FAIRBORN DEVELOPMENT CORPORATION
GREENE COUNTY

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

OHIO AUDITOR OF STATE
KEITH FABER

FAIRBORN DEVELOPMENT CORPORATION
GREENE COUNTY
DECEMBER 31, 2018, 2017 AND 2016

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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 Governing Board:

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the aggregate remaining fund information of the Fairborn Development Corporation, Greene County, Ohio (the Corporation), as of and for the years ended December 31, 2018, 2017 and 2016 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 such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate remaining fund information of the Fairborn Development Corporation, Greene County, Ohio, as of December 31, 2018, 2017 and 2016, and the respective changes in its financial position and, where applicable its cash flows thereof for the years then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 27, 2020, 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.

Keith Faber

Keith Faber
Auditor of State
Columbus, Ohio

January 27, 2020

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, 2018 and December 31, 2017 was $2,555,157 and $1,348,697.

The Corporation had total assets of $2,717,698 for 2018 and $1,348,697 for 2017, and $162,541 in liabilities during 2018.

The Corporation had investment in capital assets of $1,865,774 for 2018 and $990,041 for 2017.

Overview of Basic Financial Statements

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

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

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

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

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

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Net Position

Table 1 summarizes the Net Position of the Corporation

	2018	2017	2016
Assets:			
Cash and Cash Equivalents	$106,653	$86,135	$397,984
Capital Assets, Net	1,865,774	990,041	353,658
Real Estate Held for Resale	745,271	272,521	373,462
Total Assets	2,717,698	1,348,697	1,125,104
Liabilities:			
Property Taxes Payable	162,541	0	0
Total Liabilities	162,541	0	0
Net Position:			
Investment in Capital Assets	1,865,774	990,041	353,658
Unrestricted	689,383	358,656	771,446
Total Net Position	$2,555,157	$1,348,697	$1,125,104

Total Net Position increased mainly due to an increase in capital assets and real estate held for resale in 2018 as compared to 2017.

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Changes in Revenues, Expenses, and Net Position

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

	2018	2017	2016
Operating Revenues:			
Rent	$18,180	$4,383	$1,738
Operating Grants and Contributions	100,000	125,007	449,376
Refund of Earnest Deposit	0	5,000	4,000
Other Revenues	1,780	1,521	0
Total Operating Revenues	119,960	135,911	455,114
Operating Expenses:			
Professional and Consulting Fees	14,650	53,622	23,885
Insurance	6,016	2,129	3,945
Other Real Estate Expenses	52,089	66,584	93,416
Marketing	1,926	12,000	5,500
Materials and Supplies	0	0	56
Business Growth Initiative	2,258	1,100	22,457
Legal Fees	1,131	0	2,195
Sponsorship Expense	0	1,000	0
Depreciation Expenses	59,412	25,599	18,614
Miscellaneous Expenses	3,625	10,702	0
Property Tax Expenses	162,541		
Total Operating Expenses	303,648	172,736	170,068
Operating Income (Loss)	(183,688)	(36,825)	285,046
Non-Operating Revenues (Expenses):			
Interest Income	6	16	31
Interest Income on Fairborn Performing Arts Loan	0	0	184
Gain (Loss) on Sale of Property	0	(86,786)	0
Total Non-Operating Revenues	6	(86,770)	215
Income (Loss) Before Contributions	(183,682)	(123,595)	285,261
Capital Contributions	1,390,142	347,188	145,251
Changes in Net Position	1,206,460	223,593	430,512
Net Position - Beginning of Year	1,348,697	1,125,104	694,592
Net Position - End of Year	$2,555,157	$1,348,697	$1,125,104

During 2018, the increase in net position is mainly due to an increase in capital contribution during the fiscal year.

Capital Assets

The Corporation had $1,865,774 in capital assets at December 31, 2018.

	2018	2017	2016
Land	$159,950	$159,950	$159,950
Real Estate and Improvements	1,800,637	865,492	212,322
Equipment	8,812	8,812	0
Accumulated Depreciation	(103,625)	(44,213)	(18,614)
Total Net Capital Assets	$1,865,774	$990,041	$353,658

The increase in capital assets is due to the Corporation receiving contributes assets from the City in 2018. See Note 4 to the notes to the basic financial statements for further details on the capital assets.

Debt

The Corporation had no debt at December 31, 2018, December 31, 2017 and December 31, 2016.

