

LUCAS COUNTY LAND REUTILIZATION CORPORATION
LUCAS COUNTY, OHIO
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

See Independent Auditors' Report



Dave Yost • Auditor of State

Board of Directors
Lucas County Land Reutilization Corporation
One Government Center, Suite 500
Toledo, Ohio 43064

We have reviewed the *Independent Auditor's Report* of the Lucas County Land Reutilization Corporation, Lucas County, prepared by Rehmann Robson , for the audit period January 1, 2017 through December 31, 2017. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Lucas County Land Reutilization Corporation is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

May 25, 2018

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**LUCAS COUNTY LAND REUTILIZATION CORPORATION
LUCAS COUNTY**

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INDEPENDENT AUDITORS' REPORT

April 18, 2018

Board of Directors
Lucas County Land Reutilization Corporation
Toledo, Ohio**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and the General Fund of Lucas County Land Reutilization Corporation (the Corporation), a component unit of Lucas County, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Independent Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers 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 for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

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 General Fund of Lucas County Land Reutilization Corporation, as of December 31, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Corporation's basic financial statements. The Schedule of Revenue, Expenditures, and Changes in Fund Balance-Budget (Non-GAAP Basis) and Actual – General Fund (Schedule) is presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule is the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 18, 2018, on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion 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.



LUCAS COUNTY LAND REUTILIZATION CORPORATION
LUCAS COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017
UNAUDITED

This management's discussion and analysis of the financial performance of the Lucas County Land Reutilization Corporation (the Corporation) provides an overall review of the Corporation's financial activities for the year ended December 31, 2017. The intent of this discussion and analysis is to look at the Corporation's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the Corporation's financial performance.

Financial Highlights

Key financial highlights for 2017 are as follows:

- The Corporation is focused on returning property to productive use, returning property to the tax duplicate and accelerating economic or housing activity in Lucas County communities. The Corporation works cooperatively with cities, other units of government and individual property owners to acquire troubled real estate and return it to productive use.
- The Corporation received approximately \$1.3 million from Lucas County under an arrangement to receive 5% of delinquent taxes collected. The Corporation also received approximately \$5.2 million from the Neighborhood Initiative Program.
- The Corporation acquired 1,079 properties and disposed of 296 in 2017.

Overview of the Financial Statements

This annual report consists of financial statements and notes to the financial statements. These statements are organized so the reader can understand the Corporation's financial activities. The statements then proceed to provide a detailed look at our specific financial conditions.

The Statement of Net Position and Statement of Activities provide information about the activities of the Corporation, presenting a longer-term view of the Corporation's assets. The Statement of Activities shows changes to net assets related to each department of the Corporation. Fund financial statements tell how services were financed in the short-term as well as what dollars remain for future spending.

Reporting the Corporation's Financial Activities

Statement of Net Position and the Statement of Activities

The Statement of Net Position and Statement of Activities include all assets and liabilities using the *accrual basis of accounting* similar to the accounting method used by the private sector. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash was received or paid.

LUCAS COUNTY LAND REUTILIZATION CORPORATION
LUCAS COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017
UNAUDITED

These two statements report the Corporation's net position and changes in that position. This change in net position is important because it tells the reader whether, for the Corporation as a whole, the *financial position* of the Corporation has improved or diminished. However, in evaluating the overall position of the Corporation, non-financial information such as the condition of the Corporation's capital assets will also need to be evaluated.

The Statement of Net Position and the Statement of Activities are divided into the following categories:

- Assets
- Deferred Outflows of Resources
- Liabilities
- Deferred Inflows of Resources
- Net Position (Assets/Deferred Outflows minus Liabilities/Deferred Inflows)
- Program Expenses and Revenues
- General Revenues
- Net Position Beginning and End of Year

The table below provides a summary of Corporation's net position for 2017 and 2016.

