FAIRBORN DEVELOPMENT CORPORATION
GREENE COUNTY

REGULAR AUDIT

FOR THE FISCAL YEARS ENDED DECEMBER 31, 2016 AND 2015

FAIRBORN DEVELOPMENT CORPORATION
GREENE COUNTY
DECEMBER 31, 2016, AND 2015

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INDEPENDENT AUDITOR'S REPORT

Fairborn Development Corporation
Greene County
44 West Hebble Avenue
Fairborn, Ohio 45324

To the Governing Board:

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the aggregate remaining fund information of the Fairborn Development Corporation, Greene County, Ohio (the Corporation), as of and for the years ended December 31, 2016, 2015, and 2014, and the related notes to the financial statements, which collectively comprise the Corporation'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 those risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Corporation'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 Corporation'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 audit opinions.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate remaining fund information of the Fairborn Development Corporation, Greene County, Ohio, as of December 31, 2016, 2015, and 2014, and the respective changes in financial position and, where applicable, 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 April 18, 2018, on our consideration of the Corporation'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 Corporation's internal control over financial reporting and compliance.

Dave Yost

Dave Yost
Auditor of State
Columbus, Ohio

April 18, 2018

This discussion and analysis, along with the accompanying financial report, of the Fairborn Development Corporation (the "Corporation") is designed to provide our creditors and other interested parties with a general overview of the Corporation and its financial activities.

Financial Highlights

The total net position of the Corporation at December 31, 2016 and December 31, 2015 was $1,125,104 and $694,592.

The Corporation had total assets of $1,125,104 for 2016 and $694,592 for 2015, and no liabilities during either year.

The Corporation had investment in capital assets of $353,658 for 2016 and no capital assets for 2015.

Overview of Basic Financial Statements

The Corporation's activities, other than those which are fiduciary in nature, are reported as a single enterprise fund using proprietary fund accounting, similar to private sector business. The Basic Financial Statements are presented using the accrual basis of accounting.

The Statement of Net Position includes all of the Corporation's assets and deferred outflows of resources, and liabilities and deferred inflows of resources. This statement provides information about the nature and amounts of investments in resources (assets) owned by the Corporation, and obligations owed by the Corporation (liabilities). The Corporation's net position is the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources.

The Statement of Revenues, Expenses and Changes in Net Position provide information on the Corporation's operations over the past year. Revenues are reported when earned and expenses are reported when incurred.

The Statement of Cash Flows provides information about the Corporation's cash receipts and cash disbursements. It summarizes the net changes in cash resulting from operating, investing and financing activities.

The Statement of Fiduciary Assets and Liabilities reports the assets and liabilities of the agency fund for the management of Skyway Plaza for the City of Fairborn.

Net Position

Table 1 summarizes the Net Position of the Corporation

	2016	2015	2014
Assets:			
Cash and Cash Equivalents	$397,984	$500,521	$390,327
Loan Receivable	0	23,802	24,694
Depreciable Capital Assets, Net	353,658	0	0
Real Estate Held for Resale	373,462	170,269	9,590
Total Assets	1,125,104	694,592	424,611
Net Position:			
Investment in Capital Assets	353,658	0	0
Unrestricted	771,446	694,592	424,611
Total Net Position	$1,125,104	$694,592	$424,611

Total Net Position increased mainly due to an increase in capital assets and real estate held for resale in 2016 as compared to 2015.

Changes in Revenues, Expenses, and Net Position

Table 2 below summarizes the changes in revenues and expenses and the resulting change in net position

	2016	2015	2014
Operating Revenues:			
Cell Tower Lease	$0	$2,607	$3,475
Rent	1,738	3,475	0
Operating Grants and Contributions	449,376	245,000	231,731
Refund of Earnest Deposit	4,000	3,000	0
Total Operating Revenues	455,114	254,082	235,206
Operating Expenses:			
Professional and Consulting Fees	23,885	8,775	37,954
Filings Fees	0	329	100
Insurance	3,945	952	0
Other Real Estate Expenses	93,416	23,716	73,633
Marketing	5,500	1,000	15,400
Materials and Supplies	56	106	0
Business Growth Initiative	22,457	0	0
Legal Fees	2,195	0	0
Depreciation Expenses	18,614	0	0
Total Operating Expenses	170,068	34,878	127,087
Operating Income	285,046	219,204	108,119
Non-Operating Revenues (Expenses):			
Interest Income	31	50	22
Interest Income on Fairborn Performing Arts Loan	184	727	755
Gain (Loss) on Sale of Property	0	0	14,571
Non-Operating Grants	0	50,000	8,550
Total Non-Operating Revenues	215	50,777	23,898
Income Before Contributions	285,261	269,981	132,017
Capital Contributions	145,251	0	0
Changes in Net Position	430,512	269,981	132,017
Net Position - Beginning of Year	694,592	424,611	292,594
Net Position - End of Year	$1,125,104	$694,592	$424,611

During 2016, the Fairborn Performing Arts and Cultural Association (Fairborn Theater) was dissolved and the Fairborn Theater property was released to the Corporation due to loan default. The Corporation plans to keep the Fairborn Theater as a capital asset. The Corporation also received a donation from the City of Fairborn to be used for the purchase of additional real estate, which mainly accounts for the increase in Net Position.

Capital Assets

The Corporation had $353,658 in capital assets at December 31, 2016.

	2016	2015	2014
Real Estate	$372,272	$0	$0
Accumulated Depreciation	(18,614)	0	0
Total Net Capital Assets	$353,658	$0	$0

The increase in capital assets is due to the Corporation having three new properties that are considered capital assets as of year-end, 21 N. Broad Street, 22 N. First Street and the Fairborn Theatre. See Note 5 to the notes to the basic financial statements for further details on the capital assets.

Debt

The Corporation had no debt at December 31, 2016 and December 31, 2015.

Contact Information

Questions regarding this report and requests for additional information should be forwarded to the Economic Development Director, City of Fairborn, 44 West Hebble Avenue Fairborn, Ohio 45324.

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Fairborn Development Corporation
Statement of Net Position
December 31, 2016 and December 31, 2015

	2016	2015
Assets:		
Cash and Cash Equivalents	$397,984	$500,521
Receivables:		
Loan	0	23,802
Depreciable Capital Assets, Net	353,658	0
Real Estate Held for Resale	373,462	170,269
Total Assets	1,125,104	694,592
Net Position:		
Investment in Capital Assets	353,658	0
Unrestricted	771,446	694,592
Total Net Position	$1,125,104	$694,592

See accompanying notes to the financial statements.

Fairborn Development Corporation
Statement of Revenues, Expenses and Changes in Net Position
For the Fiscal Year Ended December 31, 2016 and December 31, 2015

	2016	2015
Operating Revenues:		
Cell Tower Lease	$0	$2,607
Rent	1,738	3,475
Operating Grants and Contributions	449,376	245,000
Refund of Earnest Deposit	4,000	3,000
Total Operating Revenues	455,114	254,082
Operating Expenses:		
Professional and Consulting Fees	23,885	8,775
Filing Fees	0	329
Insurance	3,945	952
Other Real Estate Expenses	93,416	23,716
Marketing	5,500	1,000
Materials and Supplies	56	106
Business Growth Initiative	22,457	0
Legal Fees	2,195	0
Depreciation Expense	18,614	0
Total Operating Expenses	170,068	34,878
Operating Income (Loss)	285,046	219,204
Non-Operating Revenues (Expenses):		
Interest Income	31	50
Interest Income on Fairborn Performing Arts Loan	184	727
Non-Operating Grants	0	50,000
Total Non-Operating Revenues (Expenses)	215	50,777
Income (Loss) Before Contributions and Transfers	285,261	269,981
Capital Contributions	145,251	0
Change in Net Position	430,512	269,981
Net Position - Beginning of Year	694,592	424,611
Net Position - End of Year	$1,125,104	$694,592

See accompanying notes to the financial statements.

Fairborn Development Corporation
Statement of Cash Flows
For the Fiscal Year Ended December 31, 2016 and December 31, 2015

	2016	2015
Cash Flows from Operating Activities:		
Cash Received from Cell Tower Lease	$0	$2,607
Cash Received from Rent	1,738	3,475
Cash Received from Operating Grants and Contributions	449,376	245,000
Cash Received from Refund of Earnest Deposit	4,000	3,000
Cash Payments for Suppliers for Goods and Services	(29,441)	(10,210)
Cash Payments for Insurance	(3,945)	(952)
Cash Payments for Business Growth Initiative	(22,457)	0
Cash Payments for Legal Fees	(2,195)	0
Cash Payments for Other Operating Activities	(93,416)	(23,716)
Net Cash Provided (Used) by Operating Activities	303,660	219,204
Cash Flows from Noncapital Financing Activities:		
Cash Received from Grants	0	50,000
Net Cash Provided by Noncapital Financing Activities	0	50,000
Cash Flows from Capital and Related Financing Activities:		
Interest Income	31	50
Interest income from Performing Arts Loan	184	727
Purchase of Property	(203,193)	(160,679)
Payments for Capital Acquisitions	(212,322)	0
Principal income from Performing Arts Loan	9,103	892
Net Cash (Used) by Capital and Related Financing Activities	(406,197)	(159,010)
Net Increase (Decrease) in Cash and Cash Equivalents	(102,537)	110,194
Cash and Cash Equivalents - Beginning of Year	500,521	390,327
Cash and Cash Equivalents - End of Year	$397,984	$500,521
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating Income	285,046	219,204
Adjustments:		
Depreciation	18,614	0
Net Cash Provided (Used) by Operating Activities	$303,660	$219,204
Schedule of Noncash Capital Activities:		
During the fiscal year, these amounts were received representing noncash contributions of:		
Capital Assets	$145,251	$0

See accompanying notes to the basic financial statements.

Fairborn Development Corporation
Statement of Fiduciary Assets and Liabilities
December 31, 2016 and December 31, 2015

	2016	2015
Assets:		
Cash and Cash Equivalents	$4,563	$0
Total Assets	4,563	0
Liabilities:		
Due to Others	4,563	0
Total Liabilities	$4,563	$0

See accompanying notes to the financial statements.

Note 1 – Nature of Organization and Reporting Entity

The Community Improvement Corporation of Fairborn dba the Fairborn Development Corporation (the "Corporation") was established by the City of Fairborn to advance, encourage and promote the industrial, economic, commercial and civic development within the City. The Fairborn Development Corporation, a non-profit corporation, was organized on March 6, 1969 in the manner provided for in Section 1724.10 of the Ohio Revised Code.

Note 2 – Summary of Significant Accounting Policies

A summary of the significant accounting policies consistently applied in preparation of the accompanying financial statements is as follows:

Basis of Presentation

The financial statements of the Corporation have been prepared on the accrual basis of accounting in conformity with generally accepted accounting principles (GAAP) as applied to special-purpose governments.

Proprietary Fund

The Corporation's activities, other than those which are fiduciary in nature, are reported as a single enterprise fund using proprietary fund accounting, similar to private sector business. The Basic Financial Statements are presented using the accrual basis of accounting, which recognizes revenues when earned and expenses when incurred.

Fiduciary Fund

The Corporation maintains a fiduciary agency fund for the management of Skyway Plaza for the City of Fairborn. The agency fund is custodial in nature and does not involve the measurement of results of operations.

Measurement Focus and Basis of Accounting

The Corporation's operations are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and deferred outflows of resources, and all liabilities and deferred inflows of resources, associated with the operation are included on the statement of net position. The operating statements present increases (i.e. revenues) and decreases (i.e. expenses) in total net position. Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made. The Corporation uses the accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred.

Tax Exempt Status

The Corporation is exempt from federal income tax under Section 501 (c) (3) of the Internal Revenue Code.

Cash and Cash Equivalents

For the purpose of the Statement of Cash Flows, cash and cash equivalents include all highly liquid investments with initial maturities of three months or less. The Corporation only had an interest bearing checking account for December 31, 2016 and 2015.

