



Dave Yost • Auditor of State



**DOWNTOWN DAYTON SPECIAL IMPROVEMENT DISTRICT, INC.  
MONTGOMERY COUNTY  
DECEMBER 31, 2017 AND 2016**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Downtown Dayton Special Improvement District, Inc.  
Montgomery County  
10 West Second Street, Suite 611  
Dayton, Ohio 45402

To the Board of Directors:

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

We have audited the accompanying financial statements of the Downtown Dayton Special Improvement District, Inc., Montgomery County, Ohio (the District), as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are 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 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 opinion.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Downtown Dayton Special Improvement District, Inc., Montgomery County, Ohio, as of December 31, 2017 and 2016, and the changes in financial position and cash flows thereof for the years then ended in accordance with the accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require this presentation to include *management's discussion and analysis*, listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2018, 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

October 15, 2018

**DOWNTOWN DAYTON SPECIAL IMPROVEMENT DISTRICT, INC.  
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2017  
(UNAUDITED)**

The discussion and analysis of the Downtown Dayton Special Improvement District, Inc. (the "District") financial performance provides an overall review of the financial activities for the year ended December 31, 2017. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

The Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, issued in June 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

**Financial Highlights**

Key financial highlights for 2017 are as follows:

- The District received property assessments of \$1,463,059 in 2017.
- The District paid Downtown Dayton Partnership, Corp. \$1,435,104 to provide service administration in 2017.
- The District's revenue exceeded its expenses by \$7,755 for the year ended December 31, 2017.

**Using this Financial Report**

This financial report contains the basic financial statements of the District, as well as the Management's Discussion and Analysis and notes to the basic financial statements. The basic financial statements include a statement of net position, statement of revenues, expenses and changes in net position, and a statement of cash flows

**Statement of Net Position**

The statement of net position answers the question, "How did we do financially during the year?" This statement includes all assets and liabilities, both financial and capital, using the accrual basis of accounting and the economic resources focus, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all revenue and expenses during the year, regardless of when the cash is received or paid.

Net position is reported in three broad categories (as applicable):

**Net Position, Invested in Capital Assets, Net of Related Debt:** This component of net position consists of all capital assets, reduced by the outstanding balances of any bonds, mortgages, notes or other borrowing that are attributable to the acquisition, construction or improvement of those assets. The District had no balance in Net Position, Invested in Capital Assets, Net of Related Debt at December 31, 2017.

**Restricted Net Position:** This component of net position consists of restricted assets which constraints are placed on assets by grantors, contributors, laws, regulations, etc. The District had no balance in Restricted Net Position at December 31, 2017.

**Unrestricted Net Position:** Consists of net position that does not meet the definition of "Net Position Invested in Capital Assets, Net of Related Debt" or "Restricted Net Position".

**DOWNTOWN DAYTON SPECIAL IMPROVEMENT DISTRICT, INC.  
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2017  
(UNAUDITED)  
CONTINUED**

**Statement of Net Position (Continued)**

Table 1 provides information on the District's Net Position at December 31, 2017 and 2016:

**TABLE 1 – NET POSITION**

	<u>2017</u>	<u>2016</u>
<b>Assets</b>		
Current Assets		
Cash	\$ 25,894	\$ 23,011
Total Assets	<u>25,894</u>	<u>23,011</u>
<b>Liabilities and Net Position</b>		
Current liabilities		
Accounts Payable	559	5,431
Total Liabilities	<u>559</u>	<u>5,431</u>
Unrestricted Net Position	25,335	17,580
Total Liabilities and Net Position	<u>\$ 25,894</u>	<u>\$ 23,011</u>

The decrease in accounts payable in 2017 is a result of the timing of expenses and when they were paid.



**DOWNTOWN DAYTON SPECIAL IMPROVEMENT DISTRICT, INC.  
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2017  
(UNAUDITED)  
CONTINUED**

**The Statement of Revenues, Expenses, and Changes in Net Position**

The statement of revenues, expenses, and changes in net position reports the changes in net position. This change in net position is important because it tells the reader that, for the District as a whole, the financial position of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not.

