



OHIO AUDITOR OF STATE  
**KEITH FABER**





**TROTWOOD COMMUNITY IMPROVEMENT CORPORATION  
MONTGOMERY COUNTY  
DECEMBER 31, 2018 AND 2017**

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# OHIO AUDITOR OF STATE KEITH FABER



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## INDEPENDENT AUDITOR'S REPORT

Trotwood Community Improvement Corporation  
Montgomery County  
3035 Olive Road  
Trotwood, Ohio, 45426

To the Board of Directors:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of Trotwood Community Improvement Corporation, Montgomery County, Ohio (the Corporation), as of and for the years ended December 31, 2018 and 2017, 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 opinion.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Trotwood Community Improvement Corporation, Montgomery County, Ohio, as of December 31, 2018 and 2017, and the changes 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.

**Emphasis of Matter**

As discussed in Note 7 to the December 31, 2017 financial statements, the Corporation's January 1, 2017 net position was restated. We did not modify our opinion regarding this matter.

**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  
Auditor of State  
Columbus, Ohio

January 27, 2020

**Trotwood Community Improvement Corporation**  
**Management's Discussion and Analysis**  
**For the Year Ended December 31, 2018**  
(Unaudited)

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This discussion and analysis, along with the accompanying financial report, of the Trotwood Community Improvement 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 on December 31, 2018 was \$2,351,316. The Corporation's net position on December 31, 2017 was \$2,024,284.

The Corporation had a loans payable of \$135,390 on December 31, 2018.

The Corporation had Real Estate Held for Resale \$2,405,620 on December 31, 2018.

**Overview of Basic Financial Statements**

The Corporation is 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 Liabilities. 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 (equity) is the difference between assets and liabilities.

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

The Statements 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.

	<u>2018</u>	<u>2017</u>
Assets:		
Cash and Cash Equivalents	\$81,086	\$123,759
Lease Receivable	0	1,000
Real Estate Held for Resale	<u>2,405,620</u>	<u>2,009,229</u>
Total Assets	<u>2,486,706</u>	<u>2,133,988</u>
Liabilities:		
Loans Payable	<u>135,390</u>	<u>109,704</u>
Total Liabilities	<u>135,390</u>	<u>109,704</u>
Net Position:		
Unrestricted	<u>2,351,316</u>	<u>2,024,284</u>
Total Net Position	<u><u>\$2,351,316</u></u>	<u><u>\$2,024,284</u></u>

During 2018, Real Estate Held for Resale increased by \$396,391.

**Trotwood Community Improvement Corporation**  
**Management's Discussion and Analysis**  
**For the Year Ended December 31, 2018**  
(Unaudited)

**Statement of Revenues, Expenses, and Changes in Net Position**

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

	<u>2018</u>	<u>2017</u>
Operating Revenues:		
Rent	\$11,585	\$12,300
Refund of Taxes and Penalty	5,167	0
Miscellaneous	<u>1,874</u>	<u>1,780</u>
Total Operating Revenues	<u>18,626</u>	<u>14,080</u>
Operating Expenses:		
Real Estate Expenses	86,180	5,426
Professional and Consulting Fees	126,686	138,808
Insurance	6,215	4,641
Membership Dues	370	0
Miscellaneous	<u>2,569</u>	<u>1,321</u>
Total Operating Expenses	<u>222,020</u>	<u>150,196</u>
Operating (Loss)	(203,394)	(136,116)
Non-Operating (Expenses):		
Investment Earnings	368	120
Investment Expense	(5,074)	(1,349)
Fair Market Value Adjustment for Purchase of Real Estate	470,479	199,248
Gain on Sale of Real Estate Held for Resale	<u>64,653</u>	<u>97,275</u>
Total Non-Operating (Expenses)	<u>530,426</u>	<u>295,294</u>
Income before Capital Contributions	327,032	159,178
Capital Contributions	<u>0</u>	<u>777,022</u>
Changes in Net Position	327,032	936,200
Net Position - Beginning of Year	<u>2,024,284</u>	<u>1,088,084</u>
Net Position - End of Year	<u><u>\$2,351,316</u></u>	<u><u>\$2,024,284</u></u>

Net Position increased mainly due to the Corporation's increase in Real Estate Held for Resale from purchases during 2018.