Contact Information

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

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Fairborn Development Corporation
Statement of Net Position
December 31, 2018 and December 31, 2017

	2018	2017
Assets:		
Cash and Cash Equivalents	$106,653	$86,135
Nondepreciable Capital Assets	159,950	159,950
Depreciable Capital Assets, Net	1,705,824	830,091
Real Estate Held for Resale	745,271	272,521
Total Assets	2,717,698	1,348,697
Liabilities:		
Property Taxes Payable	162,541	0
Total Liabilities	162,541	0
Net Position:		
Investment in Capital Assets	1,865,774	990,041
Unrestricted	689,383	358,656
Total Net Position	$2,555,157	$1,348,697

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, 2018 and December 31, 2017

	2018	2017
Operating Revenues:		
Rent	$18,180	$4,383
Operating Grants and Contributions	100,000	125,007
Refund of Earnest Deposit	0	5,000
Other Revenues	1,780	1,521
Total Operating Revenues	119,960	135,911
Operating Expenses:		
Professional and Consulting Fees	14,650	53,622
Legal Fees	1,131	0
Insurance	6,016	2,129
Other Real Estate Expenses	52,089	66,584
Marketing	1,926	12,000
Business Growth Initiative	2,258	1,100
Sponsorship Expense	0	1,000
Depreciation Expense	59,412	25,599
Miscellaneous Expenses	3,625	10,702
Property Tax Expense	162,541	
Total Operating Expenses	303,648	172,736
Operating Income (Loss)	(183,688)	(36,825)
Non-Operating Revenues (Expenses):		
Interest Income	6	16
Loss on Sale of Real Estate Held for Resale	0	(86,786)
Total Non-Operating Revenues (Expenses)	6	(86,770)
Income (Loss) Before Contributions and Transfers	(183,682)	(123,595)
Capital Contributions	1,390,142	347,188
Change in Net Position	1,206,460	223,593
Net Position - Beginning of Year	1,348,697	1,125,104
Net Position - End of Year	$2,555,157	$1,348,697

See accompanying notes to the financial statements.

Fairborn Development Corporation

Statement of Cash Flows

For the Fiscal Year Ended December 31, 2018 and December 31, 2017

	2018	2017
Cash Flows from Operating Activities:		
Cash Received from Rent	$18,180	$4,383
Cash Received from Operating Grants and Contributions	100,000	125,007
Cash Received from Refund of Earnest Deposit	0	5,000
Other Operating Cash Receipts	1,780	1,521
Cash Payments for Suppliers for Goods and Services	(17,707)	(65,622)
Cash Payments for Insurance	(6,016)	(2,129)
Cash Payments for Business Growth Initiative	(2,258)	(1,100)
Cash Payments for Sponsorship	0	(1,000)
Cash Payments for Other Operating Activities	(55,714)	(77,286)
Net Cash Provided (Used) by Operating Activities	38,265	(11,226)
Cash Flows from Capital and Related Financing Activities:		
Interest Income	6	16
Sale of Property	0	38,305
Payments for Capital Acquisitions	(17,753)	(338,944)
Net Cash Provided (Used) by Capital and Related Financing Activities	(17,747)	(300,623)
Net Increase (Decrease) in Cash and Cash Equivalents	20,518	(311,849)
Cash and Cash Equivalents - Beginning of Year	86,135	397,984
Cash and Cash Equivalents - End of Year	$106,653	$86,135
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities		
Operating Income (Loss)	(183,688)	(36,825)
Adjustments:		
Depreciation	59,412	25,599
Change in Property Taxes Payable	162,541	
Net Cash Provided (Used) by Operating Activities	$38,265	($11,226)
Schedule of Noncash Capital Activities:		
During the fiscal year, these amounts were received representing noncash contributions of:		
Capital Assets	917,392	323,038
Real Estate Held for Resale	472,750	24,150
Total	$1,390,142	$347,188

See accompanying notes to the basic financial statements.

Fairborn Development Corporation
Statement of Fiduciary Assets and Liabilities
December 31, 2018 and December 31, 2017

	2018	2017
Assets:		
Cash and Cash Equivalents	$12,262	$24,870
Total Assets	12,262	24,870
Liabilities:		
Due to Others	12,262	24,870
Total Liabilities	$12,262	$24,870

See accompanying notes to the financial statements.