Table 2 provides the change in Net Position for 2017 and 2016.

**TABLE 2 – CHANGES IN NET POSITION**

	<b>2017</b>	<b>2016</b>
<b>Operating Revenues</b>		
Property Assessments	\$ 1,463,059	\$ 1,431,259
Total Operating Revenues	1,463,059	1,431,259
<b>Operating Expenses</b>		
Service Administration	1,435,104	1,408,522
Legal and Accounting	13,634	18,497
Officers Insurance	1,936	1,840
Bank Fees	90	28
Printing	926	340
Meeting Expense	3,615	194
Total Operating Expenses	1,455,305	1,429,421
<b>Operating Income</b>	7,754	1,838
<b>Non-Operating Revenues</b>		
Interest Income	1	110
<b>Total Non-Operating Revenues</b>	1	110
<b>Change in Net Position</b>	7,755	1,948
<b>Net Position, Beginning of Year</b>	17,580	15,632
<b>Net Position, End of Year</b>	\$ 25,335	\$ 17,580

The increase in net position for 2017 is primarily a result of increased property assessment collections.

**Service Administration Highlights**

The District contracts with the Downtown Dayton Partnership (DDP) to perform services outlined in the approved Services Plan for its members, the property owners of the District. The DDP works in the following focus areas: recruiting and retaining businesses, promote downtown housing development and the urban lifestyle, strategic planning for the District, special events, marketing and communication, coordination major projects, and work to ensure that the District clean and safe through its ambassador program. Continued progress is being made, as outlined in the quarterly reports to the District's members, to help strengthen downtown.

**DOWNTOWN DAYTON SPECIAL IMPROVEMENT DISTRICT, INC.  
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2017  
(UNAUDITED)  
CONTINUED**

**Capital Assets**

The District had no capital assets at December 31, 2017.

**Contacting the District**

This financial report is designed to provide a general overview of the finances of the Downtown Dayton Special Improvement District, Inc. and to show the District's accountability for the monies it receives to all vested and interested parties, as well as meeting the annual reporting requirements of the State of Ohio. Any questions about the information contained within this report or requests for additional financial information should be directed to Downtown Dayton Special Improvement District, Inc., Attn: Sandra Gudorf, President, Downtown Dayton Partnership, Inc., 10 West Second Street, Suite 611, Dayton, Ohio 45402 or by calling (937) 224-1518, extension 224.

**DOWNTOWN DAYTON SPECIAL IMPROVEMENT DISTRICT, INC.  
MONTGOMERY COUNTY**

**STATEMENT OF NET POSITION  
DECEMBER 31, 2017**

**Assets**

Current Assets:	
Cash	\$ 25,894
Total Assets	<u>\$ 25,894</u>

**Liabilities and Net Position**

Current Liabilities:	
Accounts Payable	\$ 559
Total Liabilities	<u>559</u>
Unrestricted Net Position	<u>25,335</u>
Total Liabilities and Net Position	<u>\$ 25,894</u>

See accompanying notes to the financial statements.

**DOWNTOWN DAYTON SPECIAL IMPROVEMENT DISTRICT, INC.  
MONTGOMERY COUNTY**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
FOR THE YEAR ENDED DECEMBER 31, 2017**

<b>Operating Revenues</b>	
Property Assessments	\$ 1,463,059
Total Operating Revenues	<u>1,463,059</u>
<b>Operating Expenses</b>	
Service Administration	1,435,104
Legal and Accounting	13,634
Officers Insurance	1,936
Bank Fees	90
Printing	926
Meeting Expense	3,615
Total Operating Expenses	<u>1,455,305</u>
Operating Income	<u>7,754</u>
<b>Non-Operating Revenues</b>	
Interest Income	<u>1</u>
Total Non-Operating Revenues	1
Change in Net Position	7,755
Net Position, Beginning of Year	<u>17,580</u>
Net Position, End of Year	<u><u>\$ 25,335</u></u>

See accompanying notes to the financial statements.

