



OHIO AUDITOR OF STATE
KEITH FABER



**SENECA COUNTY LAND REUTILIZATION CORPORATION
SENECA COUNTY
DECEMBER 31, 2018**

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INDEPENDENT AUDITOR'S REPORT

Seneca County Land Reutilization Corporation
Seneca County
109 South Washington Street, Suite 2105
Tiffin, Ohio 44883

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of Seneca County Land Reutilization Corporation, Seneca County, Ohio (the Corporation), a component unit of Seneca County, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Corporation's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Corporation's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of Seneca County Land Reutilization Corporation, Seneca County, Ohio, as of December 31, 2018, and the respective changes in financial position thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 3 to the financial statements, during the year ended December 31, 2018, the Corporation elected to change its basis of accounting from regulatory cash-basis to accounting principles generally accepted in the United States of America. 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 August 15, 2019 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

August 15, 2019

SENECA COUNTY LAND REUTILIZATION CORPORATION
SENECA COUNTY
(A Component Unit of Seneca County)

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018
(UNAUDITED)

The management's discussion and analysis of the Seneca County Land Reutilization Corporation's (the Corporation) financial performance provides an overall review of the Corporation's financial activities for the year ended December 31, 2018. The intent of this discussion and analysis is to look at the Corporation's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the Corporation's financial performance.

Financial Highlights

Key financial highlights for 2018 are as follows:

- The Corporation has prepared, for the first time, financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local governmental units. The restatement to cash fund balance as previously reported at December 31, 2017, is described in Note 3.
- The net position of the Corporation decreased \$165,264 during 2018.

Using this Annual Financial Report

This annual report consists of a series of financial statements and notes to these statements. These statements are organized so the reader can understand the Corporation as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The statement of net position and statement of activities provide information about the activities of the Corporation as a whole, presenting both an aggregate view of the Corporation's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending.

Reporting the Corporation as a Whole

Statement of Net Position and the Statement of Activities

While this document contains only one fund used by the Corporation to provide programs and activities, the view of the Corporation as a whole looks at all financial transactions and asks the question, "How did we do financially during 2018?" The statement of net position and the statement of activities answer this question. These statements include all assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

Governmental activities - The Corporation's programs and services are reported here. These services are funded primarily by intergovernmental revenues and contributions and donations.

Reporting the Corporation's Most Significant Fund

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for

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MANAGEMENT'S DISCUSSION AND ANALYSIS
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(Continued)

specific activities or objectives. The Corporation, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Corporation maintains one governmental fund, the General fund.

Fund financial reports provide detailed information about the Corporation's major fund. The Corporation uses the General fund to account for a multitude of financial transactions.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, the readers may better understand the long-term impact of the government's near-term financing decisions.

The Corporation maintains a General fund.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Government-Wide Financial Analysis

The statement of net position provides the perspective of the Corporation as a whole. The table below provides a summary of the Corporation's net position at December 31, 2018. Since this is the first year that the Corporation has prepared GAAP-basis financial statements, comparison with prior year is not available. A comparative analysis will be provided in future years when prior year information is available.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018
(UNAUDITED)
(Continued)

Net Position

	<u>Governmental Activities</u>
	<u>2018</u>
<u>Assets</u>	
Current and other assets	\$ <u>227,580</u>
<u>Liabilities</u>	
Current and other liabilities	<u>300,000</u>
<u>Net Position</u>	
Unrestricted (deficit)	<u>\$ (72,420)</u>

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MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018
(UNAUDITED)
(Continued)

The table below shows the changes in net position for 2018. Since this is the first year that the Corporation has prepared GAAP-basis financial statements, comparison with prior year is not available. A comparative analysis will be provided in future years when prior year information is available.