Custodial Credit Risk and Concentration of Credit Risk

The Corporation maintains its cash account in one commercial bank in Ohio. Custodial credit risk is the risk that in the event of a bank failure, the Corporation's deposits may not be returned to it. The Corporation's policy for deposits is any balance not covered by depository insurance will be collateralized by the financial institutions with pledged securities. As of December 31, 2016, $152,547 of the Corporation's bank balance of $402,547 was exposed to custodial risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Corporation's name.

Real Estate Held for Resale

According to GASB 72, Real Estate Held for Resale is recorded at cost at the date of acquisition or at estimated fair market value at date of gift, if donated. The value of the asset is not adjusted for transaction costs even if those costs are separable.

Recognition of Donations

The Corporation reports gifts of cash and other assets at their estimated fair market value as of the date of contribution.

Capital Assets

All reported capital assets are depreciated, except land. All capital assets are carried at cost, except donated capital assets which are carried at the fair market value. Depreciation of the real estate is provided using the straight-line method for financial reporting purposes at rates based on the following estimated useful life of 20 years.

Estimates

Management uses estimates and assumptions in preparing the financial statements. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses. Actual results could differ from those estimates.

Net Position

Net position represents the difference between assets and liabilities. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the Corporation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The Corporation applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available. None of the Corporation's net position was restricted by enabling legislation.

Operating Revenues and Expenses

The Corporation, in its proprietary funds, distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Corporation's enterprise funds are operating grants and contributions. Operating expenses for the enterprise fund includes the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Note 3 – Risk Management

The Corporation is subjected to certain types of risk related to torts and errors and omissions in the performance of its normal functions. The Corporation has a commercial general liability policy in place for the land and vacant structures that they own and Director's and Officers' liability insurance coverage of up to $1,000,000 per occurrence and $1,000,000 in aggregate with a $1,000 deductible.

There has been no material change in this coverage from the prior year. Settled claims have not exceeded this commercial coverage in any of the past three years.

Note 4 – Loan Receivable

In 2005, the Corporation agreed to loan the Fairborn Performing Arts and Cultural Association $32,000 at 3% to make repairs to the roof of the Fairborn Theater. This funding was consistent with the Corporation's mission of advancing, encouraging and promoting the industrial, economic, commercial and research development of the City of Fairborn. The loan was entered into in March, 2005; monthly payments of $135, including interest, were due starting May 2005 until May 2015. At the conclusion of the loan, a balloon payment of $24,326 was required. Interest income from this loan (interest income on Fairborn Performing Arts Loan) is recorded separately from investment income.

In March 2015, the Fairborn Performing Arts and Cultural Association (Fairborn Theater) let the Corporation know they would not be able to make the May 2015 balloon payment of $24,326. The Fairborn Theater was granted, by the Corporation, an extension on their current loan to give them the time to dissolve the organization and their 501c(3) status. The dissolution happened in 2016 and the Fairborn Theater property was released to the Corporation due to loan default. The Corporation plans to keep the Fairborn Theater as a capital asset.

Note 5 – Capital Assets

The Corporation's capital assets consist of the following at December 31, 2016:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital Assets, being depreciated:				
Real Estate	$0	$372,272	0	$372,272
Less Accumulated Depreciation:				
Real Estate	0	18,614	0	18,614
Capital Assets, Net	$0	$353,658	$0	$353,658

The Corporation has three properties that are considered capital assets as of year-end, 21 N. Broad Street, 22 N. First Street and the Fairborn Theatre.

Note 6 – Real Estate Held for Resale

The Corporation owns real estate held for resale at 122 N. Broad Street, 124 N. Broad Street, 130 N. Broad Street, 15 S. Broad Street and 509 Cedar Drive with the intent to sell these properties in the near future. The total amount of real estate held for resale as of year-end was $373,462. During the year the Corporation purchased 15 S. Broad Street, but did not sell any properties.

This discussion and analysis, along with the accompanying financial report, of the Fairborn Development Corporation (the "Corporation") is designed to provide our creditors and other interested parties with a general overview of the Corporation and its financial activities.

Financial Highlights

The total net position of the Corporation at December 31, 2015 and December 31, 2014 was $694,592 and $424,611.

The Corporation had cell tower lease revenue of $2,607 for 2015 and $3,475 for 2014.

