

Fund Accounting

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

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Zone for any purpose provided it is expended or transferred according to the general laws of Ohio.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

Columbia Township Joint Economic Development Zone

Hamilton County

Notes to the Financial Statements

For the Years Ended December 31, 2017

Budgetary Process

The Contract between the Township, Village and Zone prescribes a budgetary process for the Zone. The fiscal year for the Zone shall be the same as the fiscal year of the Township. The budget shall estimate the revenues and expenses of the Zone. The Board shall provide a copy of the annual budget to the Contracting Parties promptly after its adoption. The Board shall establish appropriation procedures to provide for payment of the expenses of the Zone and the distribution of income tax revenues consistent with the Contract.

Fund Balance

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

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

Restricted Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

Committed Governing Board can *commit* amounts via formal action (resolution). The Zone must adhere to these commitments unless the Governing Board amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Zone's Governing Board or a Zone official delegated that authority by resolution, or by State Statute.

Unassigned Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Zone 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.

Note 3 – Deposits and Investments

The Zone maintains three non-interest bearing checking accounts. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits and investments at December 31 was as follows:

Columbia Township Joint Economic Development Zone
Hamilton County
Notes to the Financial Statements
For the Years Ended December 31, 2017

	2017
Demand deposits	\$237,519
Total deposits	237,519

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation or collateralized through the Ohio Pooled Collateral System (OPCS).

Note 4 – Taxes

Income Taxes

The Zone levies an income tax of one percent on substantially all earned income arising from employment, residency, or business activities within the Zone. Employers within the Zone withhold income tax on employee compensation and remit the tax to the Zone either monthly or quarterly, as required. 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 pay estimated taxes quarterly and file a declaration annually.

Note 5 – Risk Management

Commercial Insurance

The Zone has obtained commercial insurance from the Ohio Plan Risk Management through Administrative Services Company for the following risks:

- Comprehensive property and general liability;
- Errors and omissions.

Note 6 – Subsequent Event

The Zone’s accounting system was credited for \$20,602 from the Village of Fairfax in September 2018 to adjust for duplicate disbursement entries during 2016 and 2017.

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Columbia Township Joint Economic Development Zone

Hamilton County

Combined Statement of Receipts, Disbursements

and Changes in Fund Balances (Regulatory Cash Basis)

All Governmental Fund Types

For the Year Ended December 31, 2016

	<u>General</u>
Cash Receipts	
Income Taxes	\$956,823
Miscellaneous	<u>24,954</u>
<i>Total Cash Receipts</i>	<u>981,777</u>
Cash Disbursements	
Current:	
Personal Services	19,061
Fringe Benefits	2,761
Contractual Services	836,367
Supplies and Materials	11,012
Other	<u>7,204</u>
<i>Total Cash Disbursements</i>	<u>876,405</u>
<i>Net Change in Fund Cash Balances</i>	105,372
<i>Fund Cash Balances, January 1</i>	<u>175,643</u>
Fund Cash Balances, December 31	
Assigned	375
Unassigned (Deficit)	<u>280,640</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$281,015</u></u>

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Columbia Township Joint Economic Development Zone

Hamilton County

Notes to the Financial Statements

For the Years Ended December 31, 2016

Note 1 – Reporting Entity

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

Columbia Township Joint Economic Development Zone

Hamilton County

Notes to the Financial Statements

For the Years Ended December 31, 2016

Budgetary Process

The Contract between the Township, Village and Zone prescribes a budgetary process for the Zone. The fiscal year for the Zone shall be the same as the fiscal year of the Township. The budget shall estimate the revenues and expenses of the Zone. The Board shall provide a copy of the annual budget to the Contracting Parties promptly after its adoption. The Board shall establish appropriation procedures to provide for payment of the expenses of the Zone and the distribution of income tax revenues consistent with the Contract.

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Unassigned Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Zone 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.

Note 3 – Deposits and Investments

The Zone maintains three non-interest bearing checking accounts. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits and investments at December 31 was as follows:

Columbia Township Joint Economic Development Zone

Hamilton County

Notes to the Financial Statements

For the Years Ended December 31, 2016

	<u>2016</u>
Demand deposits	<u>\$281,015</u>
Total deposits	<u><u>281,015</u></u>

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation or collateralized through the Ohio Pooled Collateral System (OPCS).

Note 4 – Taxes

Income Taxes

The Zone levies an income tax of one percent on substantially all earned income arising from employment, residency, or business activities within the Zone. Employers within the Zone withhold income tax on employee compensation and remit the tax to the Zone either monthly or quarterly, as required. 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 pay estimated taxes quarterly and file a declaration annually.

Note 5 – Risk Management

Commercial Insurance

The Zone has obtained commercial insurance from the Ohio Plan Risk Management through Administrative Services Company for the following risks:

- Comprehensive property and general liability;
- Errors and omissions.

Note 6 – Subsequent Event

The Zone's accounting system was credited for \$20,602 from the Village of Fairfax in September 2018 to adjust for duplicate disbursement entries during 2016 and 2017.

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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*

Columbia Township Joint Economic Development Zone
Hamilton County
5903 Hawthorne Avenue
Cincinnati, Ohio 45227

To the Board of Directors:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Columbia Township Joint Economic Development Zone, Hamilton County, Ohio (the Zone) as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements, and have issued our report thereon dated November 16, 2018, wherein we noted the Zone 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 Zone'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 Zone'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 Zone's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2017-001 and 2017-002 to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Zone'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*.

