



OHIO AUDITOR OF STATE
KEITH FABER



**FAIRBORN DEVELOPMENT CORPORATION
GREENE COUNTY
DECEMBER 31, 2022 AND 2021**

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

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

To the Board of Directors:

Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the financial statements of the Fairborn Development Corporation, Greene County, Ohio (Corporation), as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements as listed in the table of contents.

In our opinion, except for the effects of the matter described in the *Matter Giving Rise to Qualified Opinion* section of our report, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Fairborn Development Corporation, Greene County, Ohio as of December 31, 2022 and 2021, and the change in 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.

Basis for Qualified Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Corporation, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Matter Giving Rise to Qualified Opinion

The Corporation reported special events revenue of \$95,639 and \$32,896 for the years ended December 31, 2022 and 2021, respectively. These amounts represent 27 percent and 13 percent of revenues for 2022 and 2021, respectively. We were unable to obtain sufficient appropriate audit evidence to support the completeness of special events revenue. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

Emphasis of Matter

As discussed in Note 3 to the financial statements, during 2022, the Corporation adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2023, 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. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Corporation's 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.



Keith Faber
Auditor of State
Columbus, Ohio

November 13, 2023

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FAIRBORN DEVELOPMENT CORPORATION
GREENE COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2022
(UNAUDITED)

The discussion and analysis of the Fairborn Development Corporation's (the "Corporation") financial performance provides an overall review of the Corporation's financial activities for the year ended December 31, 2022. The intent of this discussion and analysis is to look at the Corporation's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the Corporation's financial performance.

Financial Highlights

Key financial highlights for 2022 are as follows:

- In total, net position was \$1,852,527 at December 31, 2022. This represents an increase of \$186,816, or 11.22%, from December 31, 2021.
- During 2022, the Corporation had operating revenues of \$357,248 and operating expenses of \$161,457 resulting in a \$195,791 operating income. Nonoperating revenues consisted of \$2,627 in interest income. Nonoperating expenses consisted of \$11,602 in interest and fiscal charges. Total change in net position for the year was an increase of \$186,816.

Using These Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Corporation's financial activities. The *Statement of Net Position* and *Statement of Revenues, Expenses and Change in Net Position* provide information about the activities of the Corporation, including all short-term and long-term financial resources and obligations.

Reporting the Corporation's Financial Activities

Statement of Net Position, Statement of Revenues, Expenses, and Change in Net Position and the Statement of Cash Flows

These documents look at all financial transactions and ask the question, "How did we do financially during 2022?" The Statement of Net Position and the Statement of Revenues, Expenses and Change in Net Position answer this question. These statements include *all assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the Corporation's *net position* and change in net position. This change in net position is important because it tells the reader that, for the Corporation as a whole, the *financial position* of the Corporation has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. These statements can be found on pages 9 and 10 of this report.

The statement of cash flows provides information about how the Corporation finances and meets the cash flow needs of its operations. The statement of cash flows can be found on page 11 of this report.

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. These notes to the basic financial statements can be found on pages 13-19 of this report.

FAIRBORN DEVELOPMENT CORPORATION
GREENE COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2022
(UNAUDITED)

The table below provides a summary of the Corporation's net position at December 31, 2022 and 2021. Certain amounts for 2021 have been reclassified due to the implementation of GASB No. 87 "Leases" (GASB 87).

	2022	Restated 2021
<u>Assets</u>		
Current assets	\$ 255,622	\$ 51,996
Noncurrent assets:		
Loan receivable	6,000	9,000
Lease receivable	25,875	37,372
Real estate held for resale	721,121	721,121
Capital assets, net	1,087,993	1,108,661
Total assets	2,096,611	1,928,150
<u>Liabilities</u>		
Current liabilities	6,841	6,475
Noncurrent liabilities:		
Loan payable	200,613	207,454
Total liabilities	207,454	213,929
<u>Deferred Inflows - Lease</u>	36,630	48,510
<u>Net Position</u>		
Net investment in capital assets	880,539	894,732
Unrestricted	971,988	770,979
Total net position	\$ 1,852,527	\$ 1,665,711

Over time, net position can serve as a useful indicator of a government's financial position. At December 31, 2022, the Corporation's net position totaled \$1,852,527.

Current assets increased due to the receipt of a \$200,000 contribution from the City of Fairborn and the implementation of GASB 87 which requires the Corporation to report a lease receivable for a building space lease.

Noncurrent assets decreased as the Corporation collected in leases and loan receivables. In addition, the Corporation did not have any capital asset additions in 2022.

Liabilities decreased as the Corporation paid down its loan payable obligation.

The Corporation's net position – net investment in capital assets at December 31, 2022, was \$880,539. This amount decreased from the prior year due to depreciation expense offset by principal paid on capital related debt. The remaining balance of unrestricted net position of \$971,988 may be used to meet the Corporation's ongoing obligations.

FAIRBORN DEVELOPMENT CORPORATION
GREENE COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2022
(UNAUDITED)

The table below shows the change in net position for 2022 and 2021.

	2022	2021
<u>Operating revenues</u>		
Rental income	\$ 56,964	\$ 48,623
Special events	95,639	32,896
Refunds and reimbursements	1,644	195
Grants and contributions	200,000	157,541
Other	3,001	3,354
Total operating revenues	357,248	242,609
<u>Operating expenses</u>		
Professional and consulting fees	3,000	3,298
Legal fees	-	42
Insurance	1,743	2,338
Rental activities	58,419	60,031
Other real estate	4,475	7,287
Business growth initiative	-	123,700
Special events	65,759	17,962
Depreciation	20,668	20,667
Property taxes	6,936	7,074
Miscellaneous	457	2,280
Total operating expenses	161,457	244,679
Operating income (loss)	195,791	(2,070)
<u>Nonoperating revenues (expenses)</u>		
Interest income	2,627	90
Interest and fiscal charges	(11,602)	(11,351)
Contribution to developer	-	(437,404)
Other nonoperating revenue	-	10,580
Total nonoperating revenues (expenses)	(8,975)	(438,085)
Change in net position	186,816	(440,155)
Net position - beginning of year	1,665,711	2,105,866
Net position - end of year	\$ 1,852,527	\$ 1,665,711

Operating revenues increased during 2022 as the Corporation increased the number of special events that were previously hindered by the COVID-19 pandemic and rental income increased as the business environment improved.

Operating grants and contributions revenue increased due to a \$200,000 contribution from the City of Fairborn received in 2022.

Operating expenses decreased primarily due to a decrease in the area of business growth initiatives. During 2022, the Corporation received a \$200,000 contribution from the City of Fairborn but has not spent the money by year-end. In 2021, the Corporation expended \$123,700 of façade improvement monies contributed by the City of Fairborn for the 4 East Main Street Façade project.

FAIRBORN DEVELOPMENT CORPORATION
GREENE COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2022
(UNAUDITED)

Special events expense increased as the Corporation increased the number of special events that were previously hindered by the COVID-19 pandemic. The Corporation relies upon the hosting of special events to support operations. During 2022, the Corporation had five events versus two events in 2021. See Note 10 for detail on the special events held in 2022.

Nonoperating expenses in 2021 included a \$437,404 expense to remove capital assets which were contributed by the Corporation to a developer to promote economic development. There was no such activity in 2022.

Capital Assets

At December 31, 2022, the Corporation had \$1,087,993 of capital assets net of accumulated depreciation.

	<u>2022</u>	<u>2021</u>
Land	\$ 361,733	\$ 361,733
Real Estate and Improvements	763,341	763,341
Equipment	23,770	23,770
Accumulated Depreciation	<u>(60,851)</u>	<u>(40,183)</u>
Total Net Capital Assets	<u>\$ 1,087,993</u>	<u>\$ 1,108,661</u>

See Note 6 to the basic financial statements for further detail on the Corporation's capital assets.

Debt Obligations

At December 31, 2022, the Corporation had a \$207,454 loan payable obligation outstanding. Of this total, \$6,841 is due within one year and \$200,613 is due in more than one year. See Note 8 for more detail.

Current Financial Related Activities

The Corporation is the City of Fairborn's agent for industrial and commercial distributions and research development. The purpose of the Corporation is to advance, encourage, and promote industrial, economic, commercial and civic development of the City of Fairborn.

Contacting the Corporation's Financial Management

This financial report is designed to provide our clients and creditors with a general overview of the Corporation's finances and to show the Corporation's accountability for the money it receives. If you have questions about this report or need additional financial information contact Mr. Michael Gebhart, Executive Director, 44 West Hebble Avenue, Fairborn, Ohio, 45324.

FAIRBORN DEVELOPMENT CORPORATION
GREENE COUNTY, OHIO
STATEMENT OF NET POSITION
DECEMBER 31, 2022

ASSETS

Current assets:	
Cash and cash equivalents.....	\$ 240,176
Receivables:	
Accrued interest	156
Lease (Note 9).....	11,497
Loan (Note 7).....	3,000
Prepayments.....	793
	<hr/>
Total current assets.....	255,622
Noncurrent assets:	
Receivables:	
Lease (Note 9)	25,875
Loan (Note 7).....	6,000
Real estate held for resale (Note 5).....	721,121
Capital assets (Note 6):	
Land	361,733
Depreciable capital assets.....	787,111
(Accumulated Depreciation).....	(60,851)
	<hr/>
Total capital assets, net.....	1,087,993
	<hr/>
Total noncurrent assets.....	1,840,989
	<hr/>
Total assets.....	2,096,611

LIABILITIES

Current liabilities:	
Loan payable (Note 8).....	6,841
<u>Non-current liabilities:</u>	
Loan payable (Note 8).....	200,613
	<hr/>
Total liabilities.....	207,454

DEFERRED INFLOWS

Lease.....	36,630
	<hr/>

NET POSITION

Net investment in capital assets.....	880,539
Unrestricted.....	971,988
	<hr/>
Total net position.....	\$ 1,852,527

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

FAIRBORN DEVELOPMENT CORPORATION
GREENE COUNTY, OHIO
STATEMENT OF REVENUES, EXPENSES AND
CHANGE IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2022

OPERATING REVENUES

Rental income.....	\$ 56,964
Special events (Note 10).....	95,639
Refunds and reimbursements.....	1,644
Grants and contributions	200,000
Other.....	3,001
	<hr/>
Total operating revenues.....	357,248
	<hr/>

OPERATING EXPENSES

Professional and consulting fees.....	3,000
Insurance.....	1,743
Rental activities.....	58,419
Other real estate.....	4,475
Special events (Note 10).....	65,759
Depreciation.....	20,668
Property taxes.....	6,936
Miscellaneous.....	457
	<hr/>
Total operating expenses.....	161,457
	<hr/>
Operating income.....	195,791
	<hr/>

NONOPERATING REVENUES (EXPENSES)

Interest income.....	2,627
Interest and fiscal charges.....	(11,602)
	<hr/>
Total nonoperating revenues (expenses).....	(8,975)
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Change in net position.....	186,816
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Net position - beginning of year.....	1,665,711
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Net position - end of year.....	\$ 1,852,527
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SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

FAIRBORN DEVELOPMENT CORPORATION
GREENE COUNTY, OHIO
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2022

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from rents.....	\$ 56,222
Cash received from refunds and reimbursements.....	1,644
Cash received from special events.....	95,639
Cash received from grants and contributions.....	200,000
Cash received from other operations.....	3,001
Cash payments for professional and consulting fees.....	(3,000)
Cash payments for insurance.....	(1,614)
Cash payments for other real estate expenses.....	(4,475)
Cash payments for rental activities.....	(58,419)
Cash payments for special events.....	(65,759)
Cash payments for property taxes.....	(6,936)
Cash payments for other operations.....	(457)
	215,846

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Loan principal payments received.....	3,000
	3,000

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Principal paid on loan.....	(6,475)
Interest paid on loan.....	(11,602)
	(18,077)

CASH FLOWS FROM INVESTING ACTIVITIES

Interest received.....	2,471
	2,471
Net increase in cash and cash equivalents.....	203,240
Cash and cash equivalents at beginning of year.....	36,936
	36,936
Cash and cash equivalents at end of year.....	\$ 240,176
	240,176

RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES

Operating income.....	\$ 195,791
Adjustments:	
Depreciation.....	20,668
Changes in assets and liabilities:	
Decrease in lease receivable.....	11,138
Decrease in prepayments.....	129
(Decrease) in deferred inflows - leases.....	(11,880)
	(11,880)
Net cash provided by operating activities.....	\$ 215,846
	215,846

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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FAIRBORN DEVELOPMENT CORPORATION
GREENE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 1 - DESCRIPTION OF THE 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

The basic financial statements of the Corporation have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to special-purpose governments. GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Corporation’s significant accounting policies are described below.