Net Position	2017	2016
ASSETS		
Current and other assets	\$ 2,880,434	\$ 2,046,458
Assets held for resale	1,769,827	180,260
Capital assets, net	<u>34,455</u>	<u>49,173</u>
Total Assets	4,684,716	2,275,891
LIABILITIES		
Long-term liabilities	15,589	20,582
Other liabilities	<u>285,787</u>	<u>163,983</u>
Total Liabilities	<u>301,376</u>	<u>184,565</u>
NET POSITION		
Net investment in capital assets	34,455	49,173
Unrestricted	<u>4,348,885</u>	<u>2,042,153</u>
Total Net Position	<u>\$ 4,383,340</u>	<u>\$ 2,091,326</u>

LUCAS COUNTY LAND REUTILIZATION CORPORATION
LUCAS COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017
UNAUDITED

Accounts receivable consist of demolition expenses that are to be reimbursed from OHFA Neighborhood Initiative Program. Assets held for resale consist of any unsold parcels that are held by the Corporation at a value not to exceed net realizable value. Accounts payable consist of amounts due for Housing Fund program expenses.

Over time, net position can serve as useful indicator of a government's financial position. At December 31, 2017, the Corporation's net position was \$4,383,340 up from \$2,091,326 in 2016.

The table below shows the changes in net position for the year ending December 31, 2017 and 2016.

Change in Net Position

	2017	2016
REVENUES		
General Revenues		
Intergovernmental	\$ 6,841,690	\$ 6,209,078
Charges for Services	1,214,197	807,673
Interest	2,987	2,287
Miscellaneous	<u>298,287</u>	<u>12,554</u>
<i>Total General Revenues</i>	<u>8,357,161</u>	<u>7,031,592</u>
PROGRAM EXPENSES		
Professional and Contract Services	\$ 5,215,087	\$ 5,310,875
Administration	<u>850,060</u>	<u>845,414</u>
<i>Total Program Expenses</i>	<u>6,065,147</u>	<u>6,156,289</u>
Change in Net Position	2,292,014	875,303
Net Position at Beginning of Period	<u>2,091,326</u>	<u>1,216,023</u>
Net Position at End of Year	<u>\$ 4,383,340</u>	<u>\$ 2,091,326</u>

Revenues for 2017 and 2016 consist primarily of 5% of delinquent taxes contributed by Lucas County to the Corporation for the purpose of land reutilization and approximately \$5.2 million and \$4.7 million from the Neighborhood Initiative Program in 2017 and 2016, respectively. Charges for services have increased from the prior year due to increase in property sales and reimbursement activity. The Corporation acquired 1,079 properties in 2017 compared to 846 properties in the prior year and disposed of 296 properties in 2017 compared to 385 in 2016.

Reporting on the Corporation's Most Significant Fund

Governmental Fund

The presentation for the Corporation's only fund, the general fund, focuses on how resources flow into and out of it and the balance that is left at year end and available for spending in future periods. The general fund is reported using the modified accrual of accounting which measures cash and all other financial assets that are expected to be readily converted to cash. The governmental fund statements provide a detailed short-term view of the Corporation's general operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future on services provided to the Corporation's government constituents. The relationship (or difference) between governmental activities (reported on the Statement of Net Assets and the Statement of Activities) and the general fund is reconciled in the financial statements.

The Corporation had governmental revenues of \$8,357,161 and expenditures of \$6,065,147.

Capital Assets

In 2017 and 2016, the Corporation had no capital asset purchases or disposals.

Debt

As of December 31, 2017, the Corporation does not have any debt.

Current Financial Related Activities

The Corporation began operations on August 31, 2010. The Corporation is Lucas County, Ohio's agent to reclaim, rehabilitate, and reutilize vacant, abandoned, tax foreclosed and other real property in Lucas County. The purpose of the Corporation is to strengthen neighborhoods in Lucas County by returning vacant and abandoned properties to productive use. By strategically acquiring properties, the Corporation works to reduce blight, promote economic development, increase property values, and thereby improve the quality of life of all Lucas County residents. The principal operating revenues of the Corporation in the future will be contributions from Lucas County's delinquent estate tax and assessment collection fund and revenue from property dispositions.

Request for Information

This financial report is designed to provide users of the financial statements with a general overview of the Corporation's finances and show the Corporation's accountability for the money it receives. If you have questions about this report or need additional financial information contact David Mann, President, Lucas County Land Reutilization Corporation, One Government Center, Suite 580, Toledo, Ohio 43064.

