FAIRBORN DEVELOPMENT CORPORATION
GREENE COUNTY

REGULAR AUDIT

FOR THE FISCAL YEARS ENDED DECEMBER 31, 2014, AND 2013

FAIRBORN DEVELOPMENT CORPORATION
GREENE COUNTY

TABLE OF CONTENTS

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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 Fairborn Development Corporation, Greene County, Ohio (the Corporation), as of and for the years ended December 31, 2014 and 2013, 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 the 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Fairborn Development Corporation, Greene County as of December 31, 2014 and 2013, and the changes in its financial position and its cash flows for the years then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 21, 2015, 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
Auditor of State
Columbus, Ohio

October 21, 2015

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, 2014 and December 31, 2013 were $424,611 and $292,594.

The Corporation had cell tower lease revenue of $3,475 for 2014 and $3,475 for 2013.

The Corporation had total assets of $424,611 for 2014 and $292,594 for 2013, 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 Activities 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.

	2014	2013	2012
Assets:			
Cash and Cash Equivalents	$390,327	$115,883	$95,079
Loan Receivable	24,694	25,558	26,396
Real Estate Held for Resale	9,590	151,153	0
Total Assets	424,611	292,594	121,475
Liabilities:			
Accounts Payable	0	0	0
Total Liabilities	0	0	0
Net Position:			
Unrestricted	424,611	292,594	121,475
Total Net Position	$424,611	$292,594	$121,475

Total Net Position increased mainly due to an increase in cash and cash equivalents, which was mainly due to an increase in operating grants and contributions received in 2014 as compared to 2013.

Changes in Revenues, Expenses, and Net Position

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

	2014	2013	2012
Operating Revenues:			
Cell Tower Lease	$3,475	$3,475	$4,586
Rent	0	2,050	0
Operating Grants and Contributions	231,731	175,575	10,000
Total Operating Revenues	235,206	181,100	14,586
Operating Expenses:			
Professional and Consulting Fees	37,954	5,575	0
Filings Fees	100	25	75
Insurance	0	873	873
Website Design	0	4,300	4,300
Other Real Estate Expenses	73,633	0	0
Marketing	15,400	0	0
Total Operating Expenses	127,087	10,773	5,248
Non-Operating Revenues:			
Interest Income	22	11	8
Interest Income on Fairborn Performing Arts Loan	755	781	737
Non-Operating Grants	8,550	0	0
Gain (Loss) on Sale of Property	14,571	0	0
Total Non-Operating Revenues	23,898	792	745
Changes in Net Position	132,017	171,119	10,083
Net Position - Beginning of Year	292,594	121,475	111,392
Net Position - End of Year	$424,611	$292,594	$121,475

During 2014, the Corporation received a donation from the City of Fairborn for the amount of $200,000 for the purchase of additional real estate and received $31,731 from the Business Growth Initiative, which mainly accounts for the increase in Net Position.

Capital Assets

The Corporation had no capital assets at December 31, 2014 and December 31, 2013.

Debt

The Corporation had no debt at December 31, 2014 and December 31, 2013.

Contact Information

Questions regarding this report and requests for additional information should be forwarded to Chris Wimsatt 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, 2014 and December 31, 2013

	2014	2013
Assets:		
Cash and Cash Equivalents	$390,327	$115,883
Receivables:		
Loan	24,694	25,558
Real Estate Held for Resale	9,590	151,153
Total Assets	424,611	292,594
Liabilities:		
Accounts Payable	0	0
Total Liabilities	0	0
Net Position:		
Unrestricted	424,611	292,594
Total Net Position	$424,611	$292,594

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, 2014 and December 31, 2013

	2014	2013
Operating Revenues:		
Cell Tower Lease	$3,475	$3,475
Rent	0	2,050
Operating Grants and Contributions	231,731	175,575
Total Operating Revenues	235,206	181,100
Operating Expenses:		
Professional and Consulting Fees	37,954	5,575
Filing Fees	100	25
Insurance	0	873
Website Design	0	4,300
Other Real Estate Expenses	73,633	0
Marketing	15,400	0
Total Operating Expenses	127,087	10,773
Operating Income (Loss)	108,119	170,327
Non-Operating Revenues:		
Interest Income	22	11
Interest Income on Fairborn Performing Arts Loan	755	781
Gain (Loss) on Sale of Property	14,571	0
Non-Operating Grants	8,550	0
Total Non-Operating Revenues (Expenses)	23,898	792
Change in Net Position	132,017	171,119
Net Position - Beginning of Year	292,594	121,475
Net Position - End of Year	$424,611	$292,594

See accompanying notes to the financial statements.

Fairborn Development Corporation
Statement of Cash Flows
For the Fiscal Year Ended December 31, 2014 and December 31, 2013

	2014	2013
Cash Flows from Operating Activities:		
Cash Received from Cell Tower Lease	$3,475	$3,475
Cash Received from Rent	0	2,050
Cash Received from Operating Grants and Contributions	231,731	175,575
Cash Payments for Suppliers for Goods and Services	(53,454)	(10,773)
Cash Payments for Other Operating Activities	(73,633)	0
Net Cash Provided (Used) by Operating Activities	108,119	170,327
Cash Flows from Noncapital Financing Activities:		
Cash Received from Grants	8,550	0
Net Cash Provided (Used) by Noncapital Financing Activities	8,550	0
Cash Flows from Capital and Related Financing Activities:		
Interest Income	22	11
Interest income from Performing Arts Loan	755	781
Principal income from Performing Arts Loan	864	838
Sale of Property	165,724	0
Purchase of Property	(9,590)	(151,153)
Net Cash Provided (Used) by Capital and Related Financing Activities	157,775	(149,523)
Net Increase (Decrease) in Cash and Cash Equivalents	274,444	20,804
Cash and Cash Equivalents - Beginning of Year	115,883	95,079
Cash and Cash Equivalents - End of Year	390,327	115,883

See accompanying notes to the basic financial statements.