Change in Net Position

	Governmental <u>Activities</u> <u>2018</u>
Revenues	
Program revenues:	
Operating grants and contributions	<u>\$ 58,000</u>
General revenues:	
Grants and entitlements	111,545
Contributions and donations	106,200
Investment earnings	16
Other	<u>8,250</u>
Total general revenues	<u>226,011</u>
Total revenues	<u>284,011</u>
Expenses	
Current:	
General government	<u>449,275</u>
Change in net position	(165,264)
Net position at beginning of year (restated)	<u>92,844</u>
Net position (deficit) at end of year	<u>\$ (72,420)</u>

Governmental Activities

Governmental activities net position decreased \$165,264 during 2018. The Corporation received 52 donated/forfeited properties valued at \$106,200 during 2018 that are reported in assets held for resale. The Corporation transferred/sold 15 parcels during the year. The going sales price for each vacant parcel is \$100. The Corporation received a \$300,000 advance from Seneca County that is reported as a liability (see Note 6 in the notes to the basic financial statements for detail). This advance will be repaid once the Corporation requests and receives reimbursement from the Neighborhood Initiative Program for the demolition of 45 properties completed over the past several years. General government expenses include demolition reimbursements, professional services, insurance, property costs and miscellaneous/other. The Corporation's largest expenses during 2018 were demolition reimbursement expenses.

SENECA COUNTY LAND REUTILIZATION CORPORATION
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MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018
(UNAUDITED)
(Continued)

General Fund

The fund balance of the General fund decreased \$165,264 during 2018. This decrease is primarily the result of an increase in demolition reimbursement expenses which have not yet been reimbursed through grant funding.

Capital Assets

As of December 31, 2018, the Corporation does not have any capital assets.

Debt Administration

As of December 31, 2018, the Corporation does not have any debt.

Current Financial Related Activities

The County formed the Seneca County Land Reutilization Corporation on November 19, 2015 with the purpose of reclaiming, rehabilitating or reutilizing economically non-productive land throughout Seneca County. The Corporation can potentially address parcels where the fair market value of the property has been greatly exceeded by the delinquent taxes and assessed liens and are therefore not economically feasible to initiate foreclosure actions upon. By establishing a land bank program, the County can begin to address dilapidated housing issues in communities located in Seneca County and return properties to productive use.

Contacting the Corporation's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the Corporation's finances and to show the Corporation's accountability for the money it receives. If you have questions about this report or need additional financial information please contact: Mr. Paul Harrison, Treasurer, Seneca County, 109 South Washington Street, Suite 2105, Tiffin, Ohio 44883.

SENECA COUNTY LAND REUTILIZATION CORPORATION
SENECA COUNTY
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STATEMENT OF NET POSITION
DECEMBER 31, 2018

	Governmental Activities
Assets:	
Cash	\$ 95,313
Prepayments	1,667
Assets held for resale.	130,600
Total assets	227,580
Liabilities:	
Due to primary government - advance	300,000
Net position:	
Unrestricted (deficit)	\$ (72,420)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

SENECA COUNTY LAND REUTILIZATION CORPORATION
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BALANCE SHEET
GOVERNMENTAL FUND
DECEMBER 31, 2018

	General
Assets:	
Cash	\$ 95,313
Prepayments	1,667
Assets held for resale.	130,600
Total assets	\$ 227,580
Liabilities:	
Due to primary government - advance	\$ 300,000
Fund balance:	
Nonspendable:	
Prepayments.	1,667
Assets held for resale	130,600
Unassigned (deficit)	(204,687)
Total fund balance (deficit).	\$ (72,420)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

SENECA COUNTY LAND REUTILIZATION CORPORATION
SENECA COUNTY
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STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - GOVERNMENTAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

	General
Revenues:	
Intergovernmental	\$ 111,545
Investment income	16
Contributions and donations	164,200
Miscellaneous	8,250
Total revenues	284,011
Expenditures:	
Current:	
General government:	
Demolition reimbursements	358,200
Professional services	68,727
Insurance	8,673
Property costs	12,928
Miscellaneous/other	747
Total expenditures	449,275
Net change in fund balance	(165,264)
Fund balance at beginning of year (restated) . .	92,844
Fund balance (deficit) at end of year	\$ (72,420)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

SENECA COUNTY LAND REUTILIZATION CORPORATION
SENECA COUNTY
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 1 - DESCRIPTION OF THE REPORTING ENTITY