A. Basis of Presentation

The Corporation’s Basic Financial Statements consist of a Statement of Net Position, a Statement of Revenues, Expenses, and Change in Net Position.

The Corporation’s activities 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.

The Corporation distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Corporation’s principal ongoing operation. The principal operating revenues of the Corporation’s enterprise fund are rental income and charges for special events. Operating expenses for the enterprise fund include the cost of rental activities, administrative expenses, special event costs, depreciation on capital assets, and property tax payments. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

B. 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 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.

C. Federal Income Tax

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

D. 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 had five depository accounts at December 31, 2022. All depository accounts were maintained at one credit union.

FAIRBORN DEVELOPMENT CORPORATION
GREENE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

E. Custodial Credit Risk and Concentration of Credit Risk

The Corporation maintains its cash accounts in one credit union 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, 2022, none of the Corporation's bank balance of \$244,577 was exposed to custodial risk.

F. 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 value at date of gift, if donated. The value of the asset is not adjusted for transaction costs even if those costs are separable.

G. Capital Contributions

The Corporation did not receive any contributions of capital assets in 2022.

H. Receivables

The Corporation recognizes revenue for amounts due, but not received, as of year-end. The Corporation's receivables at year-end consisted of a \$9,000 loan receivable from a local business (see Note 7), \$37,372 in lease receivable associated with building lease to a local business (see Note 9), and accrued interest receivable of \$156.

I. Prepayments

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepayments in the Statement of Net Position. These items are reported as assets on the Statement of Net Position using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expense is reported in the year in which services are consumed.

J. Payables

The Corporation recognizes expenses when due, but unpaid as of year-end. The Corporation had no payables at year-end besides the loan obligation described in Note 8.

K. Capital Assets

All reported capital assets are depreciated, except land. Assets are capitalized if they have an estimated useful life of greater than two years and have an individual cost greater than \$2,500. All capital assets are carried at cost, except donated capital assets which are reported at their acquisition value. Depreciation of the real estate and equipment are provided using the straight-line method for financial reporting purposes at rates based on the following estimated useful life of 5-40 years.

<u>Asset</u>	<u>Useful Life</u>
Building	20 - 40 Years
Equipment	5 - 15 Years

FAIRBORN DEVELOPMENT CORPORATION
GREENE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

L. Deferred Inflows

In addition to liabilities, the financial statements report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net assets that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time.

The deferred inflow of resources for leases is related to the lease receivable and is being amortized to lease revenue in a systematic and rational manner over the term of the lease.

M. 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.

N. Net Position

Net position represents the difference between assets and liabilities. Net position is reported as restricted when there are limitations imposed on the use of resources either through the enabling legislation adopted by the Corporation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances for any borrowing used for the acquisition, construction or improvement of those assets.

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

Change in Accounting Principles

For 2022, the Corporation has implemented GASB Statement No. 87, "Leases", GASB Implementation Guide 2019-3, "Leases", GASB Implementation Guide 2020-1, "Implementation Guide Update - 2020", GASB Statement No. 91, "Conduit Debt Obligations", GASB Statement No. 92, "Omnibus 2020", GASB Statement No. 93, "Replacement of Interbank Offered Rates", GASB Statement No. 97, "Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32" and certain paragraphs of GASB Statement No. 99, "Omnibus 2022".

GASB Statement No. 87 and GASB Implementation Guide 2019-3 enhance the relevance and consistency of information of the government's leasing activities. It establishes requirements for lease accounting based on the principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right to use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

These changes were incorporated in the Corporation's 2022 financial statements. The Corporation recognized \$48,510 in leases receivable at January 1, 2022, due to the implementation of GASB 87; however, this entire amount was offset by deferred inflows of resources for leases.

FAIRBORN DEVELOPMENT CORPORATION
GREENE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

GASB Implementation Guide 2020-1 provides clarification on issues related to previously established GASB guidance. The implementation of GASB Implementation Guide 2020-1 did not have an effect on the financial statements of the Corporation.

GASB Statement No. 91 provides a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The implementation of GASB Statement No. 91 did not have an effect on the financial statements of the Corporation.

GASB Statement No. 92 enhances comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The implementation of GASB Statement No. 92 did not have an effect on the financial statements of the Corporation.

GASB Statement No. 93 establishes accounting and financial reporting requirements related to the replacement of Interbank Offered Rates (IBORs) in hedging derivative instruments and leases. It also identifies appropriate benchmark interest rates for hedging derivative instruments. The implementation of GASB Statement No. 93 did not have an effect on the financial statements of the Corporation.

GASB Statement No. 97 is to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The implementation of GASB Statement No. 97 did not have an effect on the financial statements of the Corporation.

GASB Statement No. 99 is to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The implementation of GASB Statement No. 99 did not have an effect on the financial statements of the Corporation.

NOTE 4 - DEPOSITS

At December 31, 2022, the carrying amount of the Corporation's deposits was \$240,176 and the bank balance of the Corporation's deposits were \$244,577. The entire bank balance was covered by the National Credit Union Administration's Share Insurance Fund. There are no significant statutory restrictions regarding the deposits and investments of funds held by the not-for-profit corporation.

FAIRBORN DEVELOPMENT CORPORATION
GREENE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 5 - REAL ESTATE HELD FOR RESALE

The Corporation owns real estate held for resale with the intent to sell these properties. During 2022, no real estate held for resale was acquired or sold by the Corporation. The total amount of real estate held for resale as of year-end was \$721,121.

	Balance 12/31/2021	Additions	Deletions	Balance 12/31/2022
Real estate held for resale:				
509 Cedar Drive	\$ 45,178	\$ -	\$ -	\$ 45,178
15/15/16 S. Broad Street	203,193	-	-	203,193
Rockdell Property	472,750	-	-	472,750
	<u>\$ 721,121</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 721,121</u>

NOTE 6 - CAPITAL ASSETS

The Corporation's capital assets consist of the following at December 31, 2022:

	Balance 12/31/21	Additions	Disposals	Balance 12/31/22
<i>Capital assets, not being depreciated:</i>				
Land	\$ 361,733	\$ -	\$ -	\$ 361,733
<i>Capital assets being depreciated:</i>				
Real estate and improvements	763,341	-	-	763,341
Equipment	23,770	-	-	23,770
Total capital assets being depreciated	787,111	-	-	787,111
<i>Less: accumulated depreciation:</i>				
Real estate and improvements	(38,166)	(19,083)	-	(57,249)
Equipment	(2,017)	(1,585)	-	(3,602)
Total accumulated depreciation	(40,183)	(20,668)	-	(60,851)
Total capital assets being depreciated, net	746,928	(20,668)	-	726,260
Net capital assets	<u>\$ 1,108,661</u>	<u>\$ (20,668)</u>	<u>\$ -</u>	<u>\$ 1,087,993</u>

FAIRBORN DEVELOPMENT CORPORATION
GREENE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 7 – LOAN RECEIVABLE

The Corporation had the following loan receivable activity in 2022:

	<u>Balance</u> <u>12/31/2021</u>	<u>Additions</u>	<u>Retirement</u>	<u>Balance</u> <u>12/31/2022</u>
Loan receivable	\$ 12,000	\$ -	\$ (3,000)	\$ 9,000

On November 30, 2020, the Corporation made a \$15,000 loan to a local company. The loan is interest free and calls for payments of \$250 per month for 60 months beginning January 1, 2021. During 2022, the Corporation received \$3,000 in principal payments on the loan. For 2023, the Corporation anticipates receiving the \$3,000 required principal payments for that year.

NOTE 8 – LOAN PAYABLE

The Corporation had the following loan payable activity in 2022:

	<u>Balance</u> <u>12/31/2021</u>	<u>Additions</u>	<u>Retirement</u>	<u>Balance</u> <u>12/31/2022</u>	<u>Amounts</u> <u>Due in</u> <u>One Year</u>
<u>Loan payable:</u>					
Wright-Patt Credit Union, Inc.	\$ 213,929	\$ -	\$ (6,475)	\$ 207,454	\$ 6,841

On March 1, 2021, the Corporation entered into a loan agreement with Wright-Patt Credit Union, Inc. to borrow \$219,000. Proceeds of this loan were used to retire the New Carlisle Bank loan and to establish a reserve account. The loan bears an interest rate of 5.5% and matures on March 1, 2024, with a required balloon payment. The Fairborn Community Space property is collateral for the loan.

The following is a schedule of the future debt service requirements for the loan payable at year-end.

<u>Year Ending</u>	<u>Loan Payable</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 6,841	\$ 11,237	\$ 18,078
2024 ⁽¹⁾	<u>200,613</u>	<u>1,811</u>	<u>202,424</u>
Total	<u>\$ 207,454</u>	<u>\$ 13,048</u>	<u>\$ 220,502</u>

⁽¹⁾ Includes balloon payment due March 1, 2024 in the amount of \$200,918 (\$200,044 principal and \$874 interest).

NOTE 9 – LEASE RECEIVABLE

At December 31, 2022, the Corporation is reporting a lease receivable of \$37,372. For 2022, the Corporation recognized lease revenue of \$11,880, which is reported in rental income, and interest revenue of \$2,121. The Corporation has entered into the following lease agreement as the lessor:

<u>Lease Type</u>	<u>Lease</u> <u>Commencement</u> <u>Date</u>	<u>Years</u>	<u>Lease</u> <u>End Date</u>	<u>Payment</u> <u>Method</u>
Building Space	2021	5	2026	Monthly

FAIRBORN DEVELOPMENT CORPORATION
GREENE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 9 – LEASE RECEIVABLE (Continued)

The following is a schedule of future lease payments under the lease agreement:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 11,497	\$ 1,607	\$ 13,104
2024	12,085	1,019	13,104
2025	12,703	401	13,104
2026	<u>1,087</u>	<u>5</u>	<u>1,092</u>
Total	<u>\$ 37,372</u>	<u>\$ 3,032</u>	<u>\$ 40,404</u>

NOTE 10 - SPECIAL EVENTS REVENUE AND EXPENSES

The Corporation hosts special events to promote the Corporation and raise money to support operations. The Corporation had the following special events in 2022:

<u>Event</u>	<u>Revenues</u>	<u>Expenses</u>	<u>Net Revenue</u>
Bluegrass & Brew	\$ 15,000	\$ 13,895	\$ 1,105
Friday the 13th	12,213	5,873	6,340
Hairborn Festival	27,396	17,911	9,485
St. PatRock's Day	36,112	21,343	14,769
Woofstock	<u>4,918</u>	<u>6,737</u>	<u>(1,819)</u>
Total	<u>\$ 95,639</u>	<u>\$ 65,759</u>	<u>\$ 29,880</u>

NOTE 11 - CONTINGENT LIABILITIES

Amounts paid by grantor agencies to the Corporation are subject to audit and adjustment by the grantor. Grantors may require the refunding of any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

NOTE 12 - 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 13 - SUBSEQUENT EVENTS

On July 5, 2023, the Corporation sold the Rockdell property, included in Real Estate Held for Resale (Note 5), for \$294,576. On July 19, 2023, the Corporation paid off the Wright-Patt Credit Union Loan (Note 8) in the amount of \$204,621 using the proceeds from the sale.

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FAIRBORN DEVELOPMENT CORPORATION
GREENE COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2021
(UNAUDITED)

The discussion and analysis of the Fairborn Development Corporation's (the "Corporation") financial performance provides an overall review of the Corporation's financial activities for the year ended December 31, 2021. The intent of this discussion and analysis is to look at the Corporation's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the Corporation's financial performance.

Financial Highlights

Key financial highlights for 2021 are as follows:

- In total, net position was \$1,665,711 at December 31, 2021. This represents a decrease of \$440,155, or 20.90%, from December 31, 2020.
- During 2021, the Corporation had operating revenues of \$242,609 and operating expenses of \$244,679 resulting in a \$2,070 operating loss. Nonoperating revenues consisted of \$90 in interest income and \$10,580 in other nonoperating revenues. Nonoperating expenses consisted of \$11,351 in interest and fiscal charges and a \$437,404 contribution of real property to a developer (see Note 10). Total change in net position for the year was a decrease of \$440,155.