Note 1 – Nature of Organization and Reporting Entity

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

Note 2 – Summary of Significant Accounting Policies

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

Basis of Presentation

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

Proprietary Fund

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

Fiduciary Fund

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

Measurement Focus and Basis of Accounting

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

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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, 2018 and 2017.

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, 2018 and 2017, none of the Corporation's bank balances of $121,102 and 113,886 respectively were exposed to custodial risk.

Real Estate Held for Resale

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

Recognition of Donations

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

Capital Assets

All reported capital assets are depreciated, except land. All capital assets are carried at cost, except donated capital assets which are carried at the fair market value. Depreciation of the real estate 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.

Asset	Useful Life
Building	20 - 40 Years
Equipment	5 - 15 Year

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Estimates

Management uses estimates and assumptions in preparing the financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses. Actual results could differ from those estimates.

Net Position

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

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

Operating Revenues and Expenses

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

Note 3 – Risk Management

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

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

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Note 4 – Capital Assets

The Corporation's capital assets consist of the following at December 31, 2017:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital Assets, not being depreciated:				
Land	$159,950	$0	$0	$159,950
Capital Assets, being depreciated:				
Real Estate and Improvements	212,322	653,170	0	865,492
Equipment	0	8,812	0	8,812
Total capital Assets, being depreciated:	212,322	661,982	0	874,304
Less Accumulated Depreciation:				
Real Estate and Improvements	18,614	24,630	0	43,244
Equipment	0	969	0	969
	18,614	25,599	0	44,213
Capital Assets, Net	$353,658	$636,383	$0	$990,041

The Corporation's capital assets consist of the following at December 31, 2018:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital Assets, not being depreciated:				
Land	$159,950	$0	$0	$159,950
Capital Assets, being depreciated:				
Real Estate and Improvements	865,492	935,145	0	1,800,637
Equipment	8,812	0	0	8,812
Total capital Assets, being depreciated:	874,304	935,145	0	1,809,449
Less Accumulated Depreciation:				
Real Estate and Improvements	43,244	58,443	0	101,687
Equipment	969	969	0	1,938
	44,213	59,412	0	103,625
Capital Assets, Net	$990,041	$875,733	$0	$1,865,774

The Corporation has properties and equipment that are considered capital assets as of year-end.

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Note 5 – Real Estate Held for Resale

The Corporation owns real estate held for resale with the intent to sell these properties in the near future. The total amount of real estate held for resale as of year-end was $745,271 during 2018 and $272,521 during 2017.

The Corporation's Real Estate Held for Resale activity for 2017 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Real Estate Held for Resale	$373,462	$24,150	$125,091	$272,521

The Corporation's Real Estate Held for Resale activity for 2018 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Real Estate Held for Resale	$272,521	$472,750	$0	$745,271

Note 6 – Subsequent Events

In January 2019, the Corporation entered into a partnership agreement with Patrick Williams for operating agreement of Fairborn Community Space, LLC. The partnership will provide shared office space for small businesses and socially-minded entrepreneurs, and meeting space for community members. The Corporation transferred real estate appraised at $930,000 for 20% interest in the partnership.

Note 7 – Contingencies

The Corporation is party to legal proceedings. The Corporation is of the opinion that the ultimate disposition of claims will not have a material effect, if any, on the financial condition of the Corporation.

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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, 2017 and December 31, 2016 was $1,348,697 and $1,125,104.

The Corporation had total assets of $1,348,697 for 2017 and $1,125,104 for 2016, and no liabilities during either year.

The Corporation had investment in capital assets of $990,041 for 2017 and $353,658 for 2016.

Overview of Basic Financial Statements

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

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

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

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Net Position

Table 1 summarizes the Net Position of the Corporation

	2017	2016	2015
Assets:			
Cash and Cash Equivalents	$86,135	$397,984	$500,521
Loan Receivable	0	0	23,802
Capital Assets, Net	990,041	353,658	0
Real Estate Held for Resale	272,521	373,462	170,269
Total Assets	1,348,697	1,125,104	694,592
Net Position:			
Investment in Capital Assets	990,041	353,658	0
Unrestricted	358,656	771,446	694,592
Total Net Position	$1,348,697	$1,125,104	$694,592

Total Net Position increased mainly due to an increase in capital assets in 2017 as compared to 2016.