The Seneca County Land Reutilization Corporation (the Corporation) is a county land reutilization corporation that was formed on November 19, 2015 when the Seneca County Board of Commissioners authorized the incorporation of the Corporation under Chapter 1724 of the Ohio Revised Code through resolution as a not-for-profit corporation under the laws of the State of Ohio. The purpose of the Corporation is for reclaiming, rehabilitating or reutilizing economically non-productive land throughout Seneca County (the County). The Corporation can potentially address parcels where the fair market value of the property has been greatly exceeded by the delinquent taxes and assessed liens and are therefore not economically feasible to initiate foreclosure actions upon. By establishing the Corporation, the County can begin to address dilapidated housing issues in communities located in the County and also return properties to productive use. The Corporation has been designated as the County's agent to further its mission to reclaim, rehabilitate, and reutilize vacant, abandoned, tax foreclosed and other real property in the County by exercising the powers of the County under Chapter 5722 of the Ohio Revised Code.

Pursuant to Section 1724.03 (B) of the Ohio Revised Code, the Board of Directors of the Corporation shall be composed of five members including, (1) the County Treasurer, (2) at least two members of the County Board of Commissioners, (3) one member who is a representative of the largest municipal corporation, based on the population according to the most recent federal decennial census, that is located in the County, (4) one member who is a representative of a township with a population of at least ten thousand in the unincorporated area of the township according to the most recent federal decennial census, and (5) any remaining members selected by the County Treasurer and the County Commissioners who are members of the Corporation board. The term of office of each ex officio director runs concurrently with the term of office of that elected official. The term of office of each appointed director is two years.

The Corporation is a political subdivision of the State of Ohio. In accordance with the Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organization Are Component Units" and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus", the Corporation's primary government and basic financial statements include components units which are defined as 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 impose its will over the organization; or (2) the Corporation is legally entitled to or can otherwise access the organization's resources; or (3) the Corporation is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the Corporation is obligated for the debt of organization. The Corporation does not have any component units and does not include any organizations in its presentation. The Corporation's management believes these basic financial statements present all activities for which the Corporation is financially accountable. The Corporation is a component unit of Seneca County, Ohio.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Corporation have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The Corporation's significant accounting policies are described below.

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SENECA COUNTY
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(Continued)

Basis of Presentation

The Corporation's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the Corporation as a whole. These statements include the financial activities of the primary government, except for the fiduciary funds. These statements usually distinguish between those activities of the Corporation that are governmental and those that are business-type. The Corporation, however, does not have any business-type activities or fiduciary funds.

The statement of net position presents the financial condition of the governmental activities of the Corporation at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Corporation's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the Corporation, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental program is self-financing or draws from the general revenues of the Corporation.

Fund Financial Statements

During the year, the Corporation segregates transactions related to certain Corporation functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Corporation at this more detailed level. The Corporation's General fund is its only governmental fund.

Fund Accounting

The Corporation uses fund accounting to segregate cash and investments that are restricted as to use. A fund is a separate accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and attaining certain objectives in accordance with special regulations, restrictions or limitations. For financial statement presentation purposes, the Corporation's fund is classified as governmental.

Governmental Funds

Governmental funds focus on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be repaid. The difference between governmental fund assets plus deferred outflows less liabilities plus deferred inflows is reported as fund balance. The following is the Corporation's only governmental fund:

SENECA COUNTY LAND REUTILIZATION CORPORATION
SENECA COUNTY
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(Continued)

General Fund - The General fund accounts for all financial resources that are received from the County Treasurer from penalties collected on delinquent property taxes and interest on those delinquencies. The General fund receives 5% of all collections of delinquent real property, personal property, and manufactured and mobile home taxes that are deposited into the County's Delinquent Real Estate Tax Assessment and Collection (DRETAC) fund. The General fund balance is available to the Corporation for any purpose provided it is expended or transferred according to the general laws of Ohio.

Measurement Focus

Government-Wide Financial Statements

The government-wide financial statements are prepared using a flow of economic resources measurement focus. All assets, all deferred outflows, all liabilities and all deferred inflows associated with the operation of the Corporation are included on the statement of net position. The statement of activities presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position.

Fund Financial Statements

The General fund is accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets, current deferred outflows, current liabilities and current deferred inflows generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balance reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for the General fund. For 2018, there were no differences between the government-wide statements and the General fund.

Basis of Accounting

Basis of accounting determines when transactions are recorded on the financial records and reported on the financial statements. Government-wide statements are prepared using the accrual basis of accounting. The General fund uses the modified accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred inflow of resources and in the presentation of expenses versus expenditures.

Revenues - Exchange and Nonexchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available. Available means that the resources will be collected within the current year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. For the Corporation, available means expected to be received within sixty days of year-end.

Nonexchange transactions, in which the Corporation receives value without directly giving equal value in return, include grants, entitlements and donations. Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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(Continued)

year when use is first permitted, matching requirements, in which the Corporation must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Corporation on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, intergovernmental revenue sources are considered to be both measurable and available at year-end.

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

Budgetary Process

The Corporation is not bound by the budgetary laws prescribed by the Ohio Revised Code for purely governmental entities. The Corporation did not adopt an annual budget prior to the beginning of the year or approve appropriations and subsequent amendments during the year.

Federal Income Tax

The Corporation is exempt from federal income tax under Section 115(1) of the Internal Revenue Code.

Cash and Investments

All monies received by the Corporation are deposited in demand deposit accounts. The Corporation had no investments during the year or at the end of the year.

Investments with an original maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents.

Prepayments

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These items are reported as assets on the balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed. At year end, because prepayments are not available to finance future governmental fund expenditures, a nonspendable fund balance is recorded by an amount equal to the carrying value of the asset on the fund financial statements.

Assets Held for Resale

Assets held for resale represent properties purchased by or donated to the Corporation. These properties are valued based upon the purchase price plus any costs of maintenance, rehabilitation, or demolition of homes on the properties. Donated or forfeited properties are reported at fair value. The Corporation holds the properties until the home is either sold to a new homeowner, sold to an individual who will rehabilitate the

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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(Continued)

home, or the home on the property is demolished. Properties with demolished homes could be transferred to the city or township they are in after demolition, until those parcels may be merged with adjacent parcels for development or green space projects, or the Corporation may sell other lots to the owners of adjacent parcels for a nominal cost.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

Governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the fund.

Net Position

Net position represents the difference between assets, deferred outflows, liabilities and deferred inflows. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The Corporation had no restricted net position at December 31, 2018.

Intergovernmental Revenue

The Corporation receives operating income through Seneca County. This money represents the penalties and interest on current unpaid and delinquent property taxes once these taxes are paid. Pursuant to ORC 321.263, these penalty and interest monies are collected by the County when taxes are paid and then are paid to the Corporation upon the Corporation's written request.

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Corporation is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable Fund Balance - The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example, assets held for resale and prepaid amounts.

Restricted Fund Balance - The restricted classification is used when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Committed Fund Balance - The committed fund balance classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Corporation's Board of Directors. Those committed amounts cannot be used for any other purpose unless the Board of Directors remove or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

SENECA COUNTY LAND REUTILIZATION CORPORATION
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(Continued)

Assigned Fund Balance - Assigned fund balance includes amounts that are constrained by the Corporation's intent to be used for specific purposes, but are neither restricted nor committed. In the General fund, assigned amounts represent intended uses established by policies of the Board of Directors. The Board of Directors has by resolution authorized the Treasurer to assign fund balance.

Unassigned Fund Balance - Unassigned fund balance is the residual classification for the General fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General fund.

The Corporation applies restricted resources first when expenditures are incurred for purposes for which restricted and unrestricted (committed, assigned, and unassigned) fund balance is available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Estimates

The preparation of the basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the basic financial statements and accompanying notes. Actual results may differ from those estimates.

Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Corporation Administration and that are either unusual in nature or infrequent in occurrence. The Corporation had no extraordinary or special items during 2018.

NOTE 3 - ACCOUNTABILITY

Change in Accounting Principles

For the year ended December 31, 2018, the Corporation has presented for the first time its basic financial statements in accordance with GAAP. In conjunction with this presentation, the Corporation has converted its governmental fund to the modified accrual basis of accounting and its governmental activities to the accrual basis of accounting.