**DOWNTOWN DAYTON SPECIAL IMPROVEMENT DISTRICT, INC.  
MONTGOMERY COUNTY**

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

<b>Cash Flows from Operating Activities</b>	
Cash Receipts from Special Assessments	\$ 1,463,059
Cash Payments for Service Administration	(1,439,898)
Cash Payments for Purchased Services	(12,941)
Cash Payments for Other Purposes	(7,338)
<b>Net Cash Provided by (Used for) Operating Activities</b>	<u>2,882</u>
<b>Cash Flows from Investing Activities</b>	
Cash Receipts from Interest Income	<u>1</u>
<b>Net Cash Provided by (Used for) Investing Activities</b>	1
<b>Net Change in Cash</b>	2,883
<b>Cash at Beginning of Year</b>	<u>23,011</u>
<b>Cash at End of Year</b>	<u><u>\$ 25,894</u></u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities</b>	
Operating Income	\$ 7,754
Change in Operating Assets and Liabilities	
Accounts Payable	(4,872)
<b>Net Cash Provided by (Used for) Operating Activities</b>	<u><u>\$ 2,882</u></u>

See accompanying notes to the financial statements.

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**DOWNTOWN DAYTON SPECIAL IMPROVEMENT DISTRICT  
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

**NOTE A – DESCRIPTION OF THE ENTITY**

Downtown Dayton Special Improvement District, Inc. (the “District”), created pursuant to Chapter 1710 of the Ohio Revised Code, was incorporated on November 29, 1994, to encourage and participate in programs which will maintain, improve, and build the downtown area of the City of Dayton as a viable business, cultural, and recreational community.

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental non-profit Districts. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The more significant of the District’s accounting policies are described below:

***Basis of Presentation*** – The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Net position and revenues and expenses are classified based on the existence or absence of imposed restrictions. Accordingly, net position of the District is classified as unrestricted net position because it is not subject to imposed stipulations.

The District’s operations are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation are included on the statement of net position. The statement of revenues, expenses, and change in net position presents increases (i.e. revenues) and decreases (i.e. expenses) in net position.

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made. The District uses the accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned and expenses at the time they are incurred. The District distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses result from providing services and producing and delivering goods in connection with the District’s principal ongoing operation.

***Financial Estimates*** – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

***Assessment Revenue*** – The District receives its support primarily from real estate special assessments levied by the City of Dayton, Ohio on properties located within the City limits in accordance with Ohio Revised Code Chapter 1710 by the Ohio General Assembly.

The assessments levied by the City are recorded by the District when earned. Delinquent taxes are treated as unpaid taxes and, as such, collection is enforceable under City ordinance. Due to the uncertainty of collection of delinquent assessments, management reserves 100% of these assessments.

***Tax Exempt Status*** – The District is exempt from federal income taxes under Internal Revenue Code Section 501(c)(3). Accordingly, no provision for income taxes is included in the accompanying financial statements.

**DOWNTOWN DAYTON SPECIAL IMPROVEMENT DISTRICT  
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017  
(Continued)**

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Cash Equivalents** – During calendar year 2017, the District's cash balance was maintained in an interest-bearing checking account.

**NOTE C – COMMITMENTS**

The District has entered into an agreement with Downtown Dayton Partnership, Inc. to provide Service Administration through 2020. Under this agreement, Downtown Dayton Partnership, Inc. will perform services in the City of Dayton that align with the mission of the District. The District will compensate Downtown Dayton Partnership, Inc. with the assessments levied by the City of Dayton. Due to the uncertainty of the assessment amounts, no amount is guaranteed to Downtown Dayton Partnership, Inc. During 2017, the District paid Downtown Dayton Partnership \$1,435,104.

**NOTE D – CASH**

**Cash Equivalents** – During calendar year 2017, the District's cash balance was maintained in an interest-bearing checking account.

**Concentration of Credit Risk** – At December 31, 2017, the carrying amount of the District's deposits was \$25,894. The District deposits cash with a high credit quality financial institution. Interest bearing accounts are insured through the FDIC up to \$250,000. At various times during the year, the District's cash on deposit in one financial institution was in excess of FDIC insurance limits.

