



Dave Yost • Auditor of State

**TROTWOOD COMMUNITY IMPROVEMENT CORPORATION
MONTGOMERY COUNTY
DECEMBER 31, 2016 AND 2015**

TABLE OF CONTENTS

| TITLE | PAGE |
|--|-------------|
| Independent Auditor's Report | 1 |
| Prepared by Management: | |
| Management's Discussion and Analysis For the Year Ended December 31, 2016..... | 3 |
| Basic Financial Statements: | |
| Statement of Net Position December 31, 2016..... | 7 |
| Statement of Revenues, Expenses and Changes in Net Position For the Year Ended December 31, 2016 | 8 |
| Statement of Cash Flows For the Year Ended December 31, 2016 | 9 |
| Notes to the Basic Financial Statements For the Year Ended December 31, 2016..... | 11 |
| Management's Discussion and Analysis For the Year Ended December 31, 2015..... | 15 |
| Basic Financial Statements: | |
| Statement of Net Position December 31, 2015..... | 19 |
| Statement of Revenues, Expenses and Changes in Net Position For the Year Ended December 31, 2015 | 20 |
| Statement of Cash Flows For the Year Ended December 31, 2015 | 21 |
| Notes to the Basic Financial Statements For the Year Ended December 31, 2015..... | 23 |
| Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> | 27 |
| Schedule of Findings | 29 |

This page intentionally left blank.



Dave Yost • Auditor of State

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, 2016 and 2015, 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 as of December 31, 2016 and 2015, and the changes in its financial position and its cash flows for the years then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 31, 2018, on our consideration of the Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

August 31, 2018

Trotwood Community Improvement Corporation
Management's Discussion and Analysis
For the Year Ended December 31, 2016
(Unaudited)

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, 2016 was \$444,969. The Corporation's net position on December 31, 2015 was \$658,035.

The Corporation has Real Estate Held for Resale \$403,712 on December 31, 2016.

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>2016</u> | <u>2015</u> |
|-----------------------------|-------------------------|-------------------------|
| Assets: | | |
| Cash and Cash Equivalents | \$41,257 | \$64,434 |
| Real Estate Held for Resale | <u>403,712</u> | <u>654,401</u> |
| Total Assets | <u><u>444,969</u></u> | <u><u>718,835</u></u> |
| Liabilities: | | |
| Loans Payable | <u>0</u> | <u>60,800</u> |
| Total Liabilities | <u><u>0</u></u> | <u><u>60,800</u></u> |
| Net Position: | | |
| Unrestricted | <u>444,969</u> | <u>658,035</u> |
| Total Net Position | <u><u>\$444,969</u></u> | <u><u>\$658,035</u></u> |

During 2016 the loan payable was paid off and real estate held for resale decreased by \$250,689.

Trotwood Community Improvement Corporation
Management's Discussion and Analysis
For the Year Ended December 31, 2016
(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>2016</u> | <u>2015</u> |
|--|------------------|------------------|
| Operating Revenues: | | |
| Contributions | \$0 | \$160,000 |
| Rent | 9,900 | 2,700 |
| Refund of Taxes and Penalty | 4,117 | 2,235 |
| Miscellaneous | 1,378 | 5,482 |
| Total Operating Revenues | <u>15,395</u> | <u>170,417</u> |
| Operating Expenses: | | |
| Real Estate Expenses | 46,826 | 123,694 |
| Professional and Consulting Fees | 102,882 | 122,375 |
| Filing and Permit Fees | 1,190 | 1,408 |
| Insurance | 4,127 | 1,888 |
| Marketing | 5,502 | 2,868 |
| Materials and Supplies | 1,040 | 36 |
| Membership Dues | 95 | 95 |
| Development | 0 | 5,000 |
| Miscellaneous | 291 | 2,497 |
| Total Operating Expenses | <u>161,953</u> | <u>259,861</u> |
| Operating Income (Loss) | (146,558) | (89,444) |
| Non-Operating (Expenses): | | |
| Investment Earnings | 142 | 155 |
| Investment Expense | (307) | (903) |
| Fair Market Value Adjustment for Purchase of Real Estate | (105,957) | 443,303 |
| Gain (Loss) on Sale of Property | 39,614 | 55,744 |
| Total Non-Operating (Expenses) | <u>(66,508)</u> | <u>498,299</u> |
| Income (Loss) before Capital Contributions | (213,066) | 408,855 |
| Capital Contributions | <u>0</u> | <u>15,400</u> |
| Changes in Net Position | (213,066) | 424,255 |
| Net Position - Beginning of Year | <u>658,035</u> | <u>233,780</u> |
| Net Position - End of Year | <u>\$444,969</u> | <u>\$658,035</u> |

Net Position decreased mainly due to the Corporation not receiving any contributions from the City of Trotwood during 2016 and decrease in fair market value of properties held for resale.

Real Estate Held for Resale

The Corporation is leasing with intent to sell.

| | <u>2016</u> | <u>2015</u> |
|-----------------------------|-------------|-------------|
| Real Estate Held for Resale | \$403,712 | \$654,401 |

The Corporation purchased \$18,053 in Real Estate Held for Resale during 2016. For additional information regarding capital assets, please 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, 2016
(Unaudited)

Debt

The Corporation had no debt at year end. For additional information regarding debt, please 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.

This page intentionally left blank.

Trotwood Community Improvement Corporation
Statement of Net Position
December 31, 2016

| | |
|-----------------------------|-------------------------|
| Current Assets: | |
| Cash and Cash Equivalents | <u>\$41,257</u> |
| Total Current Assets | <u>41,257</u> |
| Non-Current Assets: | |
| Real Estate Held for Resale | <u>403,712</u> |
| Total Non-Current Assets | <u>403,712</u> |
| Total Assets | <u>444,969</u> |
| Net Position: | |
| Unrestricted | <u>444,969</u> |
| Total Net Position | <u><u>\$444,969</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, 2016

Operating Revenues:

| | |
|-----------------------------|---------|
| Rent | \$9,900 |
| Refund of Taxes and Penalty | 4,117 |
| Miscellaneous | 1,378 |

| | |
|--------------------------|---------------|
| Total Operating Revenues | <u>15,395</u> |
|--------------------------|---------------|

Operating Expenses:

| | |
|----------------------------------|---------|
| Real Estate Expenses | 46,826 |
| Professional and Consulting Fees | 102,882 |
| Filing and Permit Fees | 1,190 |
| Insurance | 4,127 |
| Marketing | 5,502 |
| Materials and Supplies | 1,040 |
| Membership Dues | 95 |
| Miscellaneous | 291 |

| | |
|--------------------------|----------------|
| Total Operating Expenses | <u>161,953</u> |
|--------------------------|----------------|

| | |
|------------------|------------------|
| Operating (Loss) | <u>(146,558)</u> |
|------------------|------------------|

Non-Operating Revenues (Expenses):

| | |
|--|-----------|
| Interest Income | 142 |
| Interest (Expense) | (307) |
| Fair Market Value Adjustment for Purchase of Real Estate | (105,957) |
| Gain (Loss) on Sale of Property | 39,614 |

| | |
|---|-----------------|
| Total Non-Operating Revenues (Expenses) | <u>(66,508)</u> |
|---|-----------------|

| | |
|------------------------|-----------|
| Change in Net Position | (213,066) |
|------------------------|-----------|

| | |
|----------------------------------|----------------|
| Net Position - Beginning of Year | <u>658,035</u> |
|----------------------------------|----------------|

| | |
|----------------------------|-------------------------|
| Net Position - End of Year | <u><u>\$444,969</u></u> |
|----------------------------|-------------------------|

See accompanying notes to the financial statements.

Trotwood Community Improvement Corporation
Statement of Cash Flows
For the Year Ended December 31, 2016

| | |
|---|-------------|
| Cash Flows from Operating Activities: | |
| Cash Received from Rent | \$9,900 |
| Cash Received from Refund of Taxes and Penalty | 4,117 |
| Other Operating Cash Receipts | 1,378 |
| Cash Payments for Real Estate Expenses | (46,826) |
| Cash Payments for Professional and Consulting Fees | (102,882) |
| Cash Payments for Other Operating Activities | (10,914) |
| Cash Payments for Materials, Supplies and Other Services | (1,040) |
| Cash Payments for Miscellaneous Expenses | (291) |
| | <hr/> |
| Net Cash (Used) by Operating Activities | (146,558) |
| Cash Flows from Non-Capital and Related Financing Activities: | |
| Principal Payments | (60,800) |
| Interest Payments | (307) |
| | <hr/> |
| Net Cash (Used) by Non-Capital and Related Financing Activities | (61,107) |
| Cash Flows from Investing Activities: | |
| Earnings on Investments | 142 |
| Payment for the Purchase of Property | (18,054) |
| Proceeds from the Sale of Property | 202,400 |
| | <hr/> |
| Net Cash Provided by Cash Flows from Investing Activities | 184,488 |
| Net (Decrease) in Cash and Cash Equivalents | (23,177) |
| Cash and Cash Equivalents - Beginning of Year | 64,434 |
| | <hr/> |
| Cash and Cash Equivalents - End of Year | 41,257 |
| | <hr/> <hr/> |
| Reconciliation of Operating (Loss) to Net Cash (Used) by Operating Activities | |
| Operating (Loss) | (146,558) |
| | <hr/> |
| Net Cash (Used) by Operating Activities | (\$146,558) |
| | <hr/> <hr/> |

See accompanying notes to the basic financial statements.

This page intentionally left blank.

Trotwood Community Improvement Corporation
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Note 1 – Nature of Organization and Reporting Entity

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 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

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, 2016

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 costs 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.

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 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 at December 31, 2016.

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.

Trotwood Community Improvement Corporation
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Note 3 – Deposits

The Corporation maintains its cash account in one commercial bank in Ohio. Custodial credit risk is the risk that in the event of a bank failure, the Corporation's deposits may not be returned to it. The Corporation's policy for deposits is any balance not covered by depository insurance will be collateralized by the financial institutions with pledged securities. As of December 31, 2016, none of the Corporation's bank balance of \$41,757 was exposed to custodial risk because it was insured by the Federal Deposit Insurance Corporation.

Note 4 – Real Estate Held for Resale

Real Estate Held for Resale activity for the fiscal year ended December 31, 2016 is as follows:

| <u>Class</u> | <u>Beginning Balance</u> | <u>Addition</u> | <u>Deletion</u> | <u>Ending Balance</u> |
|-----------------------------|------------------------------|-----------------|-----------------|---------------------------|
| Real Estate Held for Resale | \$654,401 | \$18,053 | \$268,742 | \$403,712 |

As of December 31, 2016 the Corporation has 36 lots (valued at \$2,500 each) in the Sycamore Woods development for a total \$90,000 and 5 various other lots with a value of \$313,712.

Note 5 – Loans Payable

The Corporation entered into a loan agreement with CountyCorp to finance renovation expenses for a property. The loan was approved for a total amount up to \$225,000 and will be repaid once the property is sold. The Corporation will pay 1% interest each year on the loan balance they owe.

| <u>Loan Payable</u> | <u>Beginning Balance</u> | <u>Addition</u> | <u>Deletion</u> | <u>Ending Balance</u> |
|---------------------|------------------------------|-----------------|-----------------|---------------------------|
| CountyCorp | \$60,800 | \$0 | \$60,800 | \$0 |

During 2016, the Corporation sold the property and the loan was paid off in full.

Note 6 – Related Parties

The Corporation has no paid employees; time spent on its activities by the officers and board members of the Corporation is donated by the local businesses, City of Trotwood, and the individual themselves. The value of donated services has not been recorded in the financial statements at December 31, 2016.