LUCAS COUNTY LAND REUTILIZATION CORPORATION
LUCAS COUNTY
(A COMPONENT UNIT OF LUCAS COUNTY)
STATEMENT OF NET POSITION
DECEMBER 31, 2017

		Governmental Activities
Assets		
Cash and Cash Equivalents	\$	2,362,064
Intergovernmental Receivables		518,370
Assets Held For Resale		1,769,827
Depreciable Capital Assets, Net		34,455
Total Assets		4,684,716
Liabilities		
Accounts Payable		275,638
Wages Payable		6,730
Compensated Absences Payable		15,589
Due to Other Governments		3,419
Total Liabilities		301,376
Net Position		
Net Investment in Capital Assets		34,455
Unrestricted		4,348,885
Total Net Position	\$	4,383,340

See Accompanying Notes to the Basic Financial Statements

LUCAS COUNTY LAND REUTILIZATION CORPORATION
LUCAS COUNTY
(A COMPONENT UNIT OF LUCAS COUNTY)
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017

	Expenses	Program Revenue Charges for Services	Net (Expense) Revenue and Changes in Net Position Governmental Activities
Governmental Activities:			
Professional and Contract Services	\$ 5,215,087	\$ 1,214,197	\$ (4,000,890)
Administration	850,060	-	(850,060)
Total	\$ 6,065,147	\$ 1,214,197	\$ (4,850,950)
General Revenue:			
Intergovernmental			6,841,690
Interest			2,987
Miscellaneous			298,287
Total General Revenues			7,142,964
Change in Net Position			2,292,014
Net Position at Beginning of Year			2,091,326
Net Position at End of Year			\$ 4,383,340

See Accompanying Notes to the Basic Financial Statements

LUCAS COUNTY LAND REUTILIZATION CORPORATION
LUCAS COUNTY
(A COMPONENT UNIT OF LUCAS COUNTY)
BALANCE SHEET
GOVERNMENTAL FUND
DECEMBER 31, 2017

		General Fund
Assets		
Equity in Pooled Cash and Cash Equivalents	\$	2,362,064
Intergovernmental Receivables		518,370
Assets Held for Resale		1,769,827
Total Assets	\$	4,650,261
 Liabilities and Fund Balance		
<i>Liabilities:</i>		
Accounts Payable		275,638
Wages Payable		6,730
Due to Other Governments		3,419
Total Liabilities		285,787
 <i>Fund Balance:</i>		
Nonspendable		1,769,827
Unassigned		2,594,647
Total Fund Balance		4,364,474
Total Liabilities and Fund Balance	\$	4,650,261

See Accompanying Notes to the Basic Financial Statements

LUCAS COUNTY LAND REUTILIZATION CORPORATION
LUCAS COUNTY
(A COMPONENT UNIT OF LUCAS COUNTY)
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017

Total Governmental Fund Balances	\$ 4,364,474
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	34,455
Compensated absences payable is a contractually required benefit not expected to be paid with expendable available financial resources and therefore not reported in the funds.	<u>(15,589)</u>
Net Position of Governmental Activities	<u><u>\$ 4,383,340</u></u>

See Accompanying Notes to the Basic Financial Statements

LUCAS COUNTY LAND REUTILIZATION CORPORATION
LUCAS COUNTY
(A COMPONENT UNIT OF LUCAS COUNTY)
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>General Fund</u>
Revenues:	
Intergovernmental	\$ 6,841,690
Charges for Services	1,214,197
Interest	2,987
Miscellaneous	<u>298,287</u>
Total Revenues	8,357,161
Expenditures:	
Professional and Contract Services	5,200,369
Administration	<u>855,053</u>
Total Expenditures	<u>6,055,422</u>
Net Change in Fund Balance	2,301,739
Fund Balances Beginning of Year	<u>2,062,735</u>
Fund Balances End of Year	<u><u>\$ 4,364,474</u></u>

See Accompanying Notes to the Basic Financial Statements

LUCAS COUNTY LAND REUTILIZATION CORPORATION
LUCAS COUNTY
(A COMPONENT UNIT OF LUCAS COUNTY)
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE OF GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017

Net Change in Fund Balance - Total Governmental Fund \$ 2,301,739

Amounts reports for governmental activities in the statement of activities are different because:

Government funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeds depreciation expense in the current period.