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Changes in Revenues, Expenses, and Net Position

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

	2017	2016	2015
Operating Revenues:			
Cell Tower Lease	$0	$0	$2,607
Rent	4,383	1,738	3,475
Operating Grants and Contributions	125,007	449,376	245,000
Refund of Earnest Deposit	5,000	4,000	3,000
Other Revenues	1,521	0	0
Total Operating Revenues	135,911	455,114	254,082
Operating Expenses:			
Professional and Consulting Fees	53,622	23,885	8,775
Filing Fees	0	0	329
Insurance	2,129	3,945	952
Other Real Estate Expenses	66,584	93,416	23,716
Marketing	12,000	5,500	1,000
Materials and Supplies	0	56	106
Business Growth Initiative	1,100	22,457	0
Legal Fees	0	2,195	0
Sponsorship Expense	1,000	0	0
Depreciation Expenses	25,599	18,614	0
Miscellaneous Expenses	10,702	0	0
Total Operating Expenses	172,736	170,068	34,878
Operating Income (Loss)	(36,825)	285,046	219,204
Non-Operating Revenues (Expenses):			
Interest Income	16	31	50
Interest Income on Fairborn Performing Arts Loan	0	184	727
Gain (Loss) on Sale of Property	(86,786)	0	0
Non-Operating Grants	0	0	50,000
Total Non-Operating Revenues	(86,770)	215	50,777
Income (Loss) Before Contributions	(123,595)	285,261	269,981
Capital Contributions	347,188	145,251	0
Changes in Net Position	223,593	430,512	269,981
Net Position - Beginning of Year	1,125,104	694,592	424,611
Net Position - End of Year	$1,348,697	$1,125,104	$694,592

During 2017, the increase in net position is mainly due to donated capital assets (capital contributions) during the fiscal year.

Capital Assets

The Corporation had $990,041 in capital assets at December 31, 2017.

	2017	2016	2015
Land	$159,950	$159,950	$0
Real Estate and Improvements	865,492	212,322	0
Equipment	8,812	0	0
Accumulated Depreciation	(44,213)	(18,614)	0
Total Net Capital Assets	$990,041	$353,658	$0

The increase in capital assets is due to the purchasing and donations of properties and equipment being greater than depreciation expense for the year. See Note 4 to the notes to the basic financial statements for further details on the capital assets.

Debt

The Corporation had no debt at December 31, 2017, December 31, 2016 and December 31, 2015.

Contact Information

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

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Fairborn Development Corporation
Statement of Net Position
December 31, 2017 and December 31, 2016

	2017	2016
Assets:		
Cash and Cash Equivalents	$86,135	$397,984
Nondepreciable Capital Assets	159,950	159,950
Depreciable Capital Assets, Net	830,091	193,708
Real Estate Held for Resale	272,521	373,462
Total Assets	1,348,697	1,125,104
Net Position:		
Investment in Capital Assets	990,041	353,658
Unrestricted	358,656	771,446
Total Net Position	$1,348,697	$1,125,104

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, 2017 and December 31, 2016

	2017	2016
Operating Revenues:		
Rent	$4,383	$1,738
Operating Grants and Contributions	125,007	449,376
Refund of Earnest Deposit	5,000	4,000
Other Revenues	1,521	0
Total Operating Revenues	135,911	455,114
Operating Expenses:		
Professional and Consulting Fees	53,622	23,885
Legal Fees	0	2,195
Insurance	2,129	3,945
Other Real Estate Expenses	66,584	93,416
Marketing	12,000	5,500
Materials and Supplies	0	56
Business Growth Initiative	1,100	22,457
Sponsorship Expense	1,000	0
Depreciation Expense	25,599	18,614
Miscellaneous Expenses	10,702	0
Total Operating Expenses	172,736	170,068
Operating Income (Loss)	(36,825)	285,046
Non-Operating Revenues (Expenses):		
Interest Income	16	31
Interest Income on Fairborn Performing Arts Loan	0	184
Loss on Sale of Real Estate Held for Resale	(86,786)	0
Total Non-Operating Revenues (Expenses)	(86,770)	215
Income (Loss) Before Contributions and Transfers	(123,595)	285,261
Capital Contributions	347,188	145,251
Change in Net Position	223,593	430,512
Net Position - Beginning of Year	1,125,104	694,592
Net Position - End of Year	$1,348,697	$1,125,104

See accompanying notes to the financial statements.

