



Dave Yost • Auditor of State

**PIQUA IMPROVEMENT CORPORATION AND SUBSIDIARY
MIAMI COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Piqua Improvement Corporation and Subsidiary
Miami County
201 West Water Street
Piqua, Ohio 45356

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of Piqua Improvement Corporation and Subsidiary, Miami County, Ohio (the Organization), (a not-for-profit corporation), which comprise the consolidated statement of financial position, the related consolidated statements of activities and consolidated cash flows, as of and for the years ended December 31, 2015 and 2014, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these consolidated 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 those risks of financial statement material misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Organization'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 Organization's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Piqua Improvement Corporation and Subsidiary, Miami County as of December 31, 2015 and 2014, and the changes in its financial position and its cash flows for the years then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 7, 2017, on our consideration of the Organization'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 Organization's internal control over financial reporting and compliance.

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

February 7, 2017

Piqua Improvement Corporation and Subsidiary

Consolidated Statement of Financial Position

December 31, 2015 and 2014

	2015	(Consolidated) 2014
Assets		
Cash and cash equivalents	\$ 262,393	\$ 298,228
Accounts receivable	-	68,421
Prepaid expenses	255	255
Total assets	<u>\$ 262,648</u>	<u>\$ 366,904</u>
Liabilities		
Accounts payable and accrued expenses	\$ -	\$ 28,169
Total liabilities	-	28,169
Net assets		
Unrestricted	262,648	338,735
Total net assets	<u>262,648</u>	<u>338,735</u>
Total liabilities and net assets	<u>\$ 262,648</u>	<u>\$ 366,904</u>

See accompanying notes to the consolidated financial statements

Piqua Improvement Corporation and Subsidiary

Consolidated Statement of Activities
For the year ended December 31, 2015

	<u>Unrestricted</u>
Revenues and support	
Rental income	\$ -
Other income	-
Net assets released from restriction	-
Total revenues and support	<u>-</u>
Expenses	
Program expenses	-
Asset management fee	-
Management fee	-
Interest expense	-
Insurance	1,018
Repairs and maintenance	-
Utilities	-
Professional fees	66,366
Depreciation expense	-
Property taxes	8,440
Cleaning	-
Miscellaneous	263
Total expenses	<u>76,087</u>
Change in net assets	(76,087)
Net assets, beginning of year	<u>338,735</u>
Net assets, end of year	<u>\$ 262,648</u>

See accompanying notes to the consolidated financial statements

Piqua Improvement Corporation and Subsidiary

Consolidated Statement of Activities

For the year ended December 31, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues and support			
Rental income	\$ -	\$ 254,982	\$ 254,982
Other income	-	243,232	243,232
Net assets released from restriction	1,829,848	(1,829,848)	-
Total revenues and support	<u>1,829,848</u>	<u>(1,331,634)</u>	<u>498,214</u>
Expenses			
Program expenses	-	-	-
Asset management fee	544,720	-	544,720
Management fee	5,000	-	5,000
Interest expense	76,972	-	76,972
Insurance	58,897	-	58,897
Repairs and maintenance	24,638	-	24,638
Utilities	139,081	-	139,081
Professional fees	29,297	-	29,297
Depreciation expense	573,188	-	573,188
Property taxes	8,387	-	8,387
Cleaning	27,301	-	27,301
Miscellaneous	7,342	-	7,342
Total expenses	<u>1,494,823</u>	<u>-</u>	<u>1,494,823</u>
Change in net assets before effects of discontinued subsidiary operations			
	335,025	(1,331,634)	(996,609)
Discontinued subsidiary operations	-	(1,499,818)	(1,499,818)
Change in net assets	<u>335,025</u>	<u>(2,831,452)</u>	<u>(2,496,427)</u>
Net assets, beginning of year	3,710	2,831,452	2,835,162
Net assets, end of year	<u>\$ 338,735</u>	<u>\$ -</u>	<u>\$ 338,735</u>

See accompanying notes to the consolidated financial statements

Piqua Improvement Corporation and Subsidiary

Consolidated Statement of Cash Flows

For the years ended December 31, 2015 and 2014

	2015	(Consolidated) 2014
<i>Cash Flows From Operating Activities</i>		
Change in net assets	\$ (76,087)	\$ (996,609)
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation	-	573,188
Changes in operating assets and liabilities		
Accounts receivable	68,421	(43,856)
Other assets	-	3,840
Accounts payable and accrued expenses	(28,169)	(15,784)
Net cash flows from operating activities	<u>(35,835)</u>	<u>(479,221)</u>
<i>Cash and cash equivalents, beginning of year</i>	<u>298,228</u>	<u>777,449</u>
<i>Cash and cash equivalents, end of year</i>	<u><u>\$ 262,393</u></u>	<u><u>\$ 298,228</u></u>
<i>Supplemental disclosure of cash flow information</i>		
Cash paid during year for interest	\$ -	\$ 76,972

