



OHIO AUDITOR OF STATE
KEITH FABER



**ALLEN COUNTY LAND REUTILIZATION CORPORATION
ALLEN COUNTY
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor’s Report	1
Prepared by Management:	
Management’s Discussion and Analysis For the Year Ended December 31, 2018.....	5
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position - December 31, 2018	10
Statement of Activities For the Year Ended December 31, 2018	11
Fund Financial Statements:	
Balance Sheet Governmental Fund – December 31, 2018.....	12
Reconciliation of Total Governmental Fund Balance to Net Position of Governmental Activities -December 31, 2018.....	13
Statement of Revenues, Expenditures and Changes in Fund Balance Governmental Fund - For the Year Ended December 31, 2018	14
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Fund to the Statement of Activities For the Year Ended December 31, 2018	15
Notes to Financial Statements For the Year Ended December 31, 2018.....	16
Supplemental Information:	
Schedule of Revenues, Expenditures, and Change in Fund Balance Budget (Non-GAAP Basis) and Actual General Fund For the Year Ended December 31, 2018.....	22
Notes to Supplemental Information	23
Management’s Discussion and Analysis For the Year Ended December 31, 2017.....	25
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position December 31, 2017	30

**ALLEN COUNTY LAND REUTILIZATION CORPORATION
ALLEN COUNTY
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

**TABLE OF CONTENTS
(Continued)**

TITLE	PAGE
Statement of Activities For the Year Ended December 31, 2017	31
Fund Financial Statements:	
Balance Sheet Governmental Fund - December 31, 2017	32
Reconciliation of Total Governmental Fund Balance to Net Position of Governmental Activities - December 31, 2017	33
Statement of Revenues, Expenditures and Changes in Fund Balance Governmental Fund - For the Year Ended December 31, 2017	34
Reconciliation of the Statement of Revenues, Expenditures and Change in Fund Balance of Governmental Funds to the Statement of Activities For the Year Ended December 31, 2017	35
Notes to Financial Statements For the Year Ended December 31, 2017	36
Supplemental Information:	
Schedule of Revenues, Expenditures, and Change in Fund Balance Budget (Non-GAAP Basis) and Actual General Fund For the Year Ended December 31, 2017	42
Notes to Supplemental Information	43
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	45
Schedule of Findings	47

OHIO AUDITOR OF STATE KEITH FABER



One First National Plaza
130 West Second Street, Suite 2040
Dayton, Ohio 45402-1502
(937) 285-6677 or (800) 443-9274
WestRegion@ohioauditor.gov

INDEPENDENT AUDITOR'S REPORT

Allen County Land Reutilization Corporation
Allen County
301 N. Main Street, Ste. 203
Lima, OH 45801

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 the Allen County Land Reutilization Corporation, Allen County, Ohio (the Corporation), as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Efficient • Effective • Transparent

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 the Allen County Land Reutilization Corporation, Allen County, Ohio, as of December 31, 2018 and 2017, and the respective changes in financial position thereof for the years then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

Our audit was conducted to opine on the Corporation's basic financial statements taken as a whole.

The Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual General Fund presents additional analysis and is not a required part of the financial statements.

The schedules are management's responsibility, and derive from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this information to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 17, 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.

A handwritten signature in black ink that reads "Keith Faber". The signature is written in a cursive, flowing style.

Keith Faber
Auditor of State
Columbus, Ohio

October 17, 2019

This page intentionally left blank.

ALLEN COUNTY LAND REUTILIZATION CORPORATION
Management's Discussion and Analysis
For the Year Ended December 31, 2018
(Unaudited)

The following Management's Discussion and Analysis (MD&A) of the Allen County Land Reutilization Corporation's (the Corporation) financial performance provides an introduction to the financial statements for the year ended December 31, 2018. The information contained in this MD&A should be considered in conjunction with the information contained in the Corporation's financial statements.

Financial Highlights

- At December 31, 2018, assets of the Corporation exceeded the liabilities by \$2,560,133.
- Total net position for 2018 increased by \$1,305,741 which was higher than the increase of \$1,088,728 in 2017.
- The Corporation's total revenues on the Statement of Activities amounted to \$1,769,158 in 2018, of which \$1,478,282 were program revenues and \$290,876 were general revenues.
- The Corporation had \$463,417 in total expenses in 2018 compared to \$246,914 in 2017.

Using this Annual Financial Report

The annual report consists of financial statements and notes to those statements. These statements are organized so the reader can understand the Corporation as a financial whole.

The Statement of Net Position and Statement of Activities (referred collectively as the government-wide statements) provide information about the activities of the entire Corporation and present a longer-term view of the Corporation's finances. The Corporation has no long-term assets. Please reference to the Current Notes Payable section on page 21 for information regarding debt.

Reporting the Corporation as a Whole

Statement of Net Position and Statement of Activities

These government-wide statements answer the question "How did the Corporation as a whole do financially during 2018?" They are prepared on the accrual basis of accounting, including all assets and liabilities, much the same way as for a private enterprise. This basis of accounting takes 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 the changes in the net position. This change in net position is important as it tells the reader that, 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, nonfinancial information such as the condition of the Corporation's needs will also need to be evaluated.