Fairborn Development Corporation
Statement of Cash Flows
For the Fiscal Year Ended December 31, 2017 and December 31, 2016

	2017	2016
Cash Flows from Operating Activities:		
Cash Received from Rent	$4,383	$1,738
Cash Received from Operating Grants and Contributions	125,007	449,376
Cash Received from Refund of Earnest Deposit	5,000	4,000
Other Operating Cash Receipts	1,521	0
Cash Payments for Suppliers for Goods and Services	(65,622)	(29,441)
Cash Payments for Insurance	(2,129)	(3,945)
Cash Payments for Business Growth Initiative	(1,100)	(22,457)
Cash Payments for Legal Fees	0	(2,195)
Cash Payments for Sponsorship	(1,000)	0
Cash Payments for Other Operating Activities	(77,286)	(93,416)
Net Cash Provided (Used) by Operating Activities	(11,226)	303,660
Cash Flows from Capital and Related Financing Activities:		
Interest Income	16	31
Interest income from Performing Arts Loan	0	184
Sale of Property	38,305	0
Purchase of Property	0	(203,193)
Payments for Capital Acquisitions	(338,944)	(212,322)
Principal income from Performing Arts Loan	0	9,103
Net Cash Provided (Used) by Capital and Related Financing Activities	(300,623)	(406,197)
Net Increase (Decrease) in Cash and Cash Equivalents	(311,849)	(102,537)
Cash and Cash Equivalents - Beginning of Year	397,984	500,521
Cash and Cash Equivalents - End of Year	$86,135	$397,984
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities		
Operating Income (Loss)	(36,825)	285,046
Adjustments:		
Depreciation	25,599	18,614
Net Cash Provided (Used) by Operating Activities	($11,226)	$303,660
Schedule of Noncash Capital Activities:		
During the fiscal year, these amounts were received representing noncash contributions of:		
Capital Assets	323,038	145,251
Real Estate Held for Resale	24,150	0
Total	$347,188	$145,251

See accompanying notes to the basic financial statements.

Fairborn Development Corporation
Statement of Fiduciary Assets and Liabilities
December 31, 2017 and December 31, 2016

	2017	2016
Assets:		
Cash and Cash Equivalents	$24,870	$4,563
Total Assets	24,870	4,563
Liabilities:		
Due to Others	24,870	4,563
Total Liabilities	$24,870	$4,563

See accompanying notes to the financial statements.

Note 1 – Nature of Organization and Reporting Entity

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

Note 2 – Summary of Significant Accounting Policies

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

Basis of Presentation

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

Proprietary Fund

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

Fiduciary Fund

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

Measurement Focus and Basis of Accounting

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

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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, 2017 and 2016.

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, 2017 none of the Corporation's bank balance of $113,886 was exposed to custodial risk. As of December 31, 2016, $152,547 of the Corporation's bank balance of $402,547 was exposed to custodial risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Corporation's name.

Real Estate Held for Resale

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

Recognition of Donations

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

Capital Assets

All reported capital assets are depreciated, except land. All capital assets are carried at cost, except donated capital assets which are carried at the fair market value. Depreciation of the real estate 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.

Asset	Useful Life
Building	20 - 40 Years
Equipment	5 - 15 Year

Estimates

Management uses estimates and assumptions in preparing the financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses. Actual results could differ from those estimates.

Net Position

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

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

Operating Revenues and Expenses

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

Note 3 – Risk Management

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

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

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Note 4 – Capital Assets

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

	Beginning Balance	Additions	Deletions	Ending Balance
Capital Assets, not being depreciated:				
Land	$0	$159,950	$0	$159,950
Capital Assets, being depreciated:				
Real Estate and Improvements	0	212,322	0	212,322
Total capital Assets, being depreciated:	0	212,322	0	212,322
Less Accumulated Depreciation:				
Real Estate and Improvements	0	18,614	0	18,614
	0	18,614	0	18,614
Capital Assets, Net	$0	$353,658	$0	$353,658

The Corporation's capital assets consist of the following at December 31, 2017:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital Assets, not being depreciated:				
Land	$159,950	$0	$0	$159,950
Capital Assets, being depreciated:				
Real Estate and Improvements	212,322	653,170	0	865,492
Equipment	0	8,812	0	8,812
Total capital Assets, being depreciated:	212,322	661,982	0	874,304
Less Accumulated Depreciation:				
Real Estate and Improvements	18,614	24,630	0	43,244
Equipment	0	969	0	969
	18,614	25,599	0	44,213
Capital Assets, Net	$353,658	$636,383	$0	$990,041

The Corporation has properties and equipment that are considered capital assets as of year-end. Land previously reported as real estate and improvements has been classified as capital assets, not being depreciated in the above notes.

