



Dave Yost • Auditor of State

**MIAMI TOWNSHIP-CITY OF DAYTON JOINT ECONOMIC DEVELOPMENT DISTRICT
MONTGOMERY COUNTY
DECEMBER 31, 2017 AND 2016**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Miami Township - City of Dayton Joint Economic Development District
Montgomery County
2700 Lyons Road
Miamisburg, Ohio 45342

To the Board of Directors:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the 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.

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

As described in Note 2 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, 2017 and 2016, and the respective changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of the Miami Township - City of Dayton Joint Economic Development District, Montgomery County as of December 31, 2017 and 2016, for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 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

November 7, 2018

**MIAMI TOWNSHIP - CITY OF DAYTON JOINT ECONOMIC DEVELOPMENT DISTRICT
MONTGOMERY COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THEY YEAR ENDED DECEMBER 31, 2017**

	<u>General</u>
Cash Receipts	
Income Tax Revenue	\$447,788
Interest Income	975
	<u>448,763</u>
<i>Total Cash Receipts</i>	<u>448,763</u>
Cash Disbursements	
Current:	
Economic Development	36,285
Intergovernmental	239,152
Miscellaneous	1
	<u>275,438</u>
<i>Total Cash Disbursements</i>	<u>275,438</u>
Net Change in Fund Cash Balance	173,325
Fund Cash Balance, January 1	<u>566,854</u>
Fund Cash Balance, December 31	
Restricted	349,733
Unassigned (Deficit)	390,446
	<u>390,446</u>
Fund Cash Balance, December 31	<u>\$740,179</u>

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

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**MIAMI TOWNSHIP – CITY OF DAYTON JOINT ECONOMIC DEVELOPMENT DISTRICT
MONTGOMERY COUNTY**

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

1. REPORTING ENTITY

The Miami Township – Dayton Joint Economic Development District, Montgomery County (the “District”) is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District was established by the Township Board of Trustees and the City Commission under the provisions of Section 715 of The Ohio Revised Code, on July 12, 2005. The District operates under the direction of a five member Board of Directors. By law the Board is comprised of one member representing the City, appointed by the City Commission; one member representing the Township, appointed by the Township Trustees; one member representing the owners of the businesses located in the District, appointed by the City Commission with the concurrence of the Township Trustees; one member representing the persons employed in the District, appointed by the Township Trustees with the concurrence of the City Commission; and one member selected by the other Board members. The District’s purpose is to promote economic development activities in the geographic area comprising the District. Such area is located in Miami Township and includes the Dayton - Wright Brothers Airport, which is owned by the City of Dayton.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 2C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the District’s accounting policies.

A. Basis of Presentation

These financial statements follow the accounting basis the Auditor of State prescribes or permits. The 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.

B. Fund Accounting

The District uses fund accounting to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Funds are used to segregate resources that are restricted as to use. All activities of the District are reported in the General Fund.

C. 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.

MIAMI TOWNSHIP – CITY OF DAYTON JOINT ECONOMIC DEVELOPMENT DISTRICT
MONTGOMERY COUNTY

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

D. Budgetary Process

The contract between the Township and City prescribes a budgetary process for the District. The budget shall estimate the balance of funds available for operational and capital expenses and reserves. The Board shall expend funds in accordance with the budget. The Board of Directors approves the District's budget annually. Any amendments are also approved by the Board of Directors. The budget is prepared on a cash basis. A summary of 2017 budgetary activity appears in Note 7.

E. Deposits

The District's cash is held in one depository account. This account is an interest-bearing account. There were no investments during the year 2017. No funds were held in petty cash as of the end of 2017.

F. Capital Assets

Acquisitions of capital assets are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

G. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the District must observe constraints within the Contract, and pursuant to Section 715.74(C)(3) of the Revised Code. The classifications are based upon the implementation of GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions* for the year ended December 31, 2017 as follows:

- **Non-Spendable** - The District classifies assets as *non-spendable* when legally or contractually required to maintain the amounts intact.
- **Restricted** - Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.
- **Committed** - Governing Board can *commit* amounts via formal action (resolution). The District must adhere to these commitments unless the Governing Board amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

MIAMI TOWNSHIP – CITY OF DAYTON JOINT ECONOMIC DEVELOPMENT DISTRICT
MONTGOMERY COUNTY

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- **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 District Governing Board 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.

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.

3. DEPOSITS

The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits at December 31 was as follows:

	2017
Demand deposits	<u>\$740,179</u>

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

At December 31, 2017, \$49,018 of deposits were not insured or collateralized, contrary to Ohio law.

4. INCOME TAXES

The District levies a 1.75 percent income tax on substantially all income earned in the District. Additional increases in the income tax rate require resolution of the Board. Employers within the District withhold income tax on employee compensation and remit at least quarterly and file an annual declaration. The City of Dayton collects income taxes on behalf of the District.

