



Dave Yost • Auditor of State



**BAINBRIDGE TOWNSHIP – CITY OF SOLON JOINT ECONOMIC DEVELOPMENT DISTRICT  
CUYAHOGA COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Bainbridge Township – City of Solon Joint Economic Development District  
Cuyahoga County  
34200 Bainbridge Road  
Solon, Ohio 44139

To the Board of Directors:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements and related notes of the Bainbridge Township – City of Solon Joint Economic Development District, Cuyahoga County, (the District) as of and for the years ended December 31, 2013 and 2012.

### ***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 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 opinions.

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

As described in Note 1 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(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 statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the District 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 District as of December 31, 2013 and 2012, or 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 combined cash balances of the Bainbridge Township – City of Solon Joint Economic Development District, Cuyahoga County, as of December 31, 2013 and 2012, 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 1.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2015, 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  
Columbus, Ohio

November 19, 2015

**BAINBRIDGE TOWNSHIP - CITY OF SOLON JOINT ECONOMIC DEVELOPMENT DISTRICT  
CUYAHOGA COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
GOVERNMENTAL FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u><b>General Fund</b></u>
<b>Cash Receipts</b>	
Income Taxes	\$184,667
Interest	25
	<hr/>
<i>Total Cash Receipts</i>	184,692
	<hr/>
<b>Cash Disbursements</b>	
Operating Expenses	1,509
Administrative Expenses	3,542
Maintenance Expenses	11,764
Bainbridge Township Disbursement	85,905
City of Solon Disbursement	85,905
	<hr/>
<i>Total Cash Disbursements</i>	188,625
	<hr/>
<i>Excess of Receipts Over (Under) Disbursements</i>	(3,933)
	<hr/>
<i>Fund Cash Balances, January 1</i>	95,496
	<hr/>
<b>Fund Cash Balances, December 31</b>	
Committed	82,323
Unassigned	9,240
	<hr/>
<i>Fund Cash Balances, December 31</i>	<u><u>\$91,563</u></u>

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

**BAINBRIDGE TOWNSHIP - CITY OF SOLON JOINT ECONOMIC DEVELOPMENT DISTRICT  
CUYAHOGA COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
GOVERNMENTAL FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u><b>General Fund</b></u>
<b>Cash Receipts</b>	
Income Taxes	\$169,170
Interest	23
	<hr/>
<i>Total Cash Receipts</i>	169,193
	<hr/>
<b>Cash Disbursements</b>	
Operating Expenses	637
Administrative Expenses	3,350
Bainbridge Township Disbursement	78,702
City of Solon Disbursement	78,702
	<hr/>
<i>Total Cash Disbursements</i>	161,391
	<hr/>
<i>Excess of Receipts Over (Under) Disbursements</i>	7,802
	<hr/>
<i>Fund Cash Balances, January 1</i>	87,694
	<hr/>
<b>Fund Cash Balances, December 31</b>	
Committed	85,496
Unassigned	10,000
	<hr/>
<i>Fund Cash Balances, December 31</i>	<u><u>\$95,496</u></u>

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



**BAINBRIDGE TOWNSHIP – CITY OF SOLON JOINT ECONOMIC DEVELOPMENT DISTRICT  
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012**

**1. Summary of Significant Accounting Policies**

**A. Description of the Entity**

The Bainbridge Township – City of Solon Joint Economic Development District, Cuyahoga County, Ohio (the District) contract was entered into as of February 6, 2006 under the authority of Ohio Revised Code Sections 715.72 through 715.83. The District is comprised of Bainbridge Township and the City of Solon. The District operates under an appointed five-member Board of Trustees established in accordance with Ohio Revised Code Section 715.78(A). The District was formed to advance, encourage and promote the industrial, economic, commercial and civic development of the area. Pursuant to Ohio Revised Code Section 715.74, the Board adopted a resolution to levy an income tax in the District at a rate of 2%, effective January 1, 2007.

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

**B. 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.

**C. Cash and Cash Equivalents**

The District's cash and cash equivalents consist of an interest bearing checking account.

**D. Fund Accounting**

The District uses fund accounting to segregate cash and investments that are restricted as to use. The District has the following fund:

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

BAINBRIDGE TOWNSHIP – CITY OF SOLON JOINT ECONOMIC DEVELOPMENT DISTRICT  
CUYAHOGA COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)

1. Summary of Significant Accounting Policies (Continued)

E. Fund Balance

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

1. **Nonspendable**

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

2. **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.

3. **Committed**

The Board can *commit* amounts via formal action (resolution). The District must adhere to these commitments unless the Board amend 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.

4. **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 the District Board or a District official delegated that authority by resolution, or by State Statute.

5. **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 District 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.

**BAINBRIDGE TOWNSHIP – CITY OF SOLON JOINT ECONOMIC DEVELOPMENT DISTRICT  
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**2. Cash Deposits and Investments**

The District maintains an interest bearing checking account. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits and investments at December 31 was as follows:

	2013	2012
Demand deposits	<u>\$91,563</u>	<u>\$95,496</u>

**Deposits:** Deposits are insured by the Federal Depository Insurance Corporation.

**3. Local Income Tax**

The District levies a municipal income tax of 2% on substantially all earned income arising from employment or business activities within the District.

Employers within the District withhold income tax on employee compensation and remit the tax to the District via the City of Solon, which is then distribute as follows: the City of Solon Administrative Expenses are allocated 1.27% of taxes plus \$100 each month, the District M & I Fund is allocated 5% of taxes (not to exceed \$50,000), the District General Fund as needed (not to exceed \$10,000), and then the remainder of taxes is distributed, with 50% going to Bainbridge Township and the other 50% to the City of Solon.

**4. Risk Management**

**Commercial Insurance**

The District has obtained commercial insurance for comprehensive property and general liabilities, covered through the policy held by Bainbridge Township.

**5. Related Party Transactions**

The Board of Directors includes the landowner of the property the District occupies. During 2013, the District issued payments totaling \$11,764 to the landowner's company, V&V Lakeshore, LTD, for stripping and landscape upgrades.

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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

Bainbridge Township – City of Solon Joint Economic Development District  
Cuyahoga County  
34200 Bainbridge Road  
Solon, Ohio 44139

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 Bainbridge Township – City of Solon Joint Economic Development District, Cuyahoga County, (the District) as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements and have issued our report thereon dated November 19, 2015, wherein we noted the District 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 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 opinions 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

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 a 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. We consider finding 2013-001 described in the accompanying schedule of findings to be a material weakness.

***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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2013-001.

***District's Response to Finding***

The District's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the District's response and, accordingly, we express no opinion on it.

***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.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

November 19, 2015

**BAINBRIDGE TOWNSHIP – CITY OF SOLON JOINT ECONOMIC DEVELOPMENT DISTRICT  
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2013 AND 2012**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

**FINDING NUMBER 2013-001**

**Financial Reporting – Material Weakness and Noncompliance**

Ohio Rev. Code §117.38 states that an entity must file a complete and accurate financial report on an annual basis. The report shall be certified by the proper officer or board and filed with the auditor of state within sixty days after the close of the fiscal year, except that public offices reporting pursuant to generally accepted accounting principles shall file their reports within one hundred fifty days after the close of the fiscal year.

Although the District filed annual financial reports with Local Government Services for 2013 and 2012, the filed reports did not contain all disbursement activity or the District's total cash fund balances, the latter of which were significantly misstated.

Additionally, this activity was not presented on the financial statements in the District's original released audit report, despite the following:

- The District Tax Administrator signed a letter of arrangement dated March 10, 2014, stating the District would "design, implement and maintain internal control relevant to compliance and the preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error". and
- The District's Tax Administrator, Treasurer and Vice-Chair signed a letter of representation dated April 8, 2014, stating that fund balances and disbursements were properly classified and allocated in its financial statements.

By not presenting accurate financial reports, the District is not fulfilling their duties of accountability and transparency to the public. The lack of controls over the posting of financial transactions and financial statements resulted in material misstatements that required the District to make adjustments.

We recommend the District take appropriate measures to ensure all balances reflect the actual financial activity of the District and all annual financial reports depict the accurate financial position of the District.

**Officials' Response:** We acknowledge the findings and recommendations above and will correct these deficiencies.

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# Dave Yost • Auditor of State

**BAINBRIDGE TOWNSHIP – CITY OF SOLON JOINT ECONOMIC DEVELOPMENT DISTRICT  
CUYAHOGA 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 17, 2015**