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Note 5 – Real Estate Held for Resale

The Corporation owns real estate held for resale with the intent to sell these properties in the near future. The total amount of real estate held for resale as of year-end was $272,521 during 2017 and $373,462 during 2016.

The Corporation's Real Estate Held for Resale activity for 2016 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Real Estate Held for Resale	$170,269	$203,193	$0	$373,462

The Corporation's Real Estate Held for Resale activity for 2017 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Real Estate Held for Resale	$373,462	$24,150	$125,091	$272,521

Note 6 – Subsequent Events

The Corporation obtained through a donation the Rockdell Property with an estimated fair market value of $472,750 in February of 2018.

In January 2019, the Corporation entered into a partnership agreement with Patrick Williams for operating agreement of Fairborn Community Space, LLC. The partnership will provide shared office space for small businesses and socially-minded entrepreneurs, and meeting space for community members. The Corporation transferred real estate appraised at $930,000 for 20% interest in the partnership.

Note 7 – Contingencies

The Corporation is party to legal proceedings. The Corporation is of the opinion that the ultimate disposition of claims will not have a material effect, if any, on the financial condition of the Corporation.

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KEITH FABER

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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 Governing Board:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the business-type activities and the aggregate remaining fund information of the Fairborn Development Corporation, Greene County, (the Corporation) as of and for the years ended December 31, 2018, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements and have issued our report thereon dated January 27, 2020.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Corporation's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Corporation's internal control. Accordingly, we have not opined on it.

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 a material weakness and a significant deficiency.

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. We consider finding 2018-001 described in the accompanying schedule of findings to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2018-002 described in the accompanying schedule of findings to be a significant deficiency.

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 subject the Corporation's responses to the auditing procedures applied in the audit of the financial statements 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 report is not suitable for any other purpose.

Keith Faber
Auditor of State
Columbus, Ohio

January 27, 2020

SCHEDULE OF FINDINGS
DECEMBER 31, 2018 AND 2017

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

FINDING NUMBER 2018-001

MATERIAL WEAKNESS – FINANCIAL STATEMENT MISSTATEMENTS

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement,* paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 and .A16. Governmental Accounting Standards Board (GASB) Cod. 1100 paragraph .101 states a governmental accounting system must make it possible both: (a) to present fairly and with full disclosure the funds and activities of the governmental unit in conformity with generally accepted accounting principles, and (b) to determine and demonstrate compliance with finance-related legal and contractual provisions.

Due to lack of formal controls over capital assets and real estate held for resale tracking and reporting, the following material misstatements were noted in the Corporation's financial statements that required audit adjustments:

1. The Corporation reported $930,122 in 2018 capital asset additions on its 2017 financial statements. Additionally, valuation errors in the amount of $79,852 were noted. This resulted in the following errors:
   - i. 2017 Capital Contributions were overstated by $997,853;
   - ii. 2017 Other Real Estate Expenses were understated by $12,121;
   - iii. 2017 Depreciable Capital Asset additions were overstated by $1,009,974;
   - iv. 2018 Capital Contributions were understated by $917,392;
   - v. 2018 Other Real Estate Expenses were overstated by $12,730;
   - vi. Depreciable Capital Asset additions were understated by $930,122;
   - vii. 2017 depreciation expense was overstated by $43,305 and 2018 depreciation expense was overstated by $9,492.

2. The Corporation included the depreciation of the Fairborn Theater in their calculations. This asset's depreciation was calculated on the appraised land value and land cannot be depreciated. The Corporation also improperly recorded various 2017 and 2018 capital asset additions, either in the wrong reporting period, or incorrectly recorded capital contributions as capital outlay or vice versa, resulting in the following misstatements:
   - i. Accumulated depreciation was overstated by $43,305 in 2017 and by $96,105 in 2018
   - ii. Depreciable Capital Assets, Net of Depreciation were overstated by $966,669 in 2017 and were understated by $16,251 in 2018;
   - iii. Capital Contributions were overstated by $997,853 in 2017 and were understated by $1,069,171 in 2018.