**NOTE E – RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts, theft of or damage to, and destruction of assets, errors and omissions, and natural disasters. During 2017, the District contracted with Cincinnati Insurance Company for general liability insurance. There has been no reduction in coverage from the prior year and settled claims have not exceeded the District's coverage in any of the past three years.

**NOTE F – LITIGATION**

It is the opinion of management that any potential claim against the District, which would not be covered by insurance, would not materially affect the financial statements.



**DOWNTOWN DAYTON SPECIAL IMPROVEMENT DISTRICT, INC.  
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(UNAUDITED)**

The discussion and analysis of the Downtown Dayton Special Improvement District, Inc. (the "District") financial performance provides an overall review of the financial activities for the year ended December 31, 2016. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

The Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, issued in June 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

### **Financial Highlights**

Key financial highlights for 2016 are as follows:

- The District received property assessments of \$1,431,259 in 2016.
- The District paid Downtown Dayton Partnership, Corp. \$1,408,522 to provide service administration in 2016.
- The District's revenue exceeded its expenses by \$1,948 for the year ended December 31, 2016.

### **Using this Financial Report**

This financial report contains the basic financial statements of the District, as well as the Management's Discussion and Analysis and notes to the basic financial statements. The basic financial statements include a statement of net position, statement of revenue, expenses and changes in net position, and a statement of cash flows

### **Statement of Net Position**

The statement of net position answers the question, "How did we do financially during the year?" This statement includes all assets and liabilities, both financial and capital, using the accrual basis of accounting and the economic resources focus, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all revenue and expenses during the year, regardless of when the cash is received or paid.

Net position is reported in three broad categories (as applicable):

**Net Position, Invested in Capital Assets, Net of Related Debt:** This component of net position consists of all capital assets, reduced by the outstanding balances of any bonds, mortgages, notes or other borrowing that are attributable to the acquisition, construction or improvement of those assets. The District had no balance in Net Position, Invested in Capital Assets, Net of Related Debt at December 31, 2016.

**Restricted Net Position:** This component of net position consists of restricted assets which constraints are placed on assets by grantors, contributors, laws, regulations, etc. The District had no balance in Restricted Net Position at December 31, 2016.

**Unrestricted Net Position:** Consists of net position that does not meet the definition of "Net Position Invested in Capital Assets, Net of Related Debt" or "Restricted Net Position".

**DOWNTOWN DAYTON SPECIAL IMPROVEMENT DISTRICT, INC.  
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(UNAUDITED)  
CONTINUED**

**Statement of Net Position (Continued)**

Table 1 provides information on the District's Net Position at December 31, 2016 and 2015:

**TABLE 1 – NET POSITION**

	<b>2016</b>	<b>2015</b>
<b>Assets</b>		
Current Assets		
Cash	\$ 23,011	\$ 85,561
Total Assets	23,011	85,561
 <b>Liabilities and Net Position</b>		
Current liabilities		
Accounts Payable	5,431	69,929
Total Liabilities	5,431	69,929
 Unrestricted Net Position	17,580	15,632
Total Liabilities and Net Position	\$ 23,011	\$ 85,561

The decrease in accounts payable in 2016 is a result of the timing of expenses and when they were paid.

**DOWNTOWN DAYTON SPECIAL IMPROVEMENT DISTRICT, INC.  
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(UNAUDITED)  
CONTINUED**

**The Statement of Revenues, Expenses, and Changes in Net Position**

The statement of revenues, expenses, and changes in net position reports the changes in net position. This change in net position is important because it tells the reader that, for the District as a whole, the financial position of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not.

Table 2 provides the change in Net Position for 2016 and 2015.