This page intentionally left blank.

Trotwood Community Improvement Corporation
Management's Discussion and Analysis
For the Year Ended December 31, 2015
(Unaudited)

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, 2015 was \$658,035. The Corporation's net position on December 31, 2014 was \$233,780.

The Corporation has Real Estate Held for Resale \$654,401 on December 31, 2015.

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>2015</u> | <u>2014</u> |
|-----------------------------|-------------------------|-------------------------|
| Assets: | | |
| Cash and Cash Equivalents | \$64,434 | \$38,405 |
| Real Estate Held for Resale | <u>654,401</u> | <u>224,500</u> |
| Total Assets | <u><u>718,835</u></u> | <u><u>262,905</u></u> |
| Liabilities: | | |
| Loans Payable | <u>60,800</u> | <u>29,125</u> |
| Total Liabilities | <u><u>60,800</u></u> | <u><u>29,125</u></u> |
| Net Position: | | |
| Unrestricted | <u>658,035</u> | <u>233,780</u> |
| Total Net Position | <u><u>\$658,035</u></u> | <u><u>\$233,780</u></u> |

The net position increased mainly due to the Corporation having additional properties held for resale and an increase in fair market value of these properties.

Trotwood Community Improvement Corporation
Management's Discussion and Analysis
For the Year Ended December 31, 2015
(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>2015</u> | <u>2014</u> |
|--|-------------------------|-------------------------|
| Operating Revenues: | | |
| Contributions | \$160,000 | \$160,006 |
| Rent | 2,700 | 0 |
| Refund of Taxes and Penalty | 2,235 | 0 |
| Miscellaneous | 5,482 | 0 |
| Total Operating Revenues | <u>170,417</u> | <u>160,006</u> |
| Operating Expenses: | | |
| Real Estate Expenses | 123,694 | 22,561 |
| Professional and Consulting Fees | 122,375 | 88,378 |
| Filing and Permit Fees | 1,408 | 0 |
| Insurance | 1,888 | 1,951 |
| Marketing | 2,868 | 4,843 |
| Materials and Supplies | 36 | 0 |
| Website Design | 0 | 1,350 |
| Membership Dues | 95 | 0 |
| Development | 5,000 | 0 |
| Miscellaneous | 2,497 | 1,674 |
| Total Operating Expenses | <u>259,861</u> | <u>120,757</u> |
| Operating Income (Loss) | (89,444) | 39,249 |
| Non-Operating (Expenses): | | |
| Investment Earnings | 155 | 145 |
| Fair Market Value Adjustment for Purchase of Real Estate | 443,303 | 88,292 |
| Gain (Loss) on Sale of Property | 55,744 | 0 |
| Interest and Fiscal Charges | (903) | 0 |
| Total Non-Operating (Expenses) | <u>498,299</u> | <u>88,437</u> |
| Income (Loss) before Capital Contributions | 408,855 | 127,686 |
| Capital Contributions | <u>15,400</u> | <u>0</u> |
| Changes in Net Position | 424,255 | 127,686 |
| Net Position - Beginning of Year | <u>233,780</u> | <u>106,094</u> |
| Net Position - End of Year | <u><u>\$658,035</u></u> | <u><u>\$233,780</u></u> |

Net Position increased mainly due to an increase in real estate held for resale used to purchase and sell properties during 2015.

Real Estate Held for Resale

Table 3 summarizes the Capital Assets of the Corporation.

| | <u>2015</u> | <u>2014</u> |
|-----------------------------|-------------|-------------|
| Real Estate Held for Resale | \$ 654,401 | \$ 224,500 |

Trotwood Community Improvement Corporation
Management's Discussion and Analysis
For the Year Ended December 31, 2015
(Unaudited)

The Corporation purchased \$531,847 in Real Estate Held for Resale during 2015. For additional information, please see Note 4 of the Notes to the Basic Financial Statements.

Debt

The Corporation had a loan payable of \$60,080. For additional information regarding debt, please 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.