**MIAMI TOWNSHIP – CITY OF DAYTON JOINT ECONOMIC DEVELOPMENT DISTRICT
MONTGOMERY COUNTY**

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

4. INCOME TAXES (Continued)

The Miami Township – City of Dayton Joint Economic Development District Contract requires the District to set aside and provide in the budget, an amount equal to not less than one-half of one percent (0.5%) of the amount of the income tax collected for long term maintenance of the District. The contract also provides for the District to set aside each calendar year and provide for in its budget for such calendar year, an amount equal to not less than seventy five percent (75%) of the aggregate amount of the expected (1) income tax to be collected for such calendar year, and (2) other revenues, funds and proceeds obtained by the District as a result of assessments, levies, sale of assets, grants or otherwise, and not subject to restrictions as to their use. The District shall pay on or before February 15 of the subsequent calendar year 50% of the Contracting Parties Distribution to the Township and 50% of the Contracting Parties Distribution to the City.

5. INSURANCE

The District is exposed to various risks of property and casualty losses.

The District belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. York Insurance Services Group, Inc. (York) functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by York. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2017, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Financial Position

PEP's financial statements (audited by other auditor's) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2017.

	<u>2017</u>
Assets	\$44,452,326
Liabilities	<u>(13,004,011)</u>
Net Position	<u><u>\$31,448,315</u></u>

**MIAMI TOWNSHIP – CITY OF DAYTON JOINT ECONOMIC DEVELOPMENT DISTRICT
MONTGOMERY COUNTY**

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

5. INSURANCE (Continued)

At December 31, 2017 the liabilities above include approximately \$11.8 million of estimated incurred claims payable. The assets above also include approximately \$11.2 million of unpaid claims to be billed. The Pool's membership increased to 527 members in 2017. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2017, the District's share of these unpaid claims collectible in future years is approximately \$3,000.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

2017 Contributions to PEP

\$5,110

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

6. SIGNIFICANT CONTRACTUAL COMMITMENTS

As of December 31, 2017, the District had contractual commitments concerning the distribution of income tax monies as follows:

	<u>2017</u>
City of Dayton	<u>\$138,402</u>
Miami Township	<u>138,402</u>
Total	<u><u>\$276,804</u></u>

**MIAMI TOWNSHIP – CITY OF DAYTON JOINT ECONOMIC DEVELOPMENT DISTRICT
MONTGOMERY COUNTY**

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

7. BUDGETARY ACTIVITY

Budgetary activity for the year ending December 31, 2017 follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$305,400	\$448,763	\$143,363

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$295,326	\$275,438	\$19,888

**MIAMI TOWNSHIP - CITY OF DAYTON JOINT ECONOMIC DEVELOPMENT DISTRICT
MONTGOMERY COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THEY YEAR ENDED DECEMBER 31, 2016**

	<u>General</u>
Cash Receipts	
Income Tax Revenue	\$238,706
Interest Income	471
	<u>239,177</u>
<i>Total Cash Receipts</i>	<u>239,177</u>
Cash Disbursements	
Current:	
Economic Development	6,807
Intergovernmental	229,652
	<u>236,459</u>
<i>Total Cash Disbursements</i>	<u>236,459</u>
Net Change in Fund Cash Balance	2,718
Fund Cash Balance, January 1	<u>564,136</u>
Fund Cash Balance, December 31	
Restricted	190,305
Unassigned (Deficit)	376,549
	<u>566,854</u>
Fund Cash Balance, December 31	<u>\$566,854</u>

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

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**MIAMI TOWNSHIP – CITY OF DAYTON JOINT ECONOMIC DEVELOPMENT DISTRICT
MONTGOMERY COUNTY**

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

1. REPORTING ENTITY

The Miami Township – City of Dayton Joint Economic Development District (the “District”) is a political body incorporated and established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District was established by the Township Board of Trustees and the City Commission under the provisions of Sections 715.72 to 715.83, of The Ohio Revised Code, on July 12, 2005. The District operates under the direction of a five member Board of Directors. By law the Board is comprised of one member representing the City, appointed by the City Commission; one member representing the Township, appointed by the Township Trustees; one member representing the owners of the businesses located in the District, appointed by the City Commission with the concurrence of the Township Trustees; one member representing the persons employed in the District, appointed by the Township Trustees with the concurrence of the City Commission; and one member selected by the other Board members. The District’s purpose is to promote economic development activities in the geographic area comprising the District. Such area is located in Miami Township and includes the Dayton - Wright Brothers Airport, which is owned by the City of Dayton.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the District’s accounting policies.

A. Basis of Presentation

These financial statements follow the accounting basis the Auditor of State prescribes or permits. The 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.

B. Fund Accounting

The District uses fund accounting to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Funds are used to segregate resources that are restricted as to use. All activities of the District are reported in the General Fund.

C. 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.

**MIAMI TOWNSHIP – CITY OF DAYTON JOINT ECONOMIC DEVELOPMENT DISTRICT
MONTGOMERY COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

D. Cash

The District's cash is held in one depository account. This account is an interest bearing account. There were no investments during the year 2016. No funds were held in petty cash as of the end of 2016.

E. Budgetary Process

The contract between the Township and City prescribes a budgetary process for the District. The budget shall estimate the balance of funds available for operational and capital expenses and reserves. The Board shall expend funds in accordance with the budget. The Board of Directors approves the District's budget annually. Any amendments are also approved by the Board of Directors. The budget is prepared on a cash basis. The budget is prepared on a cash basis. A summary of 2017 budgetary activity appears in Note 7.