Using These Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Corporation's financial activities. The *Statement of Net Position* and *Statement of Revenues, Expenses and Change in Net Position* provide information about the activities of the Corporation, including all short-term and long-term financial resources and obligations.

Reporting the Corporation's Financial Activities

Statement of Net Position, Statement of Revenues, Expenses, and Change in Net Position and the Statement of Cash Flows

These documents look at all financial transactions and ask the question, "How did we do financially during 2021?" The Statement of Net Position and the Statement of Revenues, Expenses and Change in Net Position answer this question. These statements include *all assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the Corporation's *net position* and change in net position. This change in net position is important because it tells the reader that, for the Corporation as a whole, the *financial position* of the Corporation has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. These statements can be found on pages 25 and 26 of this report.

The statement of cash flows provides information about how the Corporation finances and meets the cash flow needs of its operations. The statement of cash flows can be found on page 27 of this report.

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. These notes to the basic financial statements can be found on pages 29-34 of this report.

FAIRBORN DEVELOPMENT CORPORATION
GREENE COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2021
(UNAUDITED)

The table below provides a summary of the Corporation's net position at December 31, 2021 and 2020.

	2021	2020
Net Position		
<u>Assets</u>		
Current assets	\$ 40,858	\$ 45,508
Noncurrent assets:		
Loan receivable	9,000	12,000
Real estate held for resale	721,121	721,121
Capital assets, net	1,108,661	1,523,882
Total assets	1,879,640	2,302,511
<u>Liabilities</u>		
Current liabilities	6,475	196,645
Noncurrent liabilities:		
Loan payable	207,454	-
Total liabilities	213,929	196,645
<u>Net Position</u>		
Net investment in capital assets	894,732	1,327,237
Unrestricted	770,979	778,629
Total net position	\$ 1,665,711	\$ 2,105,866

Over time, net position can serve as a useful indicator of a government's financial position. At December 31, 2021, the Corporation's net position totaled \$1,665,711.

Noncurrent assets decreased as the Corporation contributed \$437,404 of capital assets to a developer to promote economic development. See Note 10 for more detail on the contribution.

Liabilities increased as the Corporation obtained a new loan in 2021 to retire a previous loan and establish a cash reserve account. The new loan exceeded the old loan as the Corporation used loan proceeds to establish a separate twelve-month operating reserve account with an initial deposit of \$17,249.

The Corporation's net position – net investment in capital assets at December 31, 2021, was \$894,732. This amount decreased from the prior year due to the Corporation's capital assets that were contributed to a developer in 2021. The remaining balance of unrestricted net position of \$770,979 may be used to meet the Corporation's ongoing obligations.

FAIRBORN DEVELOPMENT CORPORATION
GREENE COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2021
(UNAUDITED)

The table below shows the change in net position for 2021 and 2020.

Change in Net Position

	<u>2021</u>	<u>2020</u>
<u>Operating revenues</u>		
Rental income	\$ 48,623	\$ 28,508
Special events	32,896	-
Refunds and reimbursements	195	-
Grants and contributions	157,541	-
Other	3,354	87
Total operating revenues	<u>242,609</u>	<u>28,595</u>
<u>Operating expenses</u>		
Professional and consulting fees	3,298	3,782
Legal fees	42	-
Insurance	2,338	1,980
Rental activities	60,031	34,165
Other real estate	7,287	3,184
Business growth initiative	123,700	6,263
Special events	17,962	376
Depreciation	20,667	27,443
Property taxes	7,074	14,030
Miscellaneous	2,280	528
Total operating expenses	<u>244,679</u>	<u>91,751</u>
Operating loss	<u>(2,070)</u>	<u>(63,156)</u>
<u>Nonoperating revenues (expenses)</u>		
Interest income	90	33
Interest and fiscal charges	(11,351)	(10,853)
Grants and contributions	-	45,000
Contribution to developer	(437,404)	-
Other nonoperating revenue	10,580	-
Contribution from FCS	-	839,407
Decrease in equity interest in FCS	-	(163,131)
Total nonoperating revenues (expenses)	<u>(438,085)</u>	<u>710,456</u>
Change in net position	(440,155)	647,300
Net position - beginning of year	<u>2,105,866</u>	<u>1,458,566</u>
Net position - end of year	<u>\$ 1,665,711</u>	<u>\$ 2,105,866</u>

Operating revenues increased during 2021 as the Corporation began to have special events that were previously cancelled due to the Covid-19 pandemic and rental income increased as the business environment improved.

Operating grants and contributions revenue increased primarily due to a \$127,000 contribution from the City of Fairborn to finance a 4 East Main Facade project. In addition to the façade contribution, the City of Fairborn contributed \$30,541 to help finance various expenses of the Corporation.

FAIRBORN DEVELOPMENT CORPORATION
GREENE COUNTY, OHIO
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2021
(UNAUDITED)

Operating expenses fluctuated primarily in the areas of business growth initiatives, special events, rental activities, and property tax expense. Business growth initiatives expense increased in 2021 as the Corporation expended \$123,700 of façade improvement monies contributed by the City of Fairborn for the 4 East Main Street Façade project. Special events expense increased as the Corporation began having special events that were previously canceled due to COVID-19. The Corporation relies upon the hosting of special events to support operations. During 2021, the Corporation had two events: Hairborn festival and the Bluegrass & Brew event (see Note 9). Rental activities expenses increased as the business environment improved in 2021. Property tax expense decreased as the Corporation received tax exempt status on various properties which were previously taxed.

Nonoperating expenses include a \$437,404 expense to remove capital assets which were contributed by the Corporation to a developer in 2021 to promote economic development.

During 2019, the Corporation contributed certain capital assets to Fairborn Community Space, LLC (“FCS”) for a 20% membership interest in FCS. The net contribution was reported as a nonoperating expense in 2019. In 2020, the Corporation terminated the agreement with FCS and entered into a Transfer Agreement whereby FCS contributed back the capital assets to the Corporation. The net contribution of assets acquired (at acquisition value) less obligations acquired as reported as a nonoperating revenue in 2020. In conjunction with the Transfer Agreement, the Corporation reported a decrease in its equity interest in FCS.