See accompanying notes to the consolidated financial statements

Piqua Improvement Corporation and Subsidiary

Notes to Consolidated Financial Statements

For the Years ended December 31, 2015 and 2014

Note 1. Summary of Significant Accounting Policies

The significant accounting policies and practices followed by the Piqua Improvement Corporation and Subsidiary (the Organization) are as follows:

Organization description:

Piqua Improvement Corporation, is incorporated as a not-for-profit corporation under the laws of the State of Ohio for the purpose of furthering economic development in the City of Piqua. The Organization's mission is to promote and encourage economic and civic welfare for the purpose of advancing the quality of life of the citizens of Piqua, Ohio. This is accomplished by attracting new and retaining/expanding existing businesses, working through a private/public cooperative, addressing quality of life issues within the community, and maintaining consistent communication with its stockholders.

Piqua Improvement Corporation previously owned 100% of the assets and capital stock of the Fort Piqua Redevelopment Corporation (the Corporation) which, in turn, owned 51% of the assets and equity of The City of Piqua Downtown Redevelopment Project, L.P. (the Landlord and Partnership) until both entities were dissolved as of December 31, 2014.

Fort Piqua Redevelopment Corporation was organized on November 9, 2006, as a corporation under the laws of the State of Ohio. The Corporation was formed to invest in The City of Piqua Downtown Redevelopment Project, L.P. (the Landlord and Partnership) and finance the renovation of the Fort Piqua Hotel (the Project) through its investment. The sole stockholder of the Corporation is Piqua Improvement Corporation. The Landlord and Partnership was formed on February 24, 2005, under the laws of the State of Ohio. The general partner of the Landlord and Partnership is the Corporation and the limited partner, Fort Piqua Hotel Master Tenant, LLC (the Master Tenant), was formed on November 9, 2006, under the laws of the State of Ohio, and is wholly owned by Consortium America VIII, LLC (CA VIII).

The Corporation's principal business objective was to provide investment capital to the Landlord to be used to renovate the Project. Therefore, the Corporation's principal business consisted of investing as a general partner in the Landlord.

The entities were formed to rehabilitate and operate the Project located in Piqua, Ohio. The property includes approximately 60,000 square feet of commercial space for lease to the Piqua Public Library (the Library), 8,693 square feet of commercial space for lease to the City of Piqua (the City and Lender) as a banquet facility, and 11,304 square feet to lease to the City as retail and commercial space (collectively, the Property). The Project is owned by the Landlord and is fully leased to the Master Tenant. The building is a certified historic structure that is eligible for investment tax credits for qualifying rehabilitation expenditures pursuant to Section 47 of the Internal Revenue Code (IRC). The Partnership is a Qualified Active Low-Income Community Business (QALICB) in accordance with the terms under the New Markets Tax Credit (NMTC) program, pursuant to Section 45D of the IRC. The Partnership is required to comply with various rules and regulations and failure to comply with these or other requirements could result in the recapture of NMTC already taken by the investor member of CA VIII. In accordance with the partnership agreement of the Landlord, profits, losses and cash flows (subject to certain allocations) are allocated 51% to the Corporation and 49% to CA VIII.

Piqua Improvement Corporation and Subsidiary

Notes to Consolidated Financial Statements For the Years ended December 31, 2015 and 2014 (Continued)

As of December 31, 2014, the Corporation, the Landlord and Partnership, and the Master Tenant were all dissolved as part of the plan to unwind the Project in connection with the Fort Piqua Hotel Redevelopment Project.

Principles of consolidation:

The consolidated financial statements include the accounts of Piqua Improvement Corporation and its wholly-owned subsidiary, Fort Piqua Redevelopment Corporation through December 31, 2014. All significant intercompany balances and transactions have been eliminated in consolidation. Since the Corporation was dissolved at the end of 2014, the financial statements for the year ended December 31, 2015 only include the activity of the Piqua Improvement Corporation.

Basis of accounting:

The Organization follows the accrual basis of accounting, whereby revenues and expenses are recognized in the period earned or incurred. The measurement focus is on determination of change in net assets, financial position and cash flows.

Financial statement presentation:

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States. The financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, Not-for-Profit Entities. Under this guidance, the Organization reports information regarding its consolidated financial position and activities according to three classes of net assets based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to stipulations and may be utilized at the discretion of the Board of Trustees and stockholders to support the Organization's purposes and operations.

Temporarily restricted net assets - Net assets subject to stipulations that will be met either by actions of the Organization satisfying the purpose or the passage of time. The Organization had no temporarily restricted net assets at the end of December 31, 2015 and 2014.