**Real Estate Held for Resale**

Table 3 summarizes the Real Estate Held for Resale of the Corporation.

	<u>2018</u>	<u>2017</u>
Real Estate Held for Resale	\$2,405,620	\$2,009,229

Real Estate Held for Resale had an increase of \$396,391 from 2017 to 2018. For additional information regarding Real Estate Held for Resale, see note 4 of the notes to the basic financial statements.



**Trotwood Community Improvement Corporation**  
**Management's Discussion and Analysis**  
**For the Year Ended December 31, 2018**  
**(Unaudited)**

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**Debt-Loans Payable**

The Corporation had \$135,390 of loans payable at year end. For additional information regarding the loans payable, see note 5 of the notes to basic the financial statements.

**Contact Information**

Questions regarding this report and requests for additional information should be forwarded to Trotwood Community Improvement Corporation, 3035 Olive Road, Trotwood, Ohio 45426.

Trotwood Community Improvement Corporation  
Statement of Net Position  
December 31, 2018

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Current Assets:	
Cash and Cash Equivalents	<u>\$81,086</u>
Non-Current Assets:	
Real Estate Held for Resale	<u>2,405,620</u>
Total Assets	<u>2,486,706</u>
Liabilities:	
Loans Payable	<u>135,390</u>
Total Liabilities	<u>135,390</u>
Net Position:	
Unrestricted	<u>2,351,316</u>
Total Net Position	<u><u>\$2,351,316</u></u>

See accompanying notes to the financial statements.

Trotwood Community Improvement Corporation  
Statement of Revenues, Expenses and Changes in Net Position  
For the Year Ended December 31, 2018

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Operating Revenues:	
Rent	\$11,585
Refund of Taxes and Penalty	5,167
Miscellaneous	<u>1,874</u>
Total Operating Revenues	<u>18,626</u>
Operating Expenses:	
Real Estate Expenses	86,180
Professional and Consulting Fees	126,686
Insurance	6,215
Membership Dues	370
Miscellaneous	<u>2,569</u>
Total Operating Expenses	<u>222,020</u>
Operating (Loss)	<u>(203,394)</u>
Non-Operating Revenues (Expenses):	
Interest Income	368
Interest (Expense)	(5,074)
Fair Market Value Adjustment for Purchase of Real Estate	470,479
Gain (Loss) on Sale of Real Estate	<u>64,653</u>
Total Non-Operating Revenues (Expenses)	<u>530,426</u>
Change in Net Position	327,032
Net Position - Beginning of Year	<u>2,024,284</u>
Net Position - End of Year	<u><u>\$2,351,316</u></u>

See accompanying notes to the financial statements.

Trotwood Community Improvement Corporation  
Statement of Cash Flows  
For the Year Ended December 31, 2018