This page intentionally left blank.

Trotwood Community Improvement Corporation
Statement of Net Position
December 31, 2015

| | |
|-----------------------------|-------------------------|
| Current Assets: | |
| Cash and Cash Equivalents | <u>\$64,434</u> |
| Total Current Assets | <u>64,434</u> |
| Non-Current Assets: | |
| Real Estate Held for Resale | <u>654,401</u> |
| Total Non-Current Assets | <u>654,401</u> |
| Total Assets | <u>718,835</u> |
| Liabilities: | |
| Loans Payable | <u>60,800</u> |
| Total Liabilities | <u>60,800</u> |
| Net Position: | |
| Unrestricted | <u>658,035</u> |
| Total Net Position | <u><u>\$658,035</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, 2015

| | |
|--|-------------|
| Operating Revenues: | |
| Contributions | \$160,000 |
| Rent | 2,700 |
| Refund of Taxes and Penalty | 2,235 |
| Miscellaneous | 5,482 |
| | <hr/> |
| Total Operating Revenues | 170,417 |
| | <hr/> |
| Operating Expenses: | |
| Real Estate Expenses | 123,694 |
| Professional and Consulting Fees | 122,375 |
| Filing and Permit Fees | 1,408 |
| Insurance | 1,888 |
| Marketing | 2,868 |
| Materials and Supplies | 36 |
| Membership Dues | 95 |
| Development | 5,000 |
| Miscellaneous | 2,497 |
| | <hr/> |
| Total Operating Expenses | 259,861 |
| | <hr/> |
| Operating Income (Loss) | (89,444) |
| | <hr/> |
| Non-Operating Revenues (Expenses): | |
| Interest Income | 155 |
| Interest (Expense) | (903) |
| Fair Market Value Adjustment for Purchase of Real Estate | 443,303 |
| Gain (Loss) on Sale of Property | 55,744 |
| | <hr/> |
| Total Non-Operating Revenues (Expenses) | 498,299 |
| | <hr/> |
| Income (Loss) Before Contributions and Transfers | 408,855 |
| | <hr/> |
| Capital Contributions | 15,400 |
| | <hr/> |
| Change in Net Position | 424,255 |
| | <hr/> |
| Net Position - Beginning of Year | 233,780 |
| | <hr/> |
| Net Position - End of Year | \$658,035 |
| | <hr/> <hr/> |

See accompanying notes to the financial statements.

Trotwood Community Improvement Corporation
Statement of Cash Flows
For the Year Ended December 31, 2015

| | |
|---|-------------|
| Cash Flows from Operating Activities: | |
| Cash Received from Contributions | \$160,000 |
| Cash Received from Rent | 2,700 |
| Cash Received from Refund of Taxes and Penalty | 2,235 |
| Other Operating Cash Receipts | 5,482 |
| Cash Payments for Real Estate Expenses | (123,694) |
| Cash Payments for Professional and Consulting Fees | (122,375) |
| Cash Payments for Other Operating Activities | (11,259) |
| Cash Payments for Materials, Supplies and Other Services | (36) |
| Cash Payments for Miscellaneous Expenses | (2,497) |
| | <hr/> |
| Net Cash (Used) by Operating Activities | (89,444) |
| Cash Flows from Non-Capital and Related Financing Activities: | |
| Loan Proceeds | 60,800 |
| Principal Payments | (29,125) |
| Interest and Fiscal Charges | (903) |
| | <hr/> |
| Net Cash Provided by Non-Capital and Related Financing Activities | 30,772 |
| Cash Flows from Investing Activities: | |
| Earnings on Investments | 155 |
| Payment for the Purchase of Property | (73,144) |
| Proceeds from the Sale of Property | 157,690 |
| | <hr/> |
| Net Cash Provided by Cash Flows from Investing Activities | 84,701 |
| Net Increase in Cash and Cash Equivalents | 26,029 |
| Cash and Cash Equivalents - Beginning of Year | 38,405 |
| | <hr/> |
| Cash and Cash Equivalents - End of Year | 64,434 |
| | <hr/> <hr/> |
| Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities | |
| Operating Income (Loss) | (89,444) |
| | <hr/> |
| Net Cash Provided (Used) by Operating Activities | (\$89,444) |
| | <hr/> <hr/> |

See accompanying notes to the basic financial statements.

