

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

Financial Condition

As of  
June 30, 2016

Together with Auditor's Report





# Dave Yost • Auditor of State

Board of Directors  
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, 2015 through June 30, 2016. 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 black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

February 6, 2017

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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

I have audited the accompanying financial statements of the cash balances, receipts and disbursements, and related notes of Downtown Akron Special Improvement District, Inc., Summit County, (the District) as of and for the year ended June 30, 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***

My responsibility is to opine on these financial statements based on my audit. I 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 my judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, I 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, I 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 my evaluation of the overall financial statement presentation.

I believe the audit evidence we obtained is sufficient and appropriate to support my 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, I 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. My 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 my 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 June 30, 2016, or changes in financial position or cash flows thereof for the year then ended.

***Opinion on Regulatory Basis of Accounting***

In my opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of Downtown Akron Special Improvement District, Inc., Summit County as of June 30, 2016, and its combined cash receipts and disbursements for the year 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 District Auditing Standards***

In accordance with *Government Auditing Standards*, I have also issued my report dated October 11, 2016, 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. That report describes the scope of my 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.

Kevin L. Penn, Inc.

October 11, 2016



Downtown Akron Special Improvement District  
Summit County  
Statement of Cash Receipts, Disbursements  
and Changes in Fund Cash Balances  
For the Year Ended June 30, 2016

Cash Receipts:	
SID Assessment	\$643,432
Interest Income	30
Total Cash Receipts	<u>643,462</u>
Cash Disbursements:	
Accounting	4,610
Insurance	2,338
Contracts	626,000
Other	246
Total Cash Disbursements	<u>633,194</u>
Net Change in Fund Cash Balance	<u>10,268</u>
Fund Cash Balance - July 1	<u>6,321</u>
Fund Cash Balances - June 30	
Unassigned	16,589
Fund Cash Balance - June 30	<u>\$ 16,589</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, 2016**

**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. In March 2009, the District obtained a five-year renewal for property assessment which began in 2010.

**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 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).

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.

**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, 2016**

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:

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 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.

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 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.

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

**NOTES TO THE FINANCIAL STATEMENT  
JUNE 30, 2016**

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

**Fund Balance** (continued)

Unassigned (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, 2016 was \$16,589.

**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 2013.

**Note 2. Management Agreement**

In December 2014, 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, 2015 and 2016 were \$1,006,351 and \$626,000 respectively. With the renewal, Summit County collections were increased to \$750,000 per year. Property owners could prepay their five year assessment. In 2015, prepayments of \$319,713 were collected.

**Note 3. Contingent Liabilities**

Management believes there are no pending claims or lawsuits.

**Note 4. Subsequent Events**

Subsequent events have been evaluated through October 11, 2016, which is the date the cash basis financial statements were available to be issued.



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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

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 statements of the Downtown Akron Special Improvement District, Inc., Summit County, (the District), of the cash balances, receipts and disbursements by fund type, as of and for the year ended June 30, 2016, and the related notes to the financial statements and have issued my report thereon dated October 11, 2016 wherein I noted the District followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permits.

***Internal Control Over Financial Reporting***

As part of my financial statement audit, I considered the Downtown Akron Special Improvement District, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support my opinion(s) on the financial statements, but not to the extent necessary to opine on the effectiveness of the Downtown Akron Special Improvement District, Inc.'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 Downtown Akron Special Improvement District, Inc.'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.

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 Downtown Akron Special Improvement District, Inc.'s financial statements 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 determination of financial statement amounts. 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*.

I noted certain matters that I reported to management of Downtown Akron Special Improvement District, Inc.'s in a separate letter dated October 11, 2016.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and my testing results, and does not opine on the effectiveness of the Downtown Akron Special Improvement District, Inc.'s internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Downtown Akron Special Improvement District, Inc.'s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Kevin L. Penn, Inc.

October 11, 2016



# Dave Yost • Auditor of State

**DOWNTOWN AKRON SPECIAL IMPROVEMENT DISTRICT**

**STARK 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  
FEBRUARY 16, 2017**