Cash Flows from Operating Activities:	
Cash Received from Rent	\$12,585
Cash Received from Refund of Taxes and Penalty	5,167
Other Operating Cash Receipts	1,874
Cash Payments for Real Estate Expenses	(86,180)
Cash Payments for Professional and Consulting Fees	(126,686)
Cash Payments for Insurance	(6,215)
Cash Payments for Membership Dues	(370)
Cash Payments for Miscellaneous Expenses	(2,569)
Net Cash (Used) by Operating Activities	<u>(202,394)</u>
Cash Flows from Non-Capital and Related Financing Activities:	
Interest Payments	(5,074)
Loan Proceeds	144,976
Principal Payments	<u>(119,290)</u>
Net Cash Provided by Non-Capital and Related Financing Activities	<u>20,612</u>
Cash Flows from Investing Activities:	
Earnings on Investments	368
Payment for the Purchase of Property	(62,795)
Proceeds from the Sale of Property	<u>201,536</u>
Net Cash Provided from Investing Activities	<u>139,109</u>
Net (Decrease) in Cash and Cash Equivalents	(42,673)
Cash and Cash Equivalents - Beginning of Year	<u>123,759</u>
Cash and Cash Equivalents - End of Year	<u><u>81,086</u></u>
Reconciliation of Operating (Loss) to Net Cash (Used) by Operating Activities	
Operating (Loss)	(203,394)
Changes in Assets & Liabilities:	
(Increase) Decrease in Receivables	<u>1,000</u>
Net Cash (Used) by Operating Activities	<u><u>(\$202,394)</u></u>

See accompanying notes to the financial statements.

**Trotwood Community Improvement Corporation**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2018**

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**Note 1 – Nature of Organization and Reporting Entity**

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The Trotwood Community Improvement Corporation, Montgomery County (the “Corporation”), a 501(c)3 nonprofit formed under Ohio Revised Code 1724, was formed for the purpose of advancing, encouraging, and promoting the industrial, economic, commercial, and civic development with the City of Trotwood. The relationship between the City of Trotwood and the Corporation is to promote development in the City. The financial statements of the Corporation are not material to the financial statements of the City of Trotwood.

The Corporation’s management believes the financial statements present all activities for which the Corporation is financially accountable.

**Reporting Entity**

The reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements of the Corporation are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Corporation. For Trotwood Community Improvement Corporation, there are no other boards and agencies other than the Corporation. Component units are legally separate organizations for which the Corporation is financially accountable. The Corporation is financially accountable for an organization if the Corporation appoints a voting majority of the organization's governing board and (1) the Corporation is able to significantly influence the programs or services performed or provided by the organization; or (2) the Corporation is legally entitled to or can otherwise access the organization's resources; the Corporation is legally obligated to or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Corporation is obligated for the debt of the organization. Component units may also include organizations for which the Corporation approves the budget, the issuance of debt or levying of taxes. The Corporation has no component units.

**Note 2 – Summary of Significant Accounting Policies**

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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 all liabilities 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 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.

**Trotwood Community Improvement Corporation**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2018**

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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.

**Real Estate Held for Resale**

The Corporation, acting as a County Land Reutilization/Community Improvement Corporation utilizes the Tax Foreclosure process through the State of Ohio to acquire delinquent abandoned residential and commercial real estate. At the point of acquisition, the Corporation stabilizes these structures and prepares them for resale and redevelopment.

Real estate held for resale is measured at current fair market value, which approximates the Corporation's current asking price for the property. Real estate held for resale that is a gift is recorded at estimated fair market value at the date of gift, if donated.

**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 and a savings account for December 31, 2018.

**Operating Revenues and Expenses**

Operating revenues are those that are generated directly from the primary activity of the Corporation. For the Corporation, these revenues are rental properties, refunds of taxes and penalties, City of Trotwood contributions and other miscellaneous revenue. Operating expenses are necessary cost incurred to provide the service that is the primary activity of the Corporation. All revenues and expenses not meeting this definition are reported as non-operating.

**Recognition of Donations and Contributions**

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.

**Trotwood Community Improvement Corporation**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2018**

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**Note 3 – Deposits**

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The Corporation maintains its cash account in one Federal 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, 2018, none of the Corporation's bank balance of \$81,086 was exposed to custodial risk because it was insured by the Federal Deposit Insurance Corporation.

**Note 4 – Real Estate Held for Resale**

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Real Estate Held for Resale activity for the fiscal year ended December 31, 2018 is as follows:

	Beginning Balance	Addition	Deletion	Ending Balance
Real Estate Held for Resale	\$2,009,229	\$533,274	\$136,883	\$2,405,620

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 \$2,405,620.