This page intentionally left blank.

Trotwood Community Improvement Corporation
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

Note 1 – Nature of Organization and Reporting Entity

The Trotwood Community Improvement Corporation, Montgomery County (the “Corporation”), a 501(c)3 non-profit 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 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

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, 2015

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 costs 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.

Real Estate Held for Resale

The Corporation, acting as a county land re-utilization/community improvement corporation utilizes the tax foreclosure process through the State of Ohio to acquire delinquent abandoned residential and commercial real estate. At 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, 2015.

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.

Trotwood Community Improvement Corporation
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

Note 3- Deposits

The Corporation maintains its cash account in one commercial bank in Ohio. Custodial credit risk is the risk that in the event of a bank failure, the Corporation's deposits may not be returned to it. The Corporation's policy for deposits is any balance not covered by depository insurance will be collateralized by the financial institutions with pledged securities. As of December 31, 2015, none of the Corporation's bank balance of \$65,131 was exposed to custodial risk because it was insured by the Federal Deposit Insurance Corporation.

Note 4 – Real Estate Held for Resale

Real Estate Held for Resale activity for the fiscal year ended December 31, 2015 is as follows:

| Class | Beginning Balance | Addition | Deletion | Ending Balance |
|-----------------------------|----------------------|-----------|-----------|-------------------|
| Real Estate Held for Resale | \$224,500 | \$531,847 | \$101,946 | \$654,401 |

As of December 31, 2015 the Corporation has 38 lots (valued at \$2,500 each) in the Sycamore Woods development for a total \$95,000 and 13 various other lots with a value of \$559,401.

Note 5 – Loans Payable

The City entered into a loan agreement with CountyCorp to finance renovation expenses for various properties for the Corporation. The loan was approved for a total amount up to \$225,000 and will be repaid once the properties are sold. The Corporation will pay 1% interest each year on the loan balance they owe.

| Loan Payable | Beginning Balance | Addition | Deletion | Ending Balance |
|--------------|----------------------|----------|----------|-------------------|
| CountyCorp | \$29,125 | \$60,800 | \$29,125 | \$60,800 |

Note 6 – Related Parties

The Corporation has no paid employees; time spent on its activities by the officers and board members of the Corporation is donated by the local businesses, City of Trotwood, and the individual themselves. The value of donated services has not been recorded in the financial statements at December 31, 2015.

This page intentionally left blank.



Dave Yost • Auditor of State

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, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements and have issued our report thereon dated August 31, 2018.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Corporation's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our 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 certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2016-001 and 2016-002 to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Corporation's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2016-001.

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.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State
Columbus, Ohio

August 31, 2018

**TROTWOOD COMMUNITY IMPROVEMENT CORPORATION
MONTGOMERY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2016 AND 2015**

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

FINDING NUMBER 2016-001

NONCOMPLIANCE AND MATERIAL WEAKNESS

Ohio Rev. Code § 1724.05 states each community improvement corporation shall prepare an annual financial report that conforms to rules prescribed by the auditor of state pursuant to section 117.20 of the Revised Code, that is prepared according to Generally Accepted Accounting Principles (GAAP), and that is certified by the Board of Directors of the Corporation or its treasurer or other chief fiscal officer to the best knowledge and belief of those persons certifying the report. The financial report shall be filed with the auditor of state within one hundred twenty days following the last day of corporation's fiscal year, unless the auditor of state extends that deadline.