**TABLE 2 – CHANGES IN NET POSITION**

	<u>2016</u>	<u>2015</u>
<b>Operating Revenues</b>		
Property Assessments	\$ 1,431,259	\$ 1,209,239
Total Operating Revenues	1,431,259	1,209,239
<b>Operating Expenses</b>		
Service Administration	1,408,522	1,204,722
Legal and Accounting	18,497	8,346
Officers Insurance	1,840	1,840
Meeting Expense	194	2,836
Bank Fees	28	
Printing	340	
Total Operating Expenses	1,429,421	1,217,744
<b>Operating Income (Loss)</b>	1,838	(8,505)
<b>Non-Operating Revenues</b>		
Interest Income	110	26
<b>Total Non-Operating Revenues</b>	110	26
<b>Change in Net Position</b>	1,948	(8,479)
<b>Net Position, Beginning of Year</b>	15,632	24,111
<b>Net Position, End of Year</b>	<u>\$ 17,580</u>	<u>\$ 15,632</u>

The increase in net position for 2016 is primarily a result of increased property assessment collections.

**Service Administration Highlights**

The District contracts with the Downtown Dayton Partnership (DDP) to perform services outlined in the approved Services Plan for its members, the property owners of the District. The DDP works in the following focus areas: recruiting and retaining businesses, promote downtown housing development and the urban lifestyle, strategic planning for the District, special events, marketing and communication, coordination major projects, and work to ensure that the District clean and safe through its ambassador program. Continued progress is being made, as outlined, in the quarterly reports to the District's members, to help strengthen downtown.

**DOWNTOWN DAYTON SPECIAL IMPROVEMENT DISTRICT, INC.  
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(UNAUDITED)  
CONTINUED**

**Capital Assets**

The District had no capital assets at December 31, 2016.

**Contacting the District**

This financial report is designed to provide a general overview of the finances of the Downtown Dayton Special Improvement District, Inc. and to show the District's accountability for the monies it receives to all vested and interested parties, as well as meeting the annual reporting requirements of the State of Ohio. Any questions about the information contained within this report or requests for additional financial information should be directed to Downtown Dayton Special Improvement District, Inc., Attn: Sandra Gudorf, President, Downtown Dayton Partnership, Inc., 10 West Second Street, Suite 611, Dayton, Ohio 45402 or by calling (937) 224-1518, extension 224.

**DOWNTOWN DAYTON SPECIAL IMPROVEMENT DISTRICT, INC.  
MONTGOMERY COUNTY**

**STATEMENT OF NET POSITION  
DECEMBER 31, 2016**

**Assets**

Current Assets:	
Cash	\$ 23,011
Total Assets	<u>\$ 23,011</u>

**Liabilities and Net Position**

Current Liabilities:	
Accounts Payable	\$ 5,431
Total Liabilities	<u>5,431</u>
Unrestricted Net Position	<u>17,580</u>
Total Liabilities and Net Position	<u>\$ 23,011</u>

See accompanying notes to the financial statements.

**DOWNTOWN DAYTON SPECIAL IMPROVEMENT DISTRICT, INC.  
MONTGOMERY COUNTY**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
FOR THE YEAR ENDED DECEMBER 31, 2016**

<b>Operating Revenues</b>	
Property Assessments	\$ 1,431,259
Total Operating Revenues	<u>1,431,259</u>
<b>Operating Expenses</b>	
Service Administration	1,408,522
Legal and Accounting	18,497
Officers Insurance	1,840
Meeting Expense	194
Bank Fees	28
Printing	340
Total Operating Expenses	<u>1,429,421</u>
Operating Income	<u>1,838</u>
<b>Non-Operating Revenues</b>	
Interest Income	110
Total Non-Operating Revenues	<u>110</u>
Change in Net Position	1,948
Net Position, Beginning of Year	<u>15,632</u>
Net Position, End of Year	<u><u>\$ 17,580</u></u>

See accompanying notes to the financial statements.