The Corporation had total assets of $694,592 for 2015 and $424,611 for 2014, and no liabilities during either year.

Overview of Basic Financial Statements

The Corporation reports a single enterprise fund using proprietary fund accounting, similar to private sector business. The Basic Financial Statements are presented using the accrual basis of accounting.

The Statement of Net Position includes all of the Corporation's assets and deferred outflows of resources, and liabilities and deferred inflows of resources. This statement provides information about the nature and amounts of investments in resources (assets) owned by the Corporation, and obligations owed by the Corporation (liabilities). The Corporation's net position is the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources.

The Statement of Revenues, Expenses and Changes in Net Position provides information on the Corporation's operations over the past year. Revenues are reported when earned and expenses are reported when incurred.

The Statement of Cash Flows provides information about the Corporation's cash receipts and cash disbursements. It summarizes the net changes in cash resulting from operating, investing and financing activities.

Net Position

Table 1 summarizes the Net Position of the Corporation.

	2015	2014	2013
Assets:			
Cash and Cash Equivalents	$500,521	$390,327	$115,883
Loan Receivable	23,802	24,694	25,558
Real Estate Held for Resale	170,269	9,590	151,153
Total Assets	694,592	424,611	292,594
Net Position:			
Unrestricted	694,592	424,611	292,594
Total Net Position	$694,592	$424,611	$292,594

Total Net Position increased mainly due to an increase in cash and cash equivalents, which was mainly due to receiving a $50,000 ODSA Brownfield grant and a decrease in professional and consulting fees, and other real estate expenses in 2015 as compared to 2014.

Changes in Revenues, Expenses, and Net Position

Table 2 below summarizes the changes in revenues and expenses and the resulting change in net position.

	2015	2014	2013
Operating Revenues:			
Cell Tower Lease	$2,607	$3,475	$3,475
Rent	3,475	0	2,050
Operating Grants and Contributions	245,000	231,731	175,575
Refund of Earnest Deposit	3,000	0	0
Total Operating Revenues	254,082	235,206	181,100
Operating Expenses:			
Professional and Consulting Fees	8,775	37,954	5,575
Filings Fees	329	100	25
Insurance	952	0	873
Website Design	0	0	4,300
Other Real Estate Expenses	23,716	73,633	0
Marketing	1,000	15,400	0
Materials and Supplies	106	0	0
Total Operating Expenses	34,878	127,087	10,773
Non-Operating Revenues:			
Interest Income	50	22	11
Interest Income on Fairborn Performing Arts Loan	727	755	781
Gain (Loss) on Sale of Property	0	14,571	0
Non-Operating Grants	50,000	8,550	0
Total Non-Operating Revenues	50,777	23,898	792
Changes in Net Position	269,981	132,017	171,119
Net Position - Beginning of Year	424,611	292,594	121,475
Net Position - End of Year	$694,592	$424,611	$292,594

During 2015, the Corporation received a donation from the City of Fairborn for the amount of $245,000 for the purchase of additional real estate and received an ODSA Brownfield grant for $50,000, which mainly accounts for the increase in Net Position.

Capital Assets

The Corporation had no capital assets at December 31, 2015 and December 31, 2014.

Debt

The Corporation had no debt at December 31, 2015 and December 31, 2014.

Contact Information

Questions regarding this report and requests for additional information should be forwarded to the Economic Development Director, City of Fairborn, 44 West Hebble Avenue Fairborn, Ohio 45324.

Fairborn Development Corporation

Statement of Net Position

December 31, 2015 and December 31, 2014

	2015	2014
Assets:		
Cash and Cash Equivalents	$500,521	$390,327
Receivables:		
Loan	23,802	24,694
Real Estate Held for Resale	170,269	9,590
Total Assets	694,592	424,611
Net Position:		
Unrestricted	694,592	424,611
Total Net Position	$694,592	$424,611

See accompanying notes to the financial statements.