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Note 1 – Nature of Organization and Reporting Entity

The Fairborn Development Corporation (the "Corporation"), formally Community Improvement Corporation of Fairborn, 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, 2014 and 2013.

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, 2014, $162,450 of the Corporation's bank balance of $412,450 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.

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.

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, are due starting May 2005 until May 2015. At the conclusion of the loan, a balloon payment of $24,326 will be required. Interest income from this loan (interest income on Fairborn Performing Arts Loan) is recorded separately from investment income.

Note 6 – Real Estate Held for Resale

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

	12/31/2013	Additions	Deletions	12/31/2014
500 West Dayton Drive	$151,153	$0	($151,153)	$0
124 N. Broad Street	0	9,590	0	9,590
Total Real Estate Held for Resale	$151,153	$9,590	($151,153)	$9,590

In 2013, the Corporation purchased real estate at 500 West Dayton Drive for $151,153. The property was purchased with the intent to resale it in the future and it was consequently sold during 2014. The Corporation also purchased real estate at 124 N. Broad Street and intends to sell this property in the future as well.

Note 7 – Subsequent Events

During early 2015, the Fairborn Performing Arts and Cultural Association informed the Corporation that it will be unable to pay the outstanding loan balance of $24,326 in a balloon payment. Moreover, the association informed the Corporation that it will start the process of dissolving the organization. Due to the loan default, a transfer of ownership of the Theater property from the Fairborn Performing Arts and Cultural Association to the Fairborn Development Corporation will be initiated. As the property value of the Theater is significantly greater than the outstanding loan balance, no loss is expected.

Additionally, the Corporation invested in the following projects during 2015:

1) Purchase of Dizzy Jim's Bar property for $79,419.
2) Took control of Command Motel property for $81,259.

3) Entered into an Industrial Park Memorandum of Understanding. The Corporation will invest $125,000 in the project.

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 Fairborn Development Corporation, Greene County, (the Corporation) as of and for the years ended December 31, 2014, and 2013, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements and have issued our report thereon dated October 21, 2015.

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 opinion 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

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 a 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. We consider findings 2014-001 and 2014-002 described in the accompanying schedule of findings 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 Response 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

October 21, 2015

SCHEDULE OF FINDINGS
DECEMBER 31, 2014 AND 2013

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

FINDING NUMBER 2014-001

MATERIAL WEAKNESS

The Fairborn Development Corporation presented its annual financial statements in accordance with Government Accounting Standards Board as applicable to a special purpose government. The Corporation's 2014 and 2013 annual financial reports contained the following errors which resulted in reclassifications and adjustments to correctly report the Corporation's financial activity:

Statement of Net Position:

1. In 2014, the Corporation failed to record the last check (number 1041) that was issued on December 29, 2014, in the amount of $22,124, on its Financial Statement report causing the cash balance to be overstated by $22,124.

Statement of Revenues, Expenses and Changes in Net Position:

1. In 2014, the Corporation failed to record the last check (number 1041) that was issued on December 29, 2014, in the amount of $22,124, on their Financial Statement report causing the Other Real Estate Expense to be understated by $22,124.
2. In 2014, the Corporation misclassified a non-operating grant revenue receipt in the amount of $8,550 as other operating income.
3. In 2013, the Corporation misclassified a donation receipt of $5,575 as a cell tower lease receipt and a cell tower lease receipt in the amount of $3,475 as a donation receipt. This resulted in the cell tower lease revenue being overstated by $2,100 and donations revenues being understated by the same amount.

Statement of Cash Flows

1. The 2014 and 2013 Statements of Cash Flows presented were not in accordance with Governmental Accounting Standards Board (GASB) Statement No. 9 as amended by GASB Statement No. 34.

Additionally, the following error was determined to be immaterial to the 2013 financial statements and did not require an audit adjustment. This error has been reported to management in the summary of unadjusted differences.

1. At December 31, 2013, the outstanding loan receivable balance did not agree to the amortization schedule. The loans receivable balance was overstated by $71, opening equity was overstated by $68 and interest income on Fairborn performing arts loan was overstated by $3.

Policies and procedures should be established and implemented to verify the accuracy of amounts reported in the financial statements in accordance with applicable accounting standards. Failure to do so could result in the users of the financial statements basing their conclusions on materially misstated financial data.

Finding Number	2014-002

MATERIAL WEAKNESS

During 2014 and 2013, the Fairborn Development 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 US Bank to the financial Statement report balance. No formal documentation of these reviews was provided.

Lack of a formal reconciliation process resulted in the Corporation missing a reconciling item in the amount of $22,124 for the last check written in 2014 that did not clear the bank until early January 2015.

In order to verify that sufficient controls over cash are in place, the Fairborn Development Corporation should prepare monthly bank-to-book reconciliations and investigate any discrepancies that may occur. Not having a formal monthly reconciliation process in place increases the risk of unauthorized transactions remaining unnoticed and could lead to material financial statement misstatements errors.

Official's Response:

We have reviewed these findings and have modified our procedures in order to ensure future compliance with their recommendations.

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
DECEMBER 3, 2015