**Note 5 – Loans Payable**

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The Corporation entered into a line of credit (loan payable) agreement with County Corp in 2017 to finance acquisition, clean-out and security expenses for residential properties the Corporation acquires. The "line of credit" was approved for a total amount up to \$160,000 and the collateral on each individual property is paid back as each property is sold and returned to the revolving loan for continued use. The Corporation will pay 4% interest each year on the loan balance they owe. As of year-end the loan payable amount was \$135,390.

	Beginning Balance	Addition	Deletion	Ending Balance
CountyCorp	\$109,704	\$144,976	\$119,290	\$135,390

**Note 6 – Lease Receivable**

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The Corporation entered into a lease agreement in prior years. The Corporation assumed a lease receivable in the amount of \$1,500 to lease the property at 5134 Salem Avenue for the term of December 1, 2017 to May 31, 2018. As of year-end the lease receivable was paid off.

**Note 7 – Subsequent Events**

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On or about October 18, 2019 the Corporation purchased the vacant Sears building through Federal Bankruptcy Court. The purchase was funded with cash reserves in the Corporation's accounts, for a final purchase amount of \$231,107. The building has been vacant since 2014. The Corporation is working to redevelop the property in line with its economic development mission.

As of July 2, 2019 the Corporation and County Corp entered into an agreement to amend the "Housing Program Revolving Loan." This amendment extended the term an additional two years, until July of 2021. Additionally, the amount available to the Corporation through the loan extended from \$160,000 to \$200,000. Finally, the interest rate increased from 4.00% per annum to 4.75% per annum.

**Trotwood Community Improvement Corporation**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2018**

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On or about December 23, 2019 the City of Trotwood approved an advance of \$100,000 to be provided to the Corporation for working capital needs. This advance is required to be repaid in full, with 2.5% interest within 90 days. However, there is the ability to extend the payback timeline an additional 90 days.



**Trotwood Community Improvement Corporation**  
**Management's Discussion and Analysis**  
**For the Year Ended December 31, 2017**  
(Unaudited)

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This discussion and analysis, along with the accompanying financial report, of the Trotwood Community Improvement 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 on December 31, 2017 was \$2,024,284. The Corporation's net position on December 31, 2016, as restated was \$1,088,084.

The Corporation had a loans payable of \$109,704 on December 31, 2017.

The Corporation had Real Estate Held for Resale \$2,009,229 on December 31, 2017.

**Overview of Basic Financial Statements**

The Corporation is 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 Liabilities. 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 (equity) is the difference between assets and liabilities.

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

The Statements 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.

	2017	Restated 2016
	<u>2017</u>	<u>2016</u>
Assets:		
Cash and Cash Equivalents	\$123,759	\$41,257
Lease Receivable	1,000	0
Real Estate Held for Resale	2,009,229	1,046,827
Total Assets	<u>2,133,988</u>	<u>1,088,084</u>
Liabilities:		
Loans Payable	109,704	0
Total Liabilities	<u>109,704</u>	<u>0</u>
Net Position:		
Unrestricted	<u>2,024,284</u>	<u>1,088,084</u>
Total Net Position	<u><u>\$2,024,284</u></u>	<u><u>\$1,088,084</u></u>

During 2017, Real Estate Held for Resale increased by \$962,402.