Fairborn Development Corporation
Statement of Revenues, Expenses and Changes in Net Position
For the Fiscal Year Ended December 31, 2015 and December 31, 2014

	2015	2014
Operating Revenues:		
Cell Tower Lease	$2,607	$3,475
Rent	3,475	0
Operating Grants and Contributions	245,000	231,731
Refund of Earnest Deposit	3,000	0
Total Operating Revenues	254,082	235,206
Operating Expenses:		
Professional and Consulting Fees	8,775	37,954
Filing Fees	329	100
Insurance	952	0
Other Real Estate Expenses	23,716	73,633
Marketing	1,000	15,400
Materials and Supplies	106	0
Total Operating Expenses	34,878	127,087
Operating Income (Loss)	219,204	108,119
Non-Operating Revenues:		
Interest Income	50	22
Interest Income on Fairborn Performing Arts Loan	727	755
Gain (Loss) on Sale of Property	0	14,571
Non-Operating Grants	50,000	8,550
Total Non-Operating Revenues (Expenses)	50,777	23,898
Change in Net Position	269,981	132,017
Net Position - Beginning of Year	424,611	292,594
Net Position - End of Year	$694,592	$424,611

See accompanying notes to the financial statements.

Fairborn Development Corporation
Statement of Cash Flows
For the Fiscal Year Ended December 31, 2015 and December 31, 2014

	2015	2014
Cash Flows from Operating Activities:		
Cash Received from Cell Tower Lease	$2,607	$3,475
Cash Received from Rent	3,475	0
Cash Received from Operating Grants and Contributions	245,000	231,731
Cash Received from Refund of Earnest Deposit	3,000	0
Cash Payments for Suppliers for Goods and Services	(10,210)	(53,454)
Cash Payments for Insurance	(952)	0
Cash Payments for Other Operating Activities	(23,716)	(73,633)
Net Cash Provided (Used) by Operating Activities	219,204	108,119
Cash Flows from Noncapital Financing Activities:		
Cash Received from Grants	50,000	8,550
Net Cash Provided (Used) by Noncapital Financing Activities	50,000	8,550
Cash Flows from Capital and Related Financing Activities:		
Interest Income	50	22
Interest income from Performing Arts Loan	727	755
Principal income from Performing Arts Loan	892	864
Sale of Property	0	165,724
Purchase of Property	(160,679)	(9,590)
Net Cash Provided (Used) by Capital and Related Financing Activities	(159,010)	157,775
Net Increase (Decrease) in Cash and Cash Equivalents	110,194	274,444
Cash and Cash Equivalents - Beginning of Year	390,327	115,883
Cash and Cash Equivalents - End of Year	$500,521	$390,327

See accompanying notes to the basic financial statements.

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Note 1 – Nature of Organization and Reporting Entity

The Community Improvement Corporation of Fairborn dba the Fairborn Development Corporation (the "Corporation") was established by the City of Fairborn to advance, encourage and promote the industrial, economic, commercial and civic development within the City. The Fairborn Development Corporation, a non-profit corporation, was organized on March 6, 1969 in the manner provided for in Section 1724.10 of the Ohio Revised Code.

Note 2 – Summary of Significant Accounting Policies

A summary of the significant accounting policies consistently applied in preparation of the accompanying financial statements is as follows:

Basis of Presentation

The financial statements of the Corporation have been prepared on the accrual basis of accounting in conformity with generally accepted accounting principles (GAAP) as applied to special-purpose governments.

The Corporation reports a single enterprise fund using proprietary fund accounting, similar to private sector business. The Basic Financial Statements are presented using the accrual basis of accounting, which recognizes revenues when earned and expenses when incurred.

Measurement Focus and Basis of Accounting

The Corporation's operations are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and deferred outflows of resources, and all liabilities and deferred inflows of resources, associated with the operation are included on the statement of net position. The operating statements present increases (i.e. revenues) and decreases (i.e. expenses) in total net position. Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made. The Corporation uses the accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred.

Tax Exempt Status

The Corporation is exempt from federal income tax under Section 501 (c) (3) of the Internal Revenue Code.

Cash and Cash Equivalents

For the purpose of the Statement of Cash Flows, cash and cash equivalents include all highly liquid investments with initial maturities of three months or less.

The Corporation only had an interest bearing checking account for December 31, 2015 and 2014.