Capital Assets

At December 31, 2021, the Corporation had \$1,108,661 of capital assets net of accumulated depreciation.

	<u>2021</u>	<u>2020</u>
Land	\$ 361,733	\$ 496,103
Real Estate and Improvements	763,341	1,080,430
Equipment	23,770	6,500
Accumulated Depreciation	<u>(40,183)</u>	<u>(59,151)</u>
Total Net Capital Assets	<u>\$ 1,108,661</u>	<u>\$ 1,523,882</u>

See Note 6 to the basic financial statements for further detail on the Corporation’s capital assets.

Debt Obligations

At December 31, 2021, the Corporation had a \$213,929 loan payable obligation outstanding. Of this total, \$6,475 is due within one year and \$207,454 is due in more than one year. See Note 8 for more detail.

Current Financial Related Activities

The Corporation is the City of Fairborn’s agent for industrial and commercial distributions and research development. The purpose of the Corporation is to advance, encourage, and promote industrial, economic, commercial and civic development of the City of Fairborn.

Contacting the Corporation’s Financial Management

This financial report is designed to provide our clients and creditors with a general overview of the Corporation’s finances and to show the Corporation’s accountability for the money it receives. If you have questions about this report or need additional financial information contact Mr. Michael Gebhart, Executive Director, 44 West Hebble Avenue, Fairborn, Ohio, 45324.

FAIRBORN DEVELOPMENT CORPORATION
GREENE COUNTY, OHIO
STATEMENT OF NET POSITION
DECEMBER 31, 2021

ASSETS

Current assets:	
Cash and cash equivalents.....	\$ 36,936
Loan receivable (Note 7).....	3,000
Prepayments.....	922
	<hr/>
Total current assets.....	40,858
Noncurrent assets:	
Loan receivable (Note 7).....	9,000
Real estate held for resale (Note 5).....	721,121
Capital assets (Note 6):	
Land	361,733
Depreciable capital assets.....	787,111
(Accumulated Depreciation).....	(40,183)
	<hr/>
Total capital assets, net.....	1,108,661
Total noncurrent assets.....	1,838,782
	<hr/>
Total assets.....	1,879,640

LIABILITIES

Current liabilities:	
Loan payable (Note 8).....	6,475
<u>Non-current liabilities:</u>	
Loan payable (Note 8).....	207,454
	<hr/>
Total liabilities.....	213,929

NET POSITION

Net investment in capital assets.....	894,732
Unrestricted.....	770,979
	<hr/>
Total net position.....	\$ 1,665,711

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

FAIRBORN DEVELOPMENT CORPORATION
GREENE COUNTY, OHIO
STATEMENT OF REVENUES, EXPENSES AND
CHANGE IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2021

OPERATING REVENUES

Rental income.....	\$ 48,623
Special events (Note 9).....	32,896
Refunds and reimbursements.....	195
Grants and contributions	157,541
Other.....	3,354
	<hr/>
Total operating revenues.....	242,609

OPERATING EXPENSES

Professional and consulting fees.....	3,298
Legal fees.....	42
Insurance.....	2,338
Rental activities.....	60,031
Other real estate.....	7,287
Business growth initiative.....	123,700
Special events (Note 9).....	17,962
Depreciation.....	20,667
Property taxes.....	7,074
Miscellaneous.....	2,280
	<hr/>
Total operating expenses.....	244,679
Operating loss.....	<hr/> (2,070)

NONOPERATING REVENUES (EXPENSES)

Contribution to developer (Note 10).....	(437,404)
Interest income.....	90
Interest and fiscal charges.....	(11,351)
Other nonoperating revenue.....	10,580
	<hr/>
Total nonoperating revenues (expenses).....	(438,085)
Change in net position.....	(440,155)
Net position - beginning of year.....	<hr/> 2,105,866
Net position - end of year.....	<hr/> <u>\$ 1,665,711</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

FAIRBORN DEVELOPMENT CORPORATION
GREENE COUNTY, OHIO
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2021

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from rents.....	\$ 49,735
Cash received from refunds and reimbursements.....	195
Cash received from special events.....	32,896
Cash received from grants and contributions.....	157,541
Cash received from other operations.....	3,354
Cash payments for professional and consulting fees.....	(3,298)
Cash payments for legal fees.....	(42)
Cash payments for insurance.....	(1,420)
Cash payments for other real estate expenses.....	(7,287)
Cash payments for rental activities.....	(60,031)
Cash payments for business growth initiative.....	(123,700)
Cash payments for special events.....	(17,962)
Cash payments for property taxes.....	(7,074)
Cash payments for other operations.....	(2,280)
	20,627

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Loan principal payments received.....	3,000
	3,000

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Proceeds from issuance of loan	219,000
Principal paid on loans.....	(201,716)
Interest and fiscal charges paid on loans.....	(11,351)
Acquisition of capital assets.....	(17,270)
	(11,337)

CASH FLOWS FROM INVESTING ACTIVITIES

Interest received.....	90
	90
Net increase in cash and cash equivalents.....	12,380
Cash and cash equivalents at beginning of year.....	24,556
	24,556
Cash and cash equivalents at end of year.....	\$ 36,936
	36,936

RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES

Operating loss.....	\$ (2,070)
Adjustments:	
Depreciation.....	20,667
Changes in assets and liabilities:	
Decrease in accounts receivable.....	1,112
Decrease in prepayments.....	918
	918
Net cash provided by operating activities.....	\$ 20,627
	20,627

Schedule of noncash transactions:

In 2021, the Corporation reported a \$25,580 capital asset addition that was acquired through a noncash transaction.

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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FAIRBORN DEVELOPMENT CORPORATION
GREENE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 1 - DESCRIPTION OF THE 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

The basic financial statements of the Corporation have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to special-purpose governments. GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Corporation's significant accounting policies are described below.

A. Basis of Presentation

The Corporation's Basic Financial Statements consist of a Statement of Net Position, a Statement of Revenues, Expenses, and Change in Net Position.

The Corporation's activities 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.