**Trotwood Community Improvement Corporation**  
**Management's Discussion and Analysis**  
**For the Year Ended December 31, 2017**  
(Unaudited)

**Statement of Revenues, Expenses, and Changes in Net Position**

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

	<u>2017</u>	<u>2016</u>
Operating Revenues:		
Rent	\$12,300	\$9,900
Refund of Taxes and Penalty	0	4,117
Miscellaneous	1,780	1,378
Total Operating Revenues	<u>14,080</u>	<u>15,395</u>
Operating Expenses:		
Real Estate Expenses	5,426	46,826
Professional and Consulting Fees	138,808	102,882
Filing and Permit Fees	0	1,190
Insurance	4,641	4,127
Marketing	0	5,502
Materials and Supplies	0	1,040
Membership Dues	0	95
Miscellaneous	1,321	291
Total Operating Expenses	<u>150,196</u>	<u>161,953</u>
Operating (Loss)	(136,116)	(146,558)
Non-Operating (Expenses):		
Investment Earnings	120	142
Investment Expense	(1,349)	(307)
Fair Market Value Adjustment for Purchase of Real Estate	199,248	(105,957)
Gain (Loss) on Sale of Property	97,275	39,614
Total Non-Operating (Expenses)	<u>295,294</u>	<u>(66,508)</u>
Income (Loss) before Capital Contributions	159,178	(213,066)
Capital Contributions	<u>777,022</u>	<u>0</u>
Changes in Net Position	936,200	(213,066)
Net Position - Beginning of Year - Restated	<u>1,088,084</u>	<u>1,301,150</u>
Net Position - End of Year	<u><u>\$2,024,284</u></u>	<u><u>\$1,088,084</u></u>

Net Position increased mainly due to the Corporation's increase in Real Estate Held for Resale from purchases and donations during 2017.

**Trotwood Community Improvement Corporation**  
**Management's Discussion and Analysis**  
**For the Year Ended December 31, 2017**  
(Unaudited)

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**Real Estate Held for Resale**

Table 3 summarizes the Real Estate Held for Resale of the Corporation.

	<u>2017</u>	<u>2016</u>
Real Estate Held for Resale	\$2,009,229	\$1,046,827

Real Estate Held for Resale had an increase of \$962,402 from 2016 to 2017. For additional information regarding Real Estate Held for Resale, see Note 4 of the Notes to the Basic Financial Statements.

**Debt-Loans Payable**

The Corporation had \$109,704 of loans payable at year end. For additional information regarding the loans payable, see Note 5 of the Notes to the Basic Financial Statements.

**Contact Information**

Questions regarding this report and requests for additional information should be forwarded to Trotwood Community Improvement Corporation, 3035 Olive Road, Trotwood, Ohio 45426.

Trotwood Community Improvement Corporation  
Statement of Net Position  
December 31, 2017

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Current Assets:	
Cash and Cash Equivalents	\$123,759
Receivables:	
Lease	<u>1,000</u>
Total Current Assets	<u>124,759</u>
Non-Current Assets:	
Real Estate Held for Resale	<u>2,009,229</u>
Total Assets	<u>2,133,988</u>
Liabilities:	
Loans Payable	<u>109,704</u>
Total Liabilities	<u>109,704</u>
Net Position:	
Unrestricted	<u>2,024,284</u>
Total Net Position	<u><u>\$2,024,284</u></u>

See accompanying notes to the financial statements.

Trotwood Community Improvement Corporation  
Statement of Revenues, Expenses and Changes in Net Position  
For the Year Ended December 31, 2017

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Operating Revenues:	
Rent	\$12,300
Miscellaneous	1,780
Total Operating Revenues	<u>14,080</u>
Operating Expenses:	
Real Estate Expenses	5,426
Professional and Consulting Fees	138,808
Insurance	4,641
Miscellaneous	1,321
Total Operating Expenses	<u>150,196</u>
Operating (Loss)	<u>(136,116)</u>
Non-Operating Revenues (Expenses):	
Interest Income	120
Interest (Expense)	(1,349)
Fair Market Value Adjustment for Purchase of Real Estate	199,248
Gain (Loss) on Sale of Property	97,275
Total Non-Operating Revenues (Expenses)	<u>295,294</u>
Income Before Contributions and Transfers	159,178
Capital Contributions	<u>777,022</u>
Change in Net Position	936,200
Net Position - Beginning of Year, Restated	<u>1,088,084</u>
Net Position - End of Year	<u><u>\$2,024,284</u></u>

See accompanying notes to the financial statements.

Trotwood Community Improvement Corporation  
Statement of Cash Flows  
For the Year Ended December 31, 2017

Cash Flows from Operating Activities:	
Cash Received from Rent	\$11,300
Other Operating Cash Receipts	1,780
Cash Payments for Real Estate Expenses	(5,426)
Cash Payments for Professional and Consulting Fees	(138,808)
Cash Payments for Insurance	(4,641)
Cash Payments for Miscellaneous Expenses	<u>(1,321)</u>
Net Cash (Used) by Operating Activities	<u>(137,116)</u>
Cash Flows from Non-Capital and Related Financing Activities:	
Interest Payments	(1,349)
Loan Proceeds	147,500
Principal Payments	<u>(37,796)</u>
Net Cash Provided by Non-Capital and Related Financing Activities	<u>108,355</u>
Cash Flows from Investing Activities:	
Earnings on Investments	120
Payment for the Purchase of Property	(94,282)
Proceeds from the Sale of Property	<u>205,425</u>
Net Cash Provided from Investing Activities	<u>111,263</u>
Net Increase in Cash and Cash Equivalents	82,502
Cash and Cash Equivalents - Beginning of Year	<u>41,257</u>
Cash and Cash Equivalents - End of Year	<u><u>123,759</u></u>
Reconciliation of Operating Income (Loss) to Net Cash (Used) by Operating Activities	
Operating (Loss)	(136,116)
Changes in Assets & Liabilities:	
(Increase) Decrease in Receivables	<u>(1,000)</u>
Net Cash (Used) by Operating Activities	<u><u>(\$137,116)</u></u>
<u>Schedule of Noncash Activities:</u>	
During the fiscal year, these amounts were received representing noncash contributions of:	
Real Estate Held for Resale	<u><u>\$777,022</u></u>

See accompanying notes to the basic financial statements.

**Trotwood Community Improvement Corporation**  
**Notes to the Basic Financial Statements**  
**For the Year Ended December 31, 2017**

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**Note 1 – Nature of Organization and Reporting Entity**

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The Trotwood Community Improvement Corporation, Montgomery County (the “Corporation”), a 501(c)3 nonprofit formed under Ohio Revised Code 1724, was formed for the purpose of advancing, encouraging, and promoting the industrial, economic, commercial, and civic development with the City of Trotwood. The relationship between the City of Trotwood and the Corporation is to promote development in the City. The financial statements of the Corporation are not material to the financial statements of the City of Trotwood.

The Corporation’s management believes the financial statements present all activities for which the Corporation is financially accountable.

**Reporting Entity**

The reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements of the Corporation are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Corporation. For Trotwood Community Improvement Corporation, there are no other boards and agencies other than the Corporation. Component units are legally separate organizations for which the Corporation is financially accountable. The Corporation is financially accountable for an organization if the Corporation appoints a voting majority of the organization's governing board and (1) the Corporation is able to significantly influence the programs or services performed or provided by the organization; or (2) the Corporation is legally entitled to or can otherwise access the organization's resources; the Corporation is legally obligated to or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Corporation is obligated for the debt of the organization. Component units may also include organizations for which the Corporation approves the budget, the issuance of debt or levying of taxes. The Corporation has no component units.

**Note 2 – Summary of Significant Accounting Policies**

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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 all liabilities 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 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.

**Trotwood Community Improvement Corporation**  
**Notes to the Basic Financial Statements**  
**For the Year Ended December 31, 2017**

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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.

**Real Estate Held for Resale**

The Corporation, acting as a County Land Reutilization/Community Improvement Corporation utilizes the Tax Foreclosure process through the State of Ohio to acquire delinquent abandoned residential and commercial real estate. At the point of acquisition, the Corporation stabilizes these structures and prepares them for resale and redevelopment.

Real estate held for resale is measured at current fair market value, which approximates the Corporation's current asking price for the property. Real estate held for resale that is a gift is recorded at estimated fair market value at the date of gift, if donated.

**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 and a savings account for December 31, 2017.

**Operating Revenues and Expenses**

Operating revenues are those that are generated directly from the primary activity of the Corporation. For the Corporation, these revenues are rental properties, refunds of taxes and penalties. City of Trotwood contributions and other miscellaneous revenue. Operating expenses are necessary cost incurred to provide the service that is the primary activity of the Corporation. All revenues and expenses not meeting this definition are reported as non-operating.

**Recognition of Donations and Contributions**

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.



**Trotwood Community Improvement Corporation**  
**Notes to the Basic Financial Statements**  
**For the Year Ended December 31, 2017**

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**Note 3 – Deposits**

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The Corporation maintains its cash account in one Federal 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, 2017, none of the Corporation’s bank balance of \$127,759 was exposed to custodial risk because it was insured by the Federal Deposit Insurance Corporation.

**Note 4 – Real Estate Held for Resale**

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Real Estate Held for Resale activity for the fiscal year ended December 31, 2017 is as follows:

	<u>Beginning Balance</u>	<u>Addition</u>	<u>Deletion</u>	<u>Ending Balance</u>
Real Estate Held for Resale	\$1,046,827	\$1,070,552	\$108,150	\$2,009,229

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 \$2,009,229.

**Note 5 – Loans Payable**

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The Corporation entered into a line of credit (loan payable) agreement with County Corp in 2017 to finance acquisition, clean-out and security expenses for residential properties the Corporation acquires. The “line of credit” was approved for a total amount up to \$160,000 and the collateral on each individual property is paid back as each property is sold and returned to the revolving loan for continued use. The Corporation will pay 4% interest each year on the loan balance they owe. As of year-end the loan payable amount was \$109,704.

	<u>Beginning Balance</u>	<u>Addition</u>	<u>Deletion</u>	<u>Ending Balance</u>
CountyCorp	\$0	\$147,500	\$37,796	\$109,704

**Note 6 – Lease Receivable**

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The Corporation entered into a lease agreement during 2017. The Corporation assumed a lease receivable in the amount of \$1,500 to lease the property at 5134 Salem Avenue for the term of December 1, 2017 to May 31, 2018. As of year-end the lease receivable was \$1,000.

**Note 7 – Restatement of Net Position – Beginning of Year**

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The Corporation’s December 31, 2016 net position was restated as follows, due to four properties owned by the Corporation not being included in the calculation of Real Estate Held for Resale at December 31, 2016.

Net Position, December 31, 2016	\$444,969
Restatement	<u>643,115</u>
Restated Net Position, December 31, 2016	\$1,088,084

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# OHIO AUDITOR OF STATE KEITH FABER



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WestRegion@ohioauditor.gov

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

Trotwood Community Improvement Corporation  
Montgomery County  
3035 Olive Road  
Trotwood, Ohio, 45426

To the Board of Directors:

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 Trotwood Community Improvement Corporation, Montgomery County, (the Corporation) as of and for the years ended December 31, 2018 and 2017, 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, wherein we noted the Corporation restated its January 1, 2017 net position.

### ***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.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Corporation's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2018-001 to be a material weakness.