ALLEN COUNTY LAND REUTILIZATION CORPORATION
Management's Discussion and Analysis (Continued)
December 31, 2018
(Unaudited)

The Statement of Net Position. This statement (page 10) reports all assets and liabilities of the Corporation as of December 31, 2018. The difference between total assets and total liabilities is reported as net position. Increases in net position generally indicate an improvement in financial positions while decreases may indicate a deterioration of financial position.

The Statement of Activities. This statement (page 11) serves the purpose of the traditional income statement. It provides consolidated reporting of the results of all activities of the Corporation for the year ended December 31, 2018. Changes in net position are recorded in the period in which the underlying event takes place, which may differ from the period in which cash is received or disbursed. The Statement of Activities displays the expenses of the Corporation's various programs net of related revenues, as well as the separate presentation of revenues available for general purposes.

In the Statement of Net Position and the Statement of Activities, the Corporation has one kind of activity:

Governmental Activities. All of the Corporation's programs are reported here. These programs will be funded primarily by penalties and interest on delinquent property taxes collected and intergovernmental revenue which can include grants, sales of properties and donations.

Reporting the Corporation's Most Significant Funds

Fund Financial Statements

These statements provide financial position and results of the Corporation's major funds. The Corporation's only major governmental fund (and only fund) is the General Fund. A fund is an accounting entity created to account for a specific activity or purpose. The creation of some funds is mandated by law and others are created by management to demonstrate financial compliance with budgetary or legal requirements. Funds are classified into three broad categories: governmental funds, proprietary funds, and fiduciary funds. The Corporation has only governmental funds.

Governmental Funds. Governmental funds are used to account for "Government Type" activities. However, unlike the government-wide financial statements, governmental fund statements use a "flow of financial resources" measurement focus. The governmental fund statements provide a detailed short-term view of the Corporation's general operations and the basic services it provides. Increases in spendable resources are reported in the operating statements as "revenues" or "other financing sources." Decreases in spendable resources are reported "expenditures" or "other financing uses." State grants have financed most of those activities to date.

ALLEN COUNTY LAND REUTILIZATION CORPORATION
Management's Discussion and Analysis (Continued)
December 31, 2018
(Unaudited)

The Basic Governmental Fund Financial Statements can be found on pages 12 and 14 of this report. As the Corporation only has one fund, the Fund Activities do not differ from the Governmental Activities.

Other Information

Notes to the Basic Financial Statements:

The notes provide additional and explanatory data. They are an integral part of the basic financial statements. Notes to the Basic Financial Statements can be found starting on page 16 of this report. See notes to the basic financial statements for additional information on debt.

The Corporation as a Whole

Recall the Statement of Net Position looks at the Corporation as a whole. Table 1 provides a summary of the Corporation's net position for 2018 and 2017.

Table 1
Net Position

	2018	2017
Assets:		
Cash and cash equivalents	\$19,433	\$77,767
Accounts receivable	278,030	0
Property held for resale	3,028,452	1,811,490
Unapplied Property Acquisition Costs	4,125	14,740
Total assets	3,330,040	1,903,997
Liabilities:		
Accounts Payable	177,378	0
Deferred Revenue	200	0
Line of Credit	487,732	499,605
D'Arcy Loan Fund	104,597	150,000
Total liabilities	769,907	649,605
Net Position:		
Unrestricted	2,560,133	1,254,392
Total net position	\$2,560,133	\$1,254,392

ALLEN COUNTY LAND REUTILIZATION CORPORATION
Management's Discussion and Analysis (Continued)
December 31, 2018
(Unaudited)

2018 was the second full year of operations for the Corporation. During 2018, the Corporation's overall financial position increased by \$1,305,741. Cash and cash equivalents decreased due to property acquisition increases outpacing grant revenue increases. The biggest factor in the overall increase in financial position was the acquisition of property held for resale.

The following represents the Corporation's summary of changes in net position:

Table 2
Changes in Net Position

	2018	2017
Program Revenues		
Operating grants & contributions	\$ 1,478,282	\$ 978,175
General Revenues		
Property Sale Revenue	129,781	176,656
Miscellaneous Income	1,006	-
Operating County Contracts	160,089	180,811
Total Revenues	<u>1,769,158</u>	<u>1,335,642</u>
Program Expenses:		
Professional and contract services	437,021	163,931
Program Administration	26,396	82,983
Total Program Expenses	<u>463,417</u>	<u>246,914</u>
Increase in Net Position	1,305,741	1,088,728
Net Position, Beginning of Year	<u>1,254,392</u>	<u>165,664</u>
Total Net Position	<u>\$ 2,560,133</u>	<u>\$ 1,254,392</u>

The Corporation's revenues were \$1,769,158 and its expenses were \$463,417 for 2018. The revenue sources include funds from the Neighborhood Initiative Program Grant, as well as the sales of reclaimed properties.

A comparative analysis of the Corporation's financial position and change in net position is as follows:

- