

**Downtown Akron Special Improvement District, Inc.**

**Summit County**

Regular Audit

For the Fiscal Year Ended June 30, 2023



OHIO AUDITOR OF STATE  
KEITH FABER



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Governing Board  
Downtown Akron Special Improvement District, Inc.  
103 South High Street  
Akron, Ohio 44308

We have reviewed the *Independent Auditor's Report* of the Downtown Akron Special Improvement District, Inc., Summit County, prepared by Kevin L. Penn, Inc, for the audit period July 1, 2022 through June 30, 2023. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Downtown Akron Special Improvement District, Inc. is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Keith Faber".

Keith Faber  
Auditor of State  
Columbus, Ohio

January 03, 2024

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Downtown Akron Special Improvement District, Inc.

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## **Independent Auditor's Report**

Downtown Akron Special Improvement District, Inc.  
Summit County  
103 South High Street  
Akron, Ohio 44308

To the Governing Body:

### ***Report on the Audit of the Financial Statement***

#### ***Unmodified and Adverse Opinions***

I have audited the financial statement of the Downtown Akron Special Improvement District, Inc., Summit County, Ohio (the District), which comprises the cash balances, receipts and disbursements for each fund as of and for the year ended June 30, 2023, and the related notes to the financial statement.

#### ***Unmodified Opinion on Regulatory Basis of Accounting***

In my opinion, the accompanying financial statement referred to above present fairly, in all material respects, the cash balances, receipts and disbursements for each fund as of and for the year ended June 30, 2023, and the related notes to the financial statement, in accordance with the financial reporting provisions which Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) permit, described in Note 1.

#### ***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In my opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* section of my report, the accompanying financial statements 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 June 30, 2023, or the changes in financial position thereof for the year then ended.

### ***Basis for Opinions***

I conducted my audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am required to be independent of the District, and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

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

As described in Note 1 of the financial statement, the financial statement is prepared by the District on the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements. The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

### ***Responsibilities of Management for the Financial Statement***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) permit. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statement that are free from material misstatement, whether due to fraud or error.

In preparing the financial statement, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditor's Responsibilities for the Audit of the Financial Statement***

My objectives are to obtain reasonable assurance about whether the financial statement as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statement.



In performing an audit in accordance with GAAS and *Government Auditing Standards*, I

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statement, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statement.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statement.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

I am required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that I identified during the audit.

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

In accordance with *Government Auditing Standards*, I have also issued my report dated November 20, 2023, on my consideration of the District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's 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.

Kevin L. Penn, Inc.

Cleveland, Ohio  
November 20, 2023

Downtown Akron Special Improvement District  
Summit County  
Statement of Cash Receipts, Disbursements  
and Changes in Fund Balances (Regulatory Cash Basis)  
All Governmental Fund Types  
For the Year Ended June 30, 2023

Cash Receipts:	
SID Assessment	\$748,971
Interest Income	1,691
Total Cash Receipts	<u>750,662</u>
Cash Disbursements:	
Accounting	3,020
Contracts	740,000
Other	94
Total Cash Disbursements	<u>743,114</u>
Net Change in Fund Cash Balance	<u>7,548</u>
Fund Cash Balance - July 1	<u>7,942</u>
Fund Cash Balances - June 30	
Unassigned	15,490
Fund Cash Balance - June 30	<u><u>\$ 15,490</u></u>

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

**DOWNTOWN AKRON SPECIAL IMPROVEMENT DISTRICT, INC.  
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENT  
JUNE 30, 2023**

**Note 1. Nature of Business and Significant Accounting Policies**

**Nature of Business**

Downtown Akron Special Improvement District, Inc. (the District) is a not-for-profit corporation formed to govern a special improvement district pursuant to Ohio Revised Code Chapter 1710. The District was established as a mechanism through which downtown property owners assess themselves to provide funding for extended services aimed at the economic enhancement of the area. Summit County collects and after deducting a 4% fee, remits the assessments to the City of Akron, which remits the balance to the District. The current service plan of the District consists of clean, safe and vibrant, marketing and promotion and stakeholder services. The District is governed by a seven member Board of Directors. The District obtained a five-year renewal for property assessment which began in 2020.

**Basis of Accounting**

The financial statement follows 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 District 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).

The financial statement includes 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.

**Fund Accounting**

The District uses fund accounting to segregate cash and investments that are restricted as to use. The District classifies its' funds into the following types:

General Fund

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

**Budgetary Process**

The District is not required to follow Budgetary Compliance in accordance with the Ohio Revised Code.

**DOWNTOWN AKRON SPECIAL IMPROVEMENT DISTRICT, INC.  
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENT  
JUNE 30, 2023**

Note 1. Nature of Business and Significant Accounting Policies (continued)

**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:

**Nonspendable**

The District 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**

The Board can commit amounts via formal action (resolution). The District must adhere to these commitments unless the Board amends the resolution. Committed fund balance also incorporated 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 the District or a District official delegated that authority by resolution, or by State Statute.

**Unassigned**

Unassigned fund balance is the residual classification of 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.

**DOWNTOWN AKRON SPECIAL IMPROVEMENT DISTRICT, INC.  
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENT  
JUNE 30, 2023**

**-Note 1. Nature of Business and Significant Accounting Policies (continued)**

**Fund Balance (continued)**

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.

**Concentration of Credit Risk**

The District maintains cash in a bank deposit account which, at times, may exceed federally insured limits. The District has not experienced any losses in the account. Management believes it is not exposed to any significant credit risk on cash. The carrying value of amount of deposits as of June 30, 2023 was \$15,490.

**Income Tax Status**

The District is exempt from income taxes under Section 501 c(4) of the Internal Revenue Code. The District is no longer subject to income tax examinations by federal and state taxing authorities prior to 2019.

**Note 2. Management Agreement**

In December 2019, the District renewed its five year management agreement with Downtown Akron Partnership, Inc., a nonprofit corporation. Under the agreement, Downtown Akron Partnership, Inc. acts as an independent contractor to implement and administer the service plan of the District for payment. The payments to Downtown Akron Partnership, Inc. for the year ended June 30, 2022 and 2023 were \$690,000 and \$740,000 respectively. With the renewal, Summit County collections were increased to \$850,000 per year. Property owners could prepay their five year assessment. There were no prepayments, during the 2023 fiscal year.

**Note 3. Contingent Liabilities**

Management believes there are no pending claims or lawsuits.

**Note 4. Subsequent Events**

Subsequent events have been evaluated through November 20, 2023, which is the date the cash basis financial statements were available to be issued.

**DOWNTOWN AKRON SPECIAL IMPROVEMENT DISTRICT, INC.  
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENT  
JUNE 30, 2023**

**Note 5. Change in Accounting Principle**

For fiscal year 2022, the Downtown Akron Special Improvement District, Inc. implemented Governmental Accounting Standards Board (GASB) Statement No. 87, Leases and related guidance from (GASB) Implementation Guide No. 2019-3, Leases.

GASB Statement 87 enhances the relevance and consistency of information of the government's leasing activities. It establishes requirements for lease accounting based on the principle that leases are financings of the right to use an underlying asset.

Downtown Akron Special Improvement District, Inc. did not have any contracts that met the GASB 87 definition of a lease.



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**Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Required by Government Auditing Standards**

Downtown Akron Special Improvement District, Inc.  
Summit County  
103 South High Street  
Akron, Ohio 44308

To the Governing Body:

I 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 governmental activities, of the Downtown Akron Special Improvement District, Inc., Summit County, (the District) as of and for the year ended June 30, 2023, and the related notes to the financial statement, and have issued my report thereon dated November 20, 2023.

***Internal Control Over Financial Reporting***

As part of my financial statement audit, I considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures appropriate in the circumstances to the extent necessary to support my opinion(s) on the financial statement, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, I 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 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.

My 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, I did not identify any deficiencies in internal control that I consider material weaknesses. However, unidentified material weaknesses may exist.

### ***Compliance and Other Matters***

As part of reasonably assuring whether the District's financial statement are free of material misstatement, I tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the financial statement. However, opining on compliance with those provisions was not an objective of my audit and accordingly, I do not express an opinion. The results of my tests disclosed no instances of noncompliance or other matters I must report under *Government Auditing Standards*.

### ***Purpose of this Report***

This report only describes the scope of my internal control and compliance testing and my 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 report is not suitable for any other purpose.

Kevin L. Penn, Inc.

Cleveland, Ohio  
November 20, 2023



# OHIO AUDITOR OF STATE KEITH FABER



**DOWNTOWN AKRON SPECIAL IMPROVEMENT DISTRICT, INC.**

**SUMMIT COUNTY**

**AUDITOR OF STATE OF OHIO CERTIFICATION**

This is a true and correct copy of the report, which is required to be filed pursuant to Section 117.26, Revised Code, and which is filed in the Office of the Ohio Auditor of State in Columbus, Ohio.



**Certified for Release 1/16/2024**

88 East Broad Street, Columbus, Ohio 43215  
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at  
[www.ohioauditor.gov](http://www.ohioauditor.gov)