Permanently restricted net assets - Net assets for which there is a stipulation that the principal be maintained in perpetuity and that only the income from the investment thereof be expended either for the general purpose of the Organization or for a specific purpose. The Organization had no permanently restricted net assets for the years ended December 31, 2015 and 2014.

Cash and cash equivalents:

The Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The Organization maintains at various financial institutions cash and cash equivalent accounts that may exceed federally insured amounts and which may at times significantly exceed consolidated statements of financial position amounts due to outstanding checks.

Piqua Improvement Corporation and Subsidiary

Notes to Consolidated Financial Statements For the Years ended December 31, 2015 and 2014 (Continued)

As of December 31, 2015 and 2014, the Organization's cash and cash equivalents balances consisted of \$12,393 and \$0 in excess of federally insured limits, respectively.

Accounts receivable and bad debts:

Tenant receivables are charged to bad debt expense when they are determined to be uncollectible based on a periodic review of the accounts by management. Accounting principles generally accepted in the United States of America require that the allowance method be used to recognize bad debts; however, the effects of using the direct write-off method is not materially different from the results that would have been obtained under the allowance method.

Revenues:

The Organization is funded primarily by pledges from local businesses and contributions from the City of Piqua. The Organization also receives rental income and other revenues, including bank interest on assets.

Rental income and deferred rent:

Rental income is recognized over the lease terms as it becomes receivable according to the provisions of the respective leases. However, if the rents due vary from a straight-line basis, future rents including scheduled and specific rent increases and/or rent concessions are recognized on a straight line basis over the lease terms.

Contributed services:

The Organization receives management and financial services from the City of Piqua. The value of these services is considered immaterial and is not recognized in the consolidated financial statements.

Income taxes:

The Organization is exempt from federal and state income taxes under the provisions of the Internal Revenue Code. While no tax returns are currently being examined by the Internal Revenue Services, tax years since 2013 remain open.

Fort Piqua Redevelopment Corporation, the wholly-owned subsidiary, is identified as a taxable C-corporation for federal and state income taxes under the provisions of the Internal Revenue Code. While no tax returns are currently being examined by the Internal Revenue Services, tax years since 2013 remain open.

Income taxes are provided for the tax effects of transactions reported in the financial statements. Deferred tax assets and liabilities, if significant, are recognized for the estimated future tax effects attributed to temporary differences between the book and tax basis of assets and liabilities and for carryforward items. The measurement of current and deferred tax assets and liabilities is based on enacted law. Deferred tax assets are reduced, if necessary, by a valuation allowance for the amount of tax benefits that may not be realized. As of December 31, 2015 and 2014, the Organization determined that a valuation allowance was required and was established to substantially eliminate all effective deferred tax assets.

Piqua Improvement Corporation and Subsidiary

Notes to Consolidated Financial Statements

For the Years ended December 31, 2015 and 2014

(Continued)

The benefit of a tax position is recognized in the financial statements in the period during which, based on all available evidence, management believes it is more likely than not that the positions will be sustained upon examination, including the resolution of appeals or litigation processes, if any. Tax positions that meet the more likely- than-not recognition threshold are measured as the largest amount of tax benefit that is more than 50% likely of being realized upon settlement with the applicable taxing authority. As of December 31, 2015 and 2014, the Organization has not recognized liabilities for uncertain tax positions or associated interest and penalties.

Functional allocation of expenses:

The costs of providing various programs and other activities have been summarized on a functional basis. Accordingly, 100% of these costs have been allocated to program services based upon the actual direct expenditures of these related activities.

Estimates and uncertainties:

The preparation of consolidated financial statements in conformity with generally accepted accounting principles 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Note 2. Net Assets Released From Restrictions

Net assets were released from restrictions by incurring expenses satisfying the restricted purpose as follows:

	<u>2015</u>	<u>2014</u>
For the purpose of rehabilitating and operating the Old Fort Piqua Hotel	\$ -	\$ 1,829,848

Note 3. Related Party Transactions

The Executive Director of the Organization is the Economic Development Director and full-time employee of the City of Piqua. The Organization's Treasurer is the Finance Director for the City of Piqua. A value for the contributions of their time has not been recognized since it has been determined that they devote an immaterial number of hours to the Organization.



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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*

Piqua Improvement Corporation and Subsidiary
Miami County
201 West Water Street
Piqua, Ohio 45356

To the Board of Trustees:

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 consolidated financial statements of the Piqua Improvement Corporation and Subsidiary, Miami County, (the Organization) as of and for the years ended December 31, 2015 and 2014, and the related notes to the consolidated financial statements, and have issued our report thereon dated February 7, 2017.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Organization'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 Organization'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 Organization'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 Organization'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*.

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 Organization's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication 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

February 7, 2017



Dave Yost • Auditor of State

PIQUA COMMUNITY IMPROVEMENT CORPORATION

MIAMI 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
MARCH 14, 2017**