***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 Finding***

The Corporation's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not subject the Corporation's response to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

***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

**TROTWOOD COMMUNITY IMPROVEMENT CORPORATION  
MONTGOMERY COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2018 AND 2017**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2018-001**

**Material Weakness – Financial Statement Errors**

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 & .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 controls over the review of the financial statements, the Corporation's annual financial reports for the years ended December 31, 2018 and 2017 contained the following errors which were material and have been adjusted in the accompanying financial statements:

- The Corporation improperly classified two properties held for resale as capital assets in 2017. As a result, net position: investment in capital assets; depreciable capital assets, net; and operating expenses: depreciation were overstated by \$4,078, \$4,078, and \$304, respectively. In addition, real estate held for resale, net position: unrestricted, and net position - beginning of year were understated by \$4,556, \$4,078, and \$174, respectively.
- The Corporation improperly calculated real estate held for resale and related accounts in 2018. As a result, the following errors were noted:
  - Real estate held for resale was understated by \$445,539
  - Fair market value adjustment for purchase of real estate was understated by \$233,134
  - Real estate expenses were understated by \$9,863
  - Net position - beginning of year was understated by \$157,615
  - Gain on sale of property was understated by \$64,653
- The Corporation improperly calculated real estate held for resale and related accounts in 2017. As a result, the following errors were noted:
  - Real estate held for resale was understated by \$402,401
  - Fair market value adjustment for purchase of real estate was overstated by \$761,454
  - Real estate expenses were overstated by \$8,692
  - Net position - beginning of year was understated by \$896,874
  - Gain on sale of property was understated by \$97,275
  - Capital contributions were understated by \$160,814
- The Corporation improperly calculated cash flows in 2018. As a result, the following errors were noted on the Statement of Cash Flows:
  - Cash flows from operating activities was overstated by \$9,864
  - Cash flows from investing activities was understated by \$9,864
- The Corporation improperly calculated cash flows in 2017. As a result, the following errors were noted on the Statement of Cash Flows:
  - Cash flows from operating activities was overstated by \$101,012
  - Cash flows from non-capital and related financing activities was understated by \$109,704
  - Cash flows from investing activities was overstated by \$8,692

**FINDING NUMBER 2018-001  
(CONTINUED)**

Additionally, due to lack of controls over the review of the financial statements, the following misstatements were identified as immaterial and have not been adjusted in the accompanying financial statements:

- The Corporation improperly classified a rental income receipt as gain on sale of property. As a result, operating revenue: rent was understated by \$900 and gain on sale of property was overstated by the same amount.
- The Corporation sold two properties in 2017 in exchange for a note from the purchaser, payable over three years starting in 2019; however, the Corporation did not record the note receivable. As a result, note receivable were understated and real estate expenses were overstated by \$9,000 in 2017. Further, notes receivable and opening equity were understated by \$9,000 in 2018.

The Corporation should establish and implement procedures 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.

**Officials' Response:**

We agree with the changes.



# TROTWOOD COMMUNITY IMPROVEMENT CORPORATION

Quincy Pope, Chairperson  
Mayor Mary McDonald, Co-Chairperson  
Chris Peoples, Secretary/Treasurer  
Chad Downing, Executive Director

3035 Olive Road  
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## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS DECEMBER 31, 2018 AND 2017

Finding Number	Finding Summary	Status	Additional Information
2016-001	<p><b>Hinkle Filing System Issues</b> Prepared the financial statements on an incorrect basis for the cash flow statement and incomplete filings on Hinkle filing system.</p>	Fully Corrected	
2016-002	<p><b>Financial Statement Errors</b> Financial statement errors dealing with the valuation of real estate held for resale and debt.</p>	Partially Corrected	<p><u>Reason for Recurrence:</u> The Corporation and compiler worked to address the issue, but only successfully resolved the presentation of the Corporation's debt. We were not successful in satisfying the issues with valuation of property held for resale, despite attempts to utilize recommendations to address this concern.</p> <p><u>Planned Corrections:</u> The Corporation will work with our CPA to take recommendations from State Auditor and develop an improved process for valuing real estate held for resale.</p> <p><u>Partial Corrections Made:</u> The Corporation was successful at correcting the presentation of debt held on our financial statements.</p>

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OHIO AUDITOR OF STATE  
**KEITH FABER**



**TROTWOOD COMMUNITY IMPROVEMENT CORPORATION**

**MONTGOMERY 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  
FEBRUARY 11, 2020**