Capital outlay - depreciable capital assets	-
Current year depreciation	(14,718)

Some expenses in the statement of activities, such as vacation benefits payable, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

4,993

Change in Net Position of Governmental Activities \$ 2,292,014

LUCAS COUNTY LAND REUTILIZATION CORPORATION
LUCAS COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 1 - DESCRIPTION OF THE REPORTING ENTITY

The Lucas County Land Reutilization Corporation (the Corporation) is a county land reutilization corporation that was formed on August 31, 2010 when the Lucas County Board of Commissioners authorized the incorporation of the Corporation under Chapter 1724 of the Ohio Revised Code through resolution number 10-713 as a not-for-profit corporation under the laws of the State of Ohio. The purpose of the Corporation is to strengthen neighborhoods in Lucas County (the County) by returning vacant and abandoned 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 nine 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 County is a political subdivision of the State of Ohio. In accordance with the Governmental Accounting Standards Board (GASB) Statement Number 14, as amended by GASB Statement Number 39, *The Financial Reporting Entity*, the County's primary government and basic financial statements include component units, which are defined as legally separate organizations for which the County is financially accountable. The County is financially accountable for an organization if the County appoints a voting majority of the organization's governing board and (1) the County 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 County is legally entitled to or can otherwise access the organization's resources; or (3) the County is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the County is obligated for the debt of organization. The Corporation is a legally separate entity and is reported by the County as a discretely presented component unit in the County's basic financial statements. 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 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.

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.

LUCAS COUNTY LAND REUTILIZATION CORPORATION
LUCAS COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

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

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 and liabilities is reported as fund balance. The following is the Corporation's only governmental fund:

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 balance is available to the Corporation for any purpose provided it is expended or transferred according to the general laws of Ohio.

LUCAS COUNTY LAND REUTILIZATION CORPORATION
LUCAS COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Measurement Focus

Government-Wide Financial Statements

The government-wide financial statements are prepared using a flow of economic resources measurement focus. All assets and all liabilities 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 and current liabilities 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.

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 revenue 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 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.

LUCAS COUNTY LAND REUTILIZATION CORPORATION
LUCAS COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Under the modified accrual basis, interest and grants 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 Board of Directors of the Corporation adopts an annual budget prior to the beginning of the fiscal year. Appropriations and subsequent amendments are approved by the Board of Directors during the year as required. See supplemental information.

Federal Income Tax

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

Cash and Cash Equivalents

All monies received by the Corporation are deposited in a demand deposit account. 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.

Capital Assets

Capital assets are reported in the governmental activities in the government-wide financial statements. Capital assets are defined by the Corporation as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are depreciated using the straight line method with vehicles having an estimated useful life of 5 years.

LUCAS COUNTY LAND REUTILIZATION CORPORATION
LUCAS COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Assets Held For Resale

Assets held for resale consist of any unsold parcels that have been transferred into the name of the Corporation. The values placed on these parcels are based solely on the expense incurred by the Corporation that directly pertains to said parcels not to exceed net realizable value. The Corporation holds the properties until the home or lot is either sold to a new homeowner, sold to an individual who will rehabilitate the 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. However, compensated absences are reported as a liability in the fund financial statements only to the extent payments come due each period upon the occurrence of employee resignations and retirements.

Compensated Absences

The Corporation records accumulated unpaid vacation, overtime pay, and vested sick time benefits as accrued compensated absences payable when earned by employees.

Ohio law requires that vacation time not be accumulated for more than three years. Normally, all vacation time is to be taken in the year available. Unused vacation is payable upon termination of employment. Unused sick may be accumulated until retirement. Employees with a minimum of ten years of service are paid one third of accumulated sick time upon retirement with a maximum of 40 days. In general, employees are eligible to be paid for unused compensatory time upon termination of employment. All sick, vacation and compensatory payments are made at the employees' current wage rates.

Net Position

Net position represents the difference between assets/deferred outflow of resources and liabilities/deferred inflows of resources. The Corporation did not have any deferred outflow of resources and deferred inflow of resources as of December 31, 2017. 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, 2017.

The Corporation applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

LUCAS COUNTY LAND REUTILIZATION CORPORATION
LUCAS COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Intergovernmental Revenue

The Corporation receives operating income through Lucas 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.

Estimates

The preparation of the basic financial statements in conformity with GAAP requirements 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.

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. It includes property acquired for resale, unless the use of the proceeds from the sale of these properties is restricted, committed or assigned.

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.

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.

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 either restricted or unrestricted (committed, assigned, and unassigned) amounts are 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.

LUCAS COUNTY LAND REUTILIZATION CORPORATION
LUCAS COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 3 – CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2017 was as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
Governmental Activities				
Capital assets, being depreciated				
Vehicles	\$ 68,534	\$ -	\$ -	\$ 68,534
Copier	<u>8,098</u>	<u>-</u>	<u>-</u>	<u>8,098</u>
Total capital assets, being depreciated	<u>76,632</u>	<u>-</u>	<u>-</u>	<u>76,632</u>
Less accumulated depreciation for:				
Vehicles	(26,025)	(13,706)	-	(39,731)
Copier	<u>(1,434)</u>	<u>(1,012)</u>	<u>-</u>	<u>(2,446)</u>
Total accumulated depreciation	<u>(27,459)</u>	<u>(14,718)</u>	<u>-</u>	<u>(42,177)</u>
Total capital assets being depreciated, net	<u>\$ 49,173</u>	<u>\$ (14,718)</u>	<u>\$ -</u>	<u>\$ 34,455</u>

Depreciation expense of \$14,718 was charged to Administration for governmental activities in 2017.

NOTE 4 - DEPOSITS

At December 31, 2017, the carrying amount of the Corporation's deposits was \$2,362,064, with a related bank balance of \$2,446,496. Based on the criteria described in GASB Statement Number 40, *Deposits and Investment Risk Disclosures*, as of December 31, 2017 \$250,000 and was covered by Federal Deposit Insurance Corporation (FDIC) and \$2,196,496 was uninsured and collateralized. Custodial credit risk is the risk that in the event of bank failure, that the Corporation's deposits may not be returned to it. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the Corporation. Protection of Corporation's cash and deposits is provided by the FDIC or collateralized by the financial institution.

NOTE 5 – RISK MANAGEMENT

The Corporation is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Corporation contracts with Brooks Insurance for various types of insurance as follows:

Type	Coverage
General Aggregate	\$2,000,000
Liability Property	2,000,000
Commercial General Liability	2,000,000
Personal Injury	2,000,000
Directors/Officers Liability	1,000,000
Employment Practices Liability	1,000,000

During the last three years, the settled claims have not exceeded commercial coverage.

LUCAS COUNTY LAND REUTILIZATION CORPORATION
LUCAS COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 6 - TRANSACTIONS WITH LUCAS COUNTY

Pursuant to and in accordance with Section 321.261 (B) of the Ohio Revised Code, the Corporation has been authorized by the Lucas County Board of Commissioners to receive 5% of all collections of delinquent real property, personal property, and manufactured and mobile home taxes that are deposited into the County's DETAC fund and will be available for appropriation by the Corporation to fund operations.

Pursuant to and in accordance with Section 307.01(D) of the Ohio Revised Code, the Corporation entered into an agreement with the Board of Lucas County Commissioners to utilize office space and telecommunications, staff support, office supplies, and record storage provided by the Treasurer's office for no consideration.

NOTE 7 - RECEIVABLES

Allowance for doubtful accounts were not recorded because all receivables are expected to be collected.

A summary of the principal items of governmental activities intergovernmental receivable follows:

Note receivable	\$ 64,000
OHFA NIP Reimbursement	441,620
Other	<u>12,750</u>
	<u>\$ 518,370</u>

NOTE 8 - FORGIVENESS OF LOAN

In November 2016, the Corporation made a conditional loan to a company for \$274,300. The terms of the loan allows for forgiveness if the company meets the terms of conditions. As of December 31, 2017, the company substantially met the terms of conditions and the Corporation properly expensed the loan.