The Corporation distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Corporation's principal ongoing operation. The principal operating revenues of the Corporation's enterprise fund are rental income and charges for special events. Operating expenses for the enterprise fund include the cost of rental activities, administrative expenses, business growth initiatives, depreciation on capital assets, and property tax payments. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

B. 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 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.

C. Federal Income Tax

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

D. 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 had five depository accounts at December 31, 2021. All depository accounts were maintained at one credit union.

FAIRBORN DEVELOPMENT CORPORATION
GREENE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

E. Custodial Credit Risk and Concentration of Credit Risk

The Corporation maintains its cash accounts at one credit union 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, 2021, none of the Corporation's bank balance of \$37,563 was exposed to custodial risk.

F. 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.

G. Capital Contributions

The Corporation did not receive any contributions of capital assets in 2021.

H. Receivables

The Corporation recognizes revenue for amounts due, but not received, as of year-end. The Corporation's only receivable at year-end was a loan receivable from a local business in the amount of \$12,000 (see Note 7).

I. Prepayments

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepayments in the Statement of Net Position. These items are reported as assets on the Statement of Net Position using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expense is reported in the year in which services are consumed.

J. Payables

The Corporation recognizes expenses when due, but unpaid as of year-end. The Corporation had no payables at year-end beside the loan obligation described in Note 8.

K. Capital Assets

All reported capital assets are depreciated, except land. Assets are capitalized if they have an estimated useful life of greater than two years and have an individual cost greater than \$2,500. All capital assets are carried at cost, except donated capital assets which are reported at their acquisition value. Depreciation of the real estate and equipment are provided using the straight-line method for financial reporting purposes at rates based on the following estimated useful life of 5-40 years.

<u>Asset</u>	<u>Useful Life</u>
Building	20 - 40 Years
Equipment	5 - 15 Years

FAIRBORN DEVELOPMENT CORPORATION
GREENE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

L. 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.

M. Net Position

Net position represents the difference between assets and liabilities. Net position is reported as restricted when there are limitations imposed on the use of resources either through the enabling legislation adopted by the Corporation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances for any borrowing used for the acquisition, construction or improvement of those assets.

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

NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLES

For 2021, the Corporation has implemented GASB Statement No. 89, "Accounting for Interest Cost Incurred before the End of a Construction Period."

GASB Statement No. 89 establishes accounting requirements for interest cost incurred before the end of a construction period. GASB Statement No. 89 requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. GASB Statement No. 89 also reiterates that financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The implementation of GASB Statement No. 89 did not have an effect on the financial statements of the Corporation.

For 2021, the Corporation has applied GASB Statement No. 95, "Postponement of the Effective Dates of Certain Authoritative Guidance" to GASB Statement Nos. 91, 92 and 93, which were originally due to be implemented in 2021 and to GASB Statement No. 87, which was originally due to be implemented in 2020. GASB Statement No. 95 provides temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. This objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

The following pronouncements are postponed by one year and the Corporation has elected delaying implementation until the fiscal year ended December 31, 2022:

- Statement No. 91, *Conduit Debt Obligations*
- Statement No. 92, *Omnibus 2020*
- Statement No. 93, *Replacement of Interbank Offered Rates*

The following pronouncements are postponed by eighteen months and the Corporation has elected delaying implementation until the fiscal year ended December 31, 2022:

- Statement No. 87, *Leases*
- Implementation Guide No. 2019-3, *Leases*

FAIRBORN DEVELOPMENT CORPORATION
GREENE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 4 - DEPOSITS

At December 31, 2021, the carrying amount of the Corporation's deposits was \$36,936 and the bank balance of the Corporation's deposits were \$37,563. The entire bank balance was covered by the National Credit Union Administration's Share Insurance Fund. There are no significant statutory restrictions regarding the deposits and investments of funds held by the not-for-profit corporation.

NOTE 5 - REAL ESTATE HELD FOR RESALE

The Corporation owns real estate held for resale with the intent to sell these properties. During 2021, no real estate held for resale was acquired or sold by the Corporation. The total amount of real estate held for resale as of year-end was \$721,121.

	Balance <u>12/31/2020</u>	Additions	Deletions	Balance <u>12/31/2021</u>
Real estate held for resale:				
509 Cedar Drive	\$ 45,178	\$ -	\$ -	\$ 45,178
15/15/16 S. Broad Street	203,193	-	-	203,193
Rockdell Property	<u>472,750</u>	-	-	<u>472,750</u>
	<u>\$ 721,121</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 721,121</u>

NOTE 6 - CAPITAL ASSETS

The Corporation's capital assets consist of the following at December 31, 2021:

	Balance <u>12/31/20</u>	Additions	Disposals	Balance <u>12/31/21</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 496,103	\$ 25,580	\$ (159,950)	\$ 361,733
<i>Capital assets being depreciated:</i>				
Real estate and improvements	1,080,430	-	(317,089)	763,341
Equipment	<u>6,500</u>	<u>17,270</u>	<u>-</u>	<u>23,770</u>
Total capital assets being depreciated	<u>1,086,930</u>	<u>17,270</u>	<u>(317,089)</u>	<u>787,111</u>
<i>Less: accumulated depreciation:</i>				
Real estate and improvements	(58,718)	(19,083)	39,635	(38,166)
Equipment	<u>(433)</u>	<u>(1,584)</u>	<u>-</u>	<u>(2,017)</u>
Total accumulated depreciation	<u>(59,151)</u>	<u>(20,667)</u>	<u>39,635</u>	<u>(40,183)</u>
Total capital assets being depreciated, net	<u>1,027,779</u>	<u>(3,397)</u>	<u>(277,454)</u>	<u>746,928</u>
Net capital assets	<u>\$ 1,523,882</u>	<u>\$ 22,183</u>	<u>\$ (437,404)</u>	<u>\$ 1,108,661</u>

During 2021, the Corporation contributed certain land and depreciable capital assets, net, to a developer as described in Note 10. The capital assets contributed are reported as disposals above.