Modified Accrual and Accrual Basis Adjustments - the conversion of the activities from the cash-basis of accounting to the modified accrual and accrual basis of accounting required certain adjustments to be recorded at December 31, 2017 to the net cash position as previously reported to reflect the prior year's effect of adopting these accounting principles.

The restatement to the December 31, 2017 cash fund balance for the Corporation follows:

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(A Component Unit of Seneca County)

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(Continued)

	General Fund/ Governmental Activities
Cash fund balance/net cash position, December 31, 2017	\$ 42,472
Modified accrual basis adjustments:	
Intergovernmental receivable	20,179
Prepayments	4,293
Assets held for resale	25,900
Restated fund balance/net position, December 31, 2017	\$ 92,844

NOTE 4 - DEPOSITS

Deposits with Financial Institutions

At December 31, 2018, the carrying amount of all Corporation deposits was \$95,313. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2018, the entire amount of the Corporation's bank balance of 224,018 was covered by the Federal Deposit Insurance Corporation (FDIC).

NOTE 5 - RISK MANAGEMENT

The Corporation is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Corporation contracted with The Cincinnati Specialty Underwriters Insurance Company from January 1, 2018 through April 30, 2018 and the County Risk Sharing Authority (CORSA) from May 1, 2018 through December 31, 2108, for liability insurance.

The limitations of coverages with CORSA are as follows:

Coverage	Limit/Occurrence
General liability	\$1,000,000
Automobile liability	\$1,000,000
Errors and omissions liability	\$1,000,000
Ohio stop gap employers' liability	\$1,000,000
Employee benefits liability	\$1,000,000
Attorney disciplinary proceedings	\$25,000
Declaratory, injunctive or equitable relief	\$25,000

There has been no reduction in coverage from the prior year and settled claims have not exceeded the Corporation's coverage the past two years and there was no significant change in insurance coverage from the prior year.

NOTE 6 - TRANSACTIONS WITH SENECA COUNTY

Pursuant to and in accordance with Section 321.261 (B) of the Ohio Revised Code, the Corporation has been authorized by the Seneca County Board of Commissioners to receive 5% of all collections of

SENECA COUNTY LAND REUTILIZATION CORPORATION
SENECA COUNTY
(A Component Unit of Seneca County)

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(Continued)

delinquent real property, personal property, and manufactured and mobile home taxes that are deposited into the County's Delinquent Real Estate Tax Assessment and Collection (DRETAC) fund and will be available for appropriation by the Corporation to fund operations.

At December 31, 2018, the Corporation recognized revenues of \$111,545 for these fees that were collected by the County in 2018. The Corporation also received \$300,000 in an advance from the County that will be repaid with future revenues. This amount is reported as "due to primary government - advance" in the basic financial statements.

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NorthwestRegion@ohioauditor.gov

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

Seneca County Land Reutilization Corporation
Seneca County
109 South Washington Street, Suite 2105
Tiffin, Ohio 44883

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 governmental activities and the major fund of Seneca County Land Reutilization Corporation, Seneca County, Ohio (the Corporation) as of and for the year ended December 31, 2018, 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 15, 2019, wherein we noted the Corporation restated beginning balances as a result of changing its basis of accounting from regulatory cash-basis to accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

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

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*.

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

August 15, 2019

**SENECA COUNTY LAND REUTILIZATION CORPORATION
SENECA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2018**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2018-001

Material Weakness

Financial Reporting

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.

An error was noted in the financial statements, resulting in restated opening equity being understated by \$20,179 while intergovernmental revenues for the current year were overstated in the same amount.

This error was the result of inadequate policies and procedures in reviewing the financial statements. Failure to complete accurate financial statements could lead to the Board making misinformed decisions. The accompanying financial statements, notes to the financial statements, and accounting records have been adjusted to correct this error.

To help ensure the Corporation's financial statements and notes to the financial statements are complete and accurate, the Corporation should adopt policies and procedures, including a final review of the financial statements and notes to the financial statements by the Fiscal Officer and Board, to identify and correct errors and omissions.

Officials' Response:

We did not receive a response from Officials to the finding reported above.

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OHIO AUDITOR OF STATE KEITH FABER



SENECA COUNTY LAND REUTILIZATION CORPORATION

SENECA 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
SEPTEMBER 3, 2019**