LUCAS COUNTY LAND REUTILIZATION CORPORATION
LUCAS COUNTY
(A COMPONENT UNIT OF LUCAS COUNTY)
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET (NON-GAAP BASIS) AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2017

	Budget		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
Income				
Intergovernmental	\$ 6,700,000	\$ 6,550,000	\$ 6,393,031	\$ (156,969)
Charges for Services	1,234,500	1,625,000	1,629,458	4,458
Interest	2,000	2,500	2,987	487
Miscellaneous	20,000	285,000	298,287	13,287
Total Revenues	7,956,500	8,462,500	8,323,763	(138,737)
Expenditures				
Professional and Contract Services	7,414,000	7,575,000	6,703,111	871,889
Administration	860,960	883,600	851,129	32,471
Total Expenditures	8,274,960	8,458,600	7,554,240	904,360
Excess of Revenues Over Expenditures				
Expenditures	(318,460)	3,900	769,523	765,623
Fund Balance Beginning of Year	2,062,735	2,062,735	2,062,735	
Prior year encumbrances appropriated	1,974,147	1,974,147	1,974,147	
Fund Balance End of Year	\$ 3,718,422	\$ 4,040,782	\$ 4,806,405	\$ 765,623

See Accompanying Notes to the Supplemental Information

LUCAS COUNTY LAND REUTILIZATION CORPORATION
LUCAS COUNTY

NOTES TO THE SUPPLEMENTAL INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 1 – BUDGETARY BASIS OF ACCOUNTING

Budgetary Process

The budgetary process that is followed by the Corporation is for control purposes and is set forth in its Code of Regulations. At least thirty days prior to the end of each fiscal year, the President shall present to the Board of Directors the annual budget of the Corporation for the next succeeding fiscal year. The Board of Directors shall, at a regular or special meeting, conduct a public hearing on such budget and shall, at such meeting or at another meeting called for the purpose, adopt the annual budget which shall govern the expenditures of the Corporation during the fiscal year to which such budget applies. On and after the commencement of a fiscal year, the annual budget adopted for such fiscal year may be amended or supplemented by the Board of Directors as circumstances warrant. No binding monetary obligation of the Corporation shall be entered into unless there exists at the time in the applicable budget line item an unencumbered balance in an amount no less than lesser of (a) the amount of the monetary obligation to be incurred without either the amendment or supplement of such budget and line item by the Board of Directors and (b) the amount of the monetary obligation that will be due and payable in the fiscal year in which the monetary obligation is incurred. Nothing in this budgetary process shall be construed as prohibiting the President from approving the transfer of an unencumbered balance from any line item, account, or fund to a line item, account, or fund with respect to which an insufficient unencumbered balance exists when it is in the best interests of the Corporation to enter into the binding monetary obligation. In the event that due to unforeseen circumstances the annual budget has not been adopted and is not ready for adoption by the last day of the fiscal year immediately preceding the year of which such budget is to be effective, the Board of Directors may adopt a temporary budget governing fiscal matters for the first three months of the new fiscal year.

Budgetary Basis of Accounting

While the Corporation is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis is based upon accounting for certain transactions on a basis of cash receipts and disbursements. The Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are expenditures that are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statement to the budgetary basis statement for the general fund.

Net Change in Fund Balance	
GAAP Basis	\$ 2,301,739
Net Adjustment for Revenue Accruals	(33,398)
Net Adjustment for Expenditure Accruals	<u>(1,498,818)</u>
Budget Basis	<u>\$ 769,523</u>

**Independent Auditors' Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

April 18, 2018

Board of Directors
Lucas County Land Reutilization Corporation
Toledo, Ohio

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the General Fund of Lucas County Land Reutilization Corporation (the Corporation), a component unit of Lucas County, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements, and have issued our report thereon dated April 18, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Corporation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Corporation's financial statements will not be prevented, or detected and corrected on a timely basis. 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 preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that were not identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Corporation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Corporation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Rehmann Lohman LLC". The signature is written in a cursive, flowing style.



Dave Yost • Auditor of State

LUCAS COUNTY LAND REUTILIZATION CORPORATION

LUCAS 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
JUNE 7, 2018**