Custodial Credit Risk and Concentration of Credit Risk

The Corporation maintains its cash account in one commercial bank in Ohio. Custodial credit risk is the risk that in the event of a bank failure, the Corporation's deposits may not be returned to it. The Corporation's policy for deposits is any balance not covered by depository insurance will be collateralized by the financial institutions with pledged securities. As of December 31, 2015, $250,521 of the Corporation's bank balance of $500,521 was exposed to custodial risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Corporation's name.

Real Estate Held for Resale

According to GASB 72, Real Estate Held for Resale is recorded at cost at the date of acquisition or at estimated fair market value at date of gift, if donated. The value of the asset is not adjusted for transaction costs even if those costs are separable.

Recognition of Donations

The Corporation reports gifts of cash and other assets at their estimated fair market value as of the date of contribution.

Estimates

Management uses estimates and assumptions in preparing the financial statements. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses. Actual results could differ from those estimates.

Net Position

Net position represents the difference between assets and liabilities. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the Corporation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The Corporation applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available. None of the Corporation's net position was restricted by enabling legislation.

Operating Revenues and Expenses

The Corporation, in its proprietary funds, distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Corporation's enterprise funds are operating grants and contributions. Operating expenses for the enterprise fund includes the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Note 3 – Risk Management

The Corporation is subjected to certain types of risk related to torts and errors and omissions in the performance of its normal functions. The Corporation has in place Director's and Officers' liability insurance coverage of up to $1,000,000 per occurrence and $1,000,000 in aggregate with a $1,000 deductible.

There has been no material change in this coverage from the prior year. Settled claims have not exceeded this commercial coverage in any of the past three years.

Note 4 – Cell Phone Tower Lease

The City of Fairborn on July 1, 2006, entered into a five year Communication Site Lease Agreement with Clear Wire LLC. The lease provides for the lease on space on the City's Five Points water tower for placement of antennas and related communication devices. The Corporation receives an allocation of 16.67% of total annual lease receipts from the City. The lease was renewed at the end of the agreement in 2011.

Note 5 – Loan Receivable

In 2005, the Corporation agreed to loan the Fairborn Performing Arts and Cultural Association $32,000 at 3% to make repairs to the roof of the Fairborn Theater. This funding was consistent with the Corporation's mission of advancing, encouraging and promoting the industrial, economic, commercial and research development of the City of Fairborn. The loan was entered into in March, 2005; monthly payments of $135, including interest, were due starting May 2005 until May 2015. At the conclusion of the loan, a balloon payment of $24,326 was required. Interest income from this loan (interest income on Fairborn Performing Arts Loan) is recorded separately from investment income.

In March 2015, the Fairborn Performing Arts and Cultural Association (Fairborn Theater) let the Corporation know they would not be able to make the May 2015 balloon payment of $24,326. The Fairborn Theater was granted, by the Corporation, an extension on their current loan to give them the time to dissolve the organization and their 501c(3) status. After the dissolution happens the Fairborn Theater property will be released to the Corporation due to loan default.

Note 6 – Real Estate Held for Resale

The Corporation owns real estate held for resale as summarized below:

	12/31/2014	Additions	Deletions	12/31/2015
124 N. Broad Street	$9,590	$0	$0	$9,590
122 N. Broad Street	0	79,420	0	79,420
130 N. Broad Street	0	36,080	0	36,080
509 Cedar Drive	0	45,179	0	45,179
Total Real Estate Held for Resale	$9,590	$160,679	$0	$170,269

In 2014, the Corporation purchased real estate at 124 N. Broad Street, while in 2015 it acquired 122 N. Broad Street, 130 N. Broad Street and 509 Cedar Drive with the intent to sell these properties in the near future.

Note 7 – Subsequent Events

In March 2016, due to the loan default, a transfer of ownership of the Fairborn Theater property and the final transfer of all funds from the Fairborn Performing Arts and Cultural Association to the Corporation was completed.