Governmental Accounting Standards Board (GASB) Codification section 2450 paragraph 128 requires governments to use the direct method for reporting their proprietary funds' cash flows for operating activities. Additionally paragraph 106 of GASB Codification Section 2200, in part, states that the basic financial statements should be preceded by Management's Discussion and Analysis (MD&A), which is required supplementary information (RSI). MD&A should provide an objective and easily readable analysis of the government's financial activities based on currently known facts, decisions, or conditions.

Contrary to the requirements of paragraph 128 of GASB Codification 2450, the Corporation's 2015 statement of cash flow was prepared using the indirect method. Audit adjustments were made to properly present the statement using the direct method. Additionally, the 2015 and 2016 financial statements filed with the Auditor of State on the HINKLE system did not include Management's Discussion and Analysis.

The Corporation should establish and implement policies and procedures to verify that the financial statements are prepared in accordance with the applicable GASB standards and a full set of statements are filed with the Ohio Auditor of State. Failure to do so could result in incomplete information being presented to the users of the financial statements.

Official's Response: We did not receive a response from Officials to this finding.

FINDING NUMBER 2016-002

MATERIAL WEAKNESS

In our audit engagement letter, as required by AU-C Section 210, Terms of Engagement, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .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.

**FINDING NUMBER 2016-002
(Continued)**

The Corporation had a line of credit with County Corp for the renovation of housing units during the audit period. At December 31, 2014, the outstanding balance on the line of credit was \$29,125. During 2015, the property associated with the line of credit was sold for \$30,028 and the proceeds from sale of assets were used to repay the \$29,125 in principal balance and \$903 in interest and fiscal charges. The Corporation did not report the retirement of line of credit during 2015 which resulted in the following errors on the accompanying financial statements that were required to be adjusted:

1. Loans payable was overstated by \$29,125, while Interest and Fiscal Charges and Gain on Sale of Property were understated by \$903 and \$30,028 respectively during 2015
2. During 2016, the Corporation reported the sale of asset and reduction of debt which resulted in Gain on Sale of Property being overstated by \$8,450 while Real Estate Expenses and Net Position - Beginning of the Year were understated by \$20,675 and \$29,125 respectively.

The Corporation invested in various real estate held for resale during 2016 and 2015. These investments were reported at fair market value. However, the Corporation failed to properly adjust the properties to fair market values. This resulted in the following errors on the accompanying financial statements that were required to be adjusted:

1. Real Estate Held for Resale was understated by \$418,144 at December 31, 2015 while Net Position - Beginning of Year and Real Estate Expenses were overstated by \$2,500 and \$9,956 respectively. Capital Contributions were understated by \$732. Additionally, Fair Market Value Adjustment for Purchase of Real Estate and Gain (Loss) on Sale of Property were misstated by \$332,478 and \$77,478 respectively.
2. At December 31, 2016, Real Estate Held for Resale and Net Position - Beginning of the Year was understated by \$253,759 and \$418,144 respectively. At the same time, Real Estate Expenses were overstated by \$7,328 and Fair Market Value Adjustment for Purchase of Real Estate and Gain (Loss) on Sale of Property had errors of \$219,860 and \$48,147 respectively.

The Corporation presented 2015 statement of cash flows using the indirect method. Governmental Accounting Standards Board (GASB) Codification section 2450 paragraph 128 requires governments to use the direct method for reporting their proprietary funds' cash flows for operating activities. Therefore, the cash flow statement had to be adjusted to present it using the correct method. Adjustments were also made to the 2016 cash flow statement to properly report cash flow activity of the Corporation.

Other immaterial errors were also noted during our testing that have been reported to the management and those charged with governance in the Summary of Unadjusted Differences (SUD) form.

Policies and procedures should be established and implemented to verify that financial statements present a complete picture of the Corporation's activity during the year and at year end. Someone independent of the statement preparation process should review the financial statements to verify the completeness and accuracy of financial activities reported. Failure to do so could result in material misstatements on the financial statements going undetected in a timely manner.

Official's Response: We did not receive a response from Officials to this finding.



Dave Yost • Auditor of State

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
NOVEMBER 8, 2018**