**DOWNTOWN DAYTON SPECIAL IMPROVEMENT DISTRICT, INC.  
MONTGOMERY COUNTY**

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

<b>Cash Flows from Operating Activities</b>	
Cash Receipts from Special Assessments	\$ 1,431,259
Cash Payments for Service Administration	(1,473,457)
Cash Payments for Purchased Services	(15,647)
Cash Payments for Other Purposes	(4,815)
<b>Net Cash Provided by (Used for) Operating Activities</b>	<u>(62,660)</u>
<b>Cash Flows from Investing Activities</b>	
Cash Receipts from Interest Income	110
<b>Net Cash Provided by (Used for) Investing Activities</b>	<u>110</u>
<b>Net Change in Cash</b>	(62,550)
<b>Cash at Beginning of Year</b>	<u>85,561</u>
<b>Cash at End of Year</b>	<u><u>\$ 23,011</u></u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities</b>	
Operating Income	\$ 1,838
Change in Operating Assets and Liabilities	
Accounts Payable	(64,498)
<b>Net Cash Provided by (Used for) Operating Activities</b>	<u><u>\$ (62,660)</u></u>

See accompanying notes to the financial statements.

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**DOWNTOWN DAYTON SPECIAL IMPROVEMENT DISTRICT, INC.  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

**NOTE A – DESCRIPTION OF THE ENTITY**

Downtown Dayton Special Improvement District, Inc. (the “District”), created pursuant to Chapter 1710 of the Ohio Revised Code, was incorporated on November 29, 1994, to encourage and participate in programs which will maintain, improve, and build the downtown area of the City of Dayton as a viable business, cultural, and recreational community.

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental non-profit Districts. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The more significant of the District’s accounting policies are described below:

***Basis of Presentation*** – The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Net position and revenues and expenses are classified based on the existence or absence of imposed restrictions. Accordingly, net position of the District is classified as unrestricted net position because it is not subject to imposed stipulations.

The District’s operations are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation are included on the statement of net position. The statement of revenues, expenses, and change in net position presents increases (i.e. revenues) and decreases (i.e. expenses) in net position.

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made. The District uses the accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned and expenses at the time they are incurred. The District distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses result from providing services and producing and delivering goods in connection with the District’s principal ongoing operation.

***Financial Estimates*** – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

***Assessment Revenue*** – The District receives its support primarily from real estate special assessments levied by the City of Dayton, Ohio on properties located within the City limits in accordance with Ohio Revised Code Chapter 1710 by the Ohio General Assembly.

The assessments levied by the City are recorded by the District when earned. Delinquent taxes are treated as unpaid taxes and, as such, collection is enforceable under City ordinance. Due to the uncertainty of collection of delinquent assessments, management reserves 100% of these assessments.

***Tax Exempt Status*** – The District is exempt from federal income taxes under Internal Revenue Code Section 501(c)(3). Accordingly, no provision for income taxes is included in the accompanying financial statements.

**DOWNTOWN DAYTON SPECIAL IMPROVEMENT DISTRICT, INC.  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(Continued)**

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Cash Equivalents** – During calendar year 2016, the District's cash balance was maintained in an interest-bearing checking account.

**NOTE C – COMMITMENTS**

The District has entered into an agreement with Downtown Dayton Partnership, Inc. to provide Service Administration through 2020. Under this agreement, Downtown Dayton Partnership, Inc. will perform services in the City of Dayton that align with the mission of the District. The District will compensate Downtown Dayton Partnership, Inc. with the assessments levied by the City of Dayton. Due to the uncertainty of the assessment amounts, no amount is guaranteed to Downtown Dayton Partnership, Inc. During 2016, the District paid Downtown Dayton Partnership \$1,408,522.

**NOTE D – CASH**

**Cash Equivalents** – During calendar year 2016, the District's cash balance was maintained in an interest-bearing checking account.

**Concentration of Credit Risk** – At December 31, 2016, the carrying amount of the District's deposits was \$23,011. The District deposits cash with a high credit quality financial institution. Interest bearing accounts are insured through the FDIC up to \$250,000. At various times during the year, the District's cash on deposit in one financial institution is in excess of FDIC insurance limits.

**NOTE E – RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts, theft of or damage to, and destruction of assets, errors and omissions, and natural disasters. During 2016, the District contracted with Cincinnati Insurance Company for general liability insurance. There has been no reduction in coverage from the prior year and settled claims have not exceeded the District's coverage in any of the past three years.