The corporation does not plan to renew the cell phone tower lease agreement for the terms discussed in Note 4 in June of 2016.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Fairborn Development Corporation
Greene County
44 West Hebble Avenue
Fairborn, Ohio 45324

To the Governing Board:

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 business-type activities and the aggregate remaining fund information of the Fairborn Development Corporation, Greene County, (the Corporation) as of and for the years ended December 31, 2016, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements and have issued our report thereon dated April 18, 2018.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Corporation's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Corporation'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 Corporation'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 certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2016-001 and 2016-002 to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Corporation'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*.

Corporation's Responses to Findings

The Corporation's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Corporation's responses and, accordingly, we express no opinion on them.

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 Corporation's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Dave Yost

Dave Yost
Auditor of State
Columbus, Ohio

April 18, 2018

SCHEDULE OF FINDINGS
DECEMBER 31, 2016 AND 2015

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

FINDING NUMBER 2016-001

Material Weakness

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 and .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.

The Corporation presented their financial statements in conformity with generally accepted accounting principles. The following misstatements were identified in the Corporation's financial statements:

- In 2016, the Corporation executed an agreement with the City of Fairborn (City) to manage the City's Skyway Plaza. The agreement grants the Corporation the right to collect all rental and other revenues and pay all expenses for the management, operation, and maintenance of the property, on behalf of the City. The 2016 financial statements omitted the Statement of Fiduciary Assets and Liabilities, which should have included assets and liabilities in the amount of $4,563 for the Corporation's agency fund related to the Skyway Plaza agreement.
- The Corporation previously loaned $32,000 to the Fairborn Performing Arts and Cultural Association (Association). In 2016, the Association defaulted on a loan and transferred ownership of the Fairborn Theater property to the Corporation. An adjustment was required to eliminate a Loss on Loan Agreement in the amount of $14,699 and to reduce Capital Contributions by $14,699.

The misstatements above are reflected on the accompanying financial statements. In addition to the adjustments noted above, we also identified additional misstatements ranging from $3,000 to $7,998, which we have brought to the Corporation's attention.

The failure to correctly classify and report financial activity in the financial statements may impact the users' understanding of the financial operations or management's ability to make sound financial decisions and could result in materially misstated reports.

The Corporation should implement policies and procedures to provide for accurate and complete recording of financial activity and balances in the accounting records and financial statements to assist in the effective management and reporting of financial resources.

Officials' Response

The corporation has begun taking steps to correct the improper recording of financial activity by engaging the services of an auditing firm to review our Quick books records. This will also ensure proper financial activity classification and reporting to the board.

FINDING NUMBER 2016-002

Material Weakness

In 2015 and 2016, the Corporation did not prepare formal bank to book reconciliations. Instead of monthly reconciliations, the Corporation compared the monthly ending balance as shown on the bank statement from the financial institution to the financial ledger. No formal documentation of these reviews was maintained.

In October 2016, the Corporation opened a bank account to segregate the financial transactions associated with managing the City of Fairborn's Skyway Plaza. There was no evidence of Board approval for the new account.

Due to the lack of a formal reconciliation process, the book balance of the Skyway Plaza bank account was overstated at December 31, 2016 by $613 due to an insufficient funds returned check and bank service charge that was not recorded in the Corporation's ledger. In addition, the balance was omitted from the Corporation's financial statements and an audit adjustment was required to report assets and liabilities of the Corporation's agency fund in the amount of $4,563.

The Corporation should prepare monthly bank to book reconciliations to identify reconciling items and errors. The reconciliations should be provided to the Board for review and approval. Lack of formal monthly reconciliations increases the risk of unauthorized transactions going unnoticed and could lead to material financial statement misstatements.

Officials' Response

Formal bank to book reconciliations began in January of 2018. As of the April 2018 meeting of the Fairborn Development Corp. those reconciliation reports are reviewed by the board and initialed by the Treasurer of the board.

FDC
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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

DECEMBER 31, 2016 AND 2015

Finding Number	Finding Summary	Status	Additional Information
2014-001	The finding was due to financial statement misstatements.	Not Corrected	Repeated as finding 2016-001
2014-002	The finding was due to the Corporation not reconciling bank accounts.	Not Corrected	Repeated as finding 2016-002

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FAIRBORN DEVELOPMENT CORPORATION

GREENE 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
JUNE 12, 2018

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