Official's Response to Findings

The Zone's response to the findings identified in our audit is described in the accompanying schedule of findings. We did not subject the Zone's response to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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



Dave Yost
Auditor of State

Columbus, Ohio

November 16, 2018

**COLUMBIA TOWNSHIP JOINT ECONOMIC DEVELOPMENT ZONE
HAMILTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING 2017-001

Material Weakness

In our audit engagement letter, as required by AU-C Section 210, Terms of Engagement, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16.

Section 9(d) of the Contract between the Village of Fairfax (the Village) and Columbia Township establishing the Columbia Township Joint Economic Development Zone (the Zone) states that in consideration of the Village's services pertaining to income tax administration, collection, enforcement, and disbursement, the Zone shall pay the Village an annual service fee equal to two percent of gross income tax revenues collected for the applicable annual report, or an amount equal to the actual and reasonable costs of the Village's administration, collection, enforcement, and disbursement, whichever amount is greater. The Village's reimbursable costs shall include attorney fees, expert fees, litigation costs and expenses, employee wages and benefits, equipment, and software, but only to the extent used or incurred for the Zone.

The Village is the fiscal agent for the Zone and account for the Zone's financial activity in a Village agency fund. When the Village issued disbursements for the actual and reasonable costs of the Zone, the Village posted the disbursements to the Zone agency fund. Each quarter, the Zone Tax Administrator summarized the Village's reimbursable expenses, and a check was written from the Zone's bank account to the Village and the quarterly reimbursement checks were recorded as disbursements in the Zone's agency fund and receipts in the Village's General Fund. As a result, the Zone's agency fund made duplicate disbursements totaling \$44,980 for 2016 and \$60,622 for 2017. The cumulative duplicate disbursements for both years totaled \$105,602. In December 2017, the Village posted \$85,000 to increase the Zone's fund balance which reduced the balance of the overpaid amount to \$20,602. The Village posted an adjustment to the Zone's accounting records to increase the Zone's fund balance for the remaining \$20,602 on September 20, 2018.

The financial statements and accounting records have been adjusted for these errors. The Zone did not have procedures in place for effective monitoring of the Zone's financial activity, and the accuracy of accounting and financial reporting. The fiscal agent, the Village of Fairfax, has sole responsibility over accounting and reporting. It is important that the Zone's Board take an active role in monitoring the posting of such activity. Failure to accurately post financial activity and monitor financial activity increases the risk that errors, theft and fraud could occur and not be detected in a timely manner.

We recommend due care be exercised when posting entries to the financial records and financial statement preparation to prevent errors and to assist in properly reflecting the Zone's financial activity. In addition, we recommend that the Zone's Board adopt procedures for ongoing reviews of the activity recorded in the underlying accounting records and reported on the financial statements so that errors can be detected and corrected in a timely manner.

FINDING 2017-002

Material Weakness

When designing the public office's system in internal control and the specific control activities, management should consider ensuring that accounting records are properly designed, verifying the existence and valuation of assets and periodically reconcile them to the accounting records, and performing analytical procedures to determine the reasonableness of financial data.

In accordance with its contract, the Zone's fiscal agent, the Village of Fairfax, maintained separate bank accounts for the Zone and accounted for the Zone's financial activity in a Village agency fund. However, the Zone did not complete monthly bank reconciliations; rather, its accounts and fund were co-mingled within the Village's monthly reconciliations which contained unsupported adjusting factors. The recalculated reconciled bank balance exceeded the Zone's fund balance recorded in the financial statements by \$13,834 at December 31, 2016 and by \$12,256 at December 31, 2017.

Accurate preparation and review of bank reconciliations is a basic and essential internal control component for sound fiscal management. Zone officials rely on financial reports to make sound financial decisions. It is therefore important that the Board monitor the financial activity and assets of the Zone and ensure financial reporting is accurate. The lack of timely accurate reconciliations increases the risk that errors, theft or fraud could occur and not be detected in a timely manner.

We recommend the Zone reconcile all active bank accounts on a monthly basis. The Zone should document and adequately explain all adjusting factors, and maintain a detailed listing of reconciling items including outstanding checks. The Zone should designate an official to review and sign the reconciliations indicating their review and approval. Adjustments should be documented, and any unexplained differences should be investigated and resolved immediately.

Official's Response:

In response to the 2016-2017 Columbia Township JEDZ Audit findings and recommendations, the Columbia Township JEDZ Board of Trustees has or will undertake the following actions to correct deficiencies and improve compliance:

1. A separate, independent accounting system will be acquired and implemented for the JEDZ, eliminating the commingling of two entities (Fairfax and JEDZ)
 - A highly trained and skilled individual in the UAN system will perform all transactions and monthly reconciliations.
 - Monthly financial statements will be prepared and reviewed and reconciliations completed.
 - All adjusting transactions will be documented and pre-approved by the JEDZ Administrator and a policy written.
2. A regular meeting will be held with the JEDZ administrator, JEDZ tax administrator, Fairfax fiscal officer and the accounting administrator to review monthly transactions, bank statements, monthly reconciliations and other reports before presentation to the JEDZ board.



Dave Yost • Auditor of State

**COLUMBIA TOWNSHIP JOINT ECONOMIC DEVELOPMENT ZONE
HAMILTON 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
DECEMBER 13, 2018**