3. Additionally, the Corporation did not properly classify an asset held for resale during 2018. The property was acquired by the City of Fairborn and transferred over to the Corporation. The property had delinquent property taxes associated with it. The Corporation netted delinquent taxes against the value of the building. Since, the property taxes were payable, the Corporation should have reported the actual value of asset held for resale and reported a property tax liability. Failure to properly classify asset held for resale transaction resulted in the Corporation understating Real Estate Held for Resale and Capital Contributions by 151,779 while Property Tax Expense and Property Taxes Payable liability was understated by $162, 541.

FINDING NUMBER 2018-001
(Continued)

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

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

Official's Response: The Corporation hired an accounting firm to prepare the annual financial statement and to calculate the FDC's capital assets. Reports and Records given to the accounting firm were confused; therefore, a misstatement occurred in 2017 & 2018. The corrective action plan will be, better accounting records will be prepared and retained. We will have more formal controls of the records and the draft financial statement will be reviewed by the Executive Board, before filing with the State. The FDC has hired a new CPA firm and will be working closely with them for accurate reporting.

FINDING NUMBER 2018-002

SIGNIFICANT DEFICIENCY – BANK RECONCILIATIONS

Sound accounting practices require that when designing the public office's system of internal control and the specific control activities, management should ensure adequate security of assets and records, and verify the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records.

The reconciliation of cash (bank) balances to accounting system records (book) is the most basic and primary control process performed. Lack of completing an accurate and timely reconciliation may allow for accounting errors, theft and fraud to occur without timely detection.

The Office Assistant was responsible for reconciling the book (fund) balance to the total bank balance on a monthly basis, and the Board and/or other administrator are responsible for reviewing the reconciliations and related support.

Monthly bank to book reconciliations were not prepared or reviewed each month of 2017. This resulted in the Corporation not reporting $2,804 in outstanding checks at December 31, 2017 as expenditures on the 2017 financial statements and instead reporting the checks as 2018 expenditures. The error was determined to be material to the cash flow statement and required an audit adjustment to correctly report cash balance and expenses during 2017 and opening equity and expenses during 2018.

During 2018, the Corporation deposited $1,148 in Agency Fund receipts in the Corporation's general checking account. The Bank reconciliation and the general ledger properly reported this amount in the Agency Fund. However, the Corporation also posted this amount in the General Fund ledger and reported it as cash and other revenues on the 2018 financial statements. During the financial statement conversion process, instead of reducing other revenues and cash in the General Fund, the Corporation added an additional $1,148 to Agency Fund cash and cash equivalent balance and due to others. The error was determined to be material to the financial statements and required audit adjustments to the accompanying financial statements. Performing a combined reconciliation over both general and agency fund accounts would have alerted the management about the reconciliation error. The Corporation corrected the error by moving money from the general checking account to the Agency Fund checking account during 2019.

FINDING NUMBER 2018-002
(Continued)

Failure to reconcile monthly increases the possibility that the Corporation will not be able to identify, assemble, analyze, classify, and record its transactions correctly or to document compliance with finance related legal and contractual requirements. Further, the lack of accurate monthly reconciliations increases the risk of theft/fraud over the cash cycle and could lead to inaccurate reporting in the annual financial statements.

The Office Assistant should record all transactions and timely prepare monthly bank to book cash reconciliations, which include all bank accounts and all fund balances. Variances should be investigated, documented and corrected. In addition, the Board should review the monthly cash reconciliations including the related support (such as reconciling items) and document the reviews.

Official's Response: The Corporation in 2018 purchased QuickBooks and perform monthly reconciliation of cash balances to account system records. Reports are presented and reviewed by the FDC Board at monthly meetings. The FDC Treasurer initials the reports after the Board's approval.

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Fairborn Development Corporation
44 W. Hebble Avenue
Fairborn, OH 45324

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

DECEMBER 31, 2018 AND 2017

Finding Number	Finding Summary	Status	Additional Information
2016-001	The finding was due to financial statement misstatements	Not Corrected	Repeated as finding 2018-001.
2016-002	The finding was due to the Corporation not reconciling bank accounts.	Partially Corrected	Repeated as finding 2018-002. The Corporation did not reconcile bank accounts during 2017. However, the Corporation later corrected the issue and began performing bank reconciliations in January 2018. Reconciliation reports are reviewed by the Board and initialed by the Treasurer of the Board.

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OHIO AUDITOR OF STATE
KEITH FABER

FAIRBORN COMMUNITY IMPROVEMENT 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
MARCH 19, 2020

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