**NOTE F – LITIGATION**

The District is currently not party to any legal proceedings.



# 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*

Downtown Dayton Special Improvement District, Inc.  
Montgomery County  
10 West Second Street, Suite 611  
Dayton, Ohio 45402

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 Downtown Dayton Special Improvement District, Inc., Montgomery County, (the District) as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 15, 2018.

### ***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 opinion 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.

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 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 a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider Finding Number 2017-001 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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

***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 subject the District's response to the auditing procedures applied in the audit of the financial statements 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 report is not suitable for any other purpose.



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

October 15, 2018

**DOWNTOWN DAYTON SPECIAL IMPROVEMENT DISTRICT, INC.  
MONTGOMERY COUNTY**

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

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2017-001**

**Material Weakness – Financial Statement Misstatements**

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. Governmental Accounting Standards Board (GASB) Cod. 1100 paragraph .101 states a governmental accounting system must make it possible both: (a) to present fairly and with full disclosure the funds and activities of the governmental unit in conformity with generally accepted accounting principles, and (b) to determine and demonstrate compliance with finance-related legal and contractual provisions.

GASB Cod. 2450 paragraphs .127 - .129 state, in part, a statement of cash flows for the period should report net cash provided or used in each of the four categories, as well as the net effect of those flows on cash and cash equivalents during the period in a manner that reconciles beginning and ending cash and cash equivalents.

In reporting cash flows from operating activities, governmental enterprises should report major classes of gross cash receipts and gross cash payments and their arithmetic sum - the net cash flow from operating activities (the direct method). Governmental enterprises should, at a minimum, separately report these classes of operating cash receipts and payments:

- a. Cash receipts from customers.
- b. Cash receipts from interfund services provided.
- c. Other operating cash receipts, if any.
- d. Cash payments to employees for services.
- e. Cash payments to other suppliers of goods or services.
- f. Cash payments for interfund services used, including payments in lieu of taxes that are payments for, and reasonably equivalent in value to, services provided.
- g. Other operating cash payments, if any.

Governmental enterprises are encouraged to provide further detail of operating cash receipts and payments if the detail is considered useful. Governmental enterprises should also provide, in an accompanying schedule, a reconciliation of operating income to operating cash flows.

The District did not present Statements of Cash Flows for the years ended December 31, 2017 and 2016 in accordance with these requirements. Cash flows from operating activities and cash flows from investing activities were not presented. Additionally, the Statements of Cash Flows included a reconciliation of change in net position to net cash provided by operating activities, instead of operating income to operating cash flows. The Statements of Cash Flows were adjusted to show operating cash flows of \$2,882 and \$(62,660) for the years ended December 31, 2017 and 2016, respectively, and investing cash flows of \$1 and \$110 for the years ended December 31, 2017 and 2016, respectively. Additionally, the reconciliation of operating income to operating cash flows was adjusted to show operating income to operating cash flows.

The District should establish and implement procedures to review its annual GAAP financial statements to verify that the financial statements are presented in accordance with applicable accounting guidelines and principles. Failure to do so could result in the preparation of incomplete or materially misstated financial statements which would inhibit a user's understanding of the District's financial position.

**Officials' Response:**

The Statement of Cash Flows was updated to conform to GASB Cod. 2450.127-.129.



**CHAIRMAN:** Buddy LaChance  
**VICE-CHAIRMAN:** Ryan Powell  
**SECRETARY:** Gary Gottschlich  
**TREASURER:** Shelley Dickstein

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

**DECEMBER 31, 2017 AND 2016**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Status</b>	<b>Additional Information</b>
2015-001	<b>Material Weakness – Financial Statement Misstatements</b> District's fiscal year 2014 and 2015 statements contained various misstatements which required adjustments to the financial statements.	Partially Corrected	Material misstatements have been corrected on the statements. The District is collaborating with the Auditor of State to ensure the calculations and statements are uniform and correct.

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# Dave Yost • Auditor of State

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

**MONTGOMERY 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  
NOVEMBER 15, 2018**