F. Capital Assets

Acquisitions of capital assets are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

G. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the District must observe constraints within the Contract, and pursuant to Section 715.74(C)(3) of the Revised Code. The classifications are based upon the implementation of GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions* for the year ended December 31, 2016 as follows:

- **Non-Spendable** - The District classifies assets as *non-spendable* when legally or contractually required to maintain the amounts intact.
- **Restricted** - Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.
- **Committed** - Governing Board can *commit* amounts via formal action (resolution). The District must adhere to these commitments unless the Governing Board amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

**MIAMI TOWNSHIP – CITY OF DAYTON JOINT ECONOMIC DEVELOPMENT DISTRICT
MONTGOMERY COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- **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 District Governing Board 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.

The District will apply 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 balances, 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.

3. DEPOSITS

Custodial credit risk is the risk that in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end of 2016, \$316,854 of the District's bank balance of \$566,854 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

The District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

4. INCOME TAXES

The District levies a 1.75 percent income tax on substantially all income earned in the District. Additional increases in the income tax rate require resolution of the Board. Employers within the District withhold income tax on employee compensation and remit at least quarterly and file an annual declaration. City of Dayton collects income taxes on behalf of the District.

**MIAMI TOWNSHIP – CITY OF DAYTON JOINT ECONOMIC DEVELOPMENT DISTRICT
MONTGOMERY COUNTY**

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

4. INCOME TAXES (Continued)

The Miami Township – Dayton Joint Economic Development District Contract requires the District to set aside and provide in the budget, an amount equal to not less than one-half of one percent (0.5%) of the amount of the income tax collected for long term maintenance of the District. The contract also provides for the District to set aside each calendar year and provide for in its budget for such calendar year, an amount equal to not less than seventy five percent (75%) of the aggregate amount of the expected (1) income tax to be collected for such calendar year, and (2) other revenues, funds and proceeds obtained by the District through as a result of assessments, levies, sale of assets, grants or otherwise, and not subject to restrictions as to their use. The District shall pay on or before February 15 of the subsequent calendar year 50% of the Contracting Parties Distribution to the Township and 50% of the Contracting Parties Distribution to the City.

5. INSURANCE

The District is exposed to various risks of property and casualty losses.

The District belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. York Insurance Services Group, Inc. (York) functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by York. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2016, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Financial Position

PEP's financial statements (audited by other auditor's) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2016.

	<u>2016</u>
Assets	\$42,182,281
Liabilities	(13,396,700)
Net Position	<u>\$28,785,581</u>

At December 31, 2016 the liabilities above include approximately 12.0 million of estimated incurred claims payable. The assets above also include approximately \$11.5 million of unpaid claims to be billed. The Pool's membership increased to 520 members in 2016. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2016, the District's share of these unpaid claims collectible in future years is approximately \$3,000.

**MIAMI TOWNSHIP – CITY OF DAYTON JOINT ECONOMIC DEVELOPMENT DISTRICT
MONTGOMERY COUNTY**

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

5. INSURANCE (Continued)

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

2016 Contributions to PEP

\$5,110

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

6. SIGNIFICANT CONTRACTUAL COMMITMENTS

As of December 31, 2016 the District had contractual commitments concerning the distribution of income tax monies as follows:

	<u>2016</u>
City of Dayton	<u>\$89,691</u>
Miami Township	<u>89,691</u>
Total	<u><u>\$179,382</u></u>

7. BUDGETARY ACTIVITY

Budgetary activity for the year ending December 31, 2016 follows:

<u>2016 Budgeted vs. Actual Receipts</u>			
<u>Fund Type</u>	<u>Budgeted</u>	<u>Actual</u>	
	<u>Receipts</u>	<u>Receipts</u>	<u>Variance</u>
General	\$300,360	\$239,177	(\$61,183)

<u>2016 Budgeted vs. Actual Budgetary Basis Expenditures</u>			
<u>Fund Type</u>	<u>Appropriation</u>	<u>Budgetary</u>	
	<u>Authority</u>	<u>Expenditures</u>	<u>Variance</u>
General	\$287,266	\$236,459	\$50,807

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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*

Miami Township - City of Dayton Joint Economic Development District
Montgomery County
2700 Lyons Road
Miamisburg, Ohio 45342

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 cash balances, receipts, and disbursements by fund type of the Miami Township - City of Dayton Joint Economic Development District, Montgomery County, (the District) as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements and have issued our report thereon dated November 07, 2018 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 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. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

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*.

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www.ohioauditor.gov

Miami Township – City of Dayton Joint Economic Development District
Montgomery County
Independent Auditor's Report On Internal Control Over
Financial Reporting And On Compliance And Other Matters
Required By *Government Auditing Standards*
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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.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State
Columbus, Ohio

November 7, 2018



Dave Yost • Auditor of State

**MIAMI TOWNSHIP – CITY OF DAYTON JOINT ECONOMIC DEVELOPMENT DISTRICT
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
DECEMBER 11, 2018**