FAIRBORN DEVELOPMENT CORPORATION
GREENE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 7 – LOAN RECEIVABLE

The Corporation had the following loan receivable activity in 2021:

	Balance 12/31/2020	Additions	Retirement	Balance 12/31/2021
Loan receivable	\$ 15,000	\$ -	\$ (3,000)	\$ 12,000

On November 30, 2020, the Corporation made a \$15,000 loan to a local company. The loan is interest free and calls for payments of \$250 per month for 60 months beginning January 1, 2021. During 2021, the Corporation received \$3,000 in principal payments on the loan. For 2022, the Corporation anticipates receiving the \$3,000 required principal payments for that year.

NOTE 8 – LOAN PAYABLE

The Corporation had the following loan payable activity in 2021:

	Balance 12/31/2020	Additions	Retirement	Balance 12/31/2021	Amounts Due in One Year
<u>Loans payable:</u>					
New Carlisle Bank	\$ 196,645	\$ -	\$ (196,645)	\$ -	\$ -
Wright-Patt Credit Union, Inc.	-	219,000	(5,071)	213,929	6,475
Total	\$ 196,645	\$ 219,000	\$ (201,716)	\$ 213,929	\$ 6,475

During 2020, the Corporation obtained the balance of a New Carlisle Bank construction loan obligation from Fairborn Community Space, LLC in conjunction with a Transfer Agreement. This loan was retired on February 12, 2021.

On March 1, 2021, the Corporation entered into a loan agreement with Wright-Patt Credit Union, Inc. to borrow \$219,000. Proceeds of this loan were used to retire the New Carlisle Bank loan and to establish a reserve account. The loan bears an interest rate of 5.5% and matures on March 1, 2024, with a required balloon payment. The Fairborn Community Space property is collateral for the loan.

Future Debt Service Requirements

The following is a schedule of the future debt service requirements for the loan payable at year-end.

Year Ending	Revenue Bonds		
	Principal	Interest	Total
2022	\$ 6,475	\$ 11,602	\$ 18,077
2023	6,841	11,237	18,078
2024 ⁽¹⁾	200,613	1,811	202,424
Total	\$ 213,929	\$ 24,650	\$ 238,579

⁽¹⁾ Includes balloon payment due March 1, 2024 in the amount of \$200,918 (\$200,044 principal and \$874 interest).

FAIRBORN DEVELOPMENT CORPORATION
GREENE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 9 - SPECIAL EVENTS REVENUE AND EXPENSES

The Corporation hosts special events to promote the Corporation and raise money to support operations. The Corporation had the following special events in 2021:

Event	Revenues	Expenses	Net Revenue
Hairborn Festival	\$ 32,006	\$ 17,863	\$ 14,143
Bluegrass & Brew	890	99	791
Total	\$ 32,896	\$ 17,962	\$ 14,934

NOTE 10 – CONTRIBUTION TO DEVELOPER

On July 15, 2021, the Corporation entered into a Development Agreement (the “Development Agreement”) with the Fairborn Phoenix Foundation (the “Developer”) for the transfer of real property commonly known as 34 South Broad Street in the City of Fairborn. The Developer commits to perform certain improvements to the property and manage the property. The Development Agreement was undertaken to provide benefits to the City of Fairborn including additional income tax revenue and property development. On August 3, 2021, the Corporation executed a Quit Claim Deed to transfer the property to the Developer.

The Corporation has reported the following nonoperating expense related to the transfer of real property:

Land transferred	\$ 159,950
Depreciable capital assets, net of accumulated depreciation, transferred	277,454
Contribution to developer	\$ 437,404

NOTE 11 - CONTINGENT LIABILITIES

Amounts paid by grantor agencies to the Corporation are subject to audit and adjustment by the grantor. Grantors may require the refunding of any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

NOTE 12 - 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.

OHIO AUDITOR OF STATE KEITH FABER



88 East Broad Street
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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

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

To the Board of Directors:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the Fairborn Development Corporation, Greene County, (the Corporation) as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements, and have issued our report thereon dated November 13, 2023, wherein we noted the Corporation adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. We issued a qualified opinion on special events revenue due to the lack of sufficient appropriate audit evidence to determine completeness of the receipts.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Corporation's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Corporation's financial statements will not be prevented, or detected and corrected, on a timely basis. 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 deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control, described in the accompanying schedule of findings as item 2022-001 that we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Corporation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Corporation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio

November 13, 2023

**FAIRBORN DEVELOPMENT CORPORATION
GREENE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2022 AND 2021**

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

FINDING NUMBER 2022-001

Material Weakness – Special Events Revenue

Cash is the asset most susceptible to theft and misappropriation. Management is responsible for the design and implementation of any internal control process that provides reasonable assurance of the integrity of its financial reporting, the safeguarding of assets, the efficiency and effectiveness of its operations, and its compliance with applicable laws, regulations and contracts.

The Corporation hosted special events during 2022 and 2021 generating revenues totaling \$95,639 and \$32,896, respectively, to raise money to support operations. The Corporation relied on volunteers to collect payment, including cash, for wristband sales for admission to the special events. While the receipts were traced to deposit slips and the Corporation's bank statements, completeness and accuracy of receipts could not be determined due to insufficient supporting documentation as there was no record of the number of wristbands sold for each event. Furthermore, there was no evidence of the rates the Board approved to charge for wristbands for the special events. Due to the lack of documentation, it could not be determined if all special events revenue was collected and accounted for on the Corporation's financial statements which has resulted in a qualified audit opinion regarding the Corporation's receipts.

Failure to maintain adequate supporting documentation and complete reconciliations of collected monies to the number of wristbands sold can result in errors and irregularities and increases the risk of theft or loss of funds without detection by management.

The Corporation should develop and implement procedures to verify the accuracy and completeness of special events revenue. The Corporation should issue and track wristbands for all entrants of special events and should perform and maintain reconciliations for all special events to verify the total collections are accurate based on the documented number of wristbands sold. Discrepancies should be reviewed and investigated by management. The Board should also formally approve special events admission rates.

Officials' Response:

We did not receive a response from Officials to this finding.

OHIO AUDITOR OF STATE KEITH FABER



FAIRBORN DEVELOPMENT CORPORATION

GREENE COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

This is a true and correct copy of the report, which is required to be filed pursuant to Section 117.26, Revised Code, and which is filed in the Office of the Ohio Auditor of State in Columbus, Ohio.



Certified for Release 11/30/2023

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This report is a matter of public record and is available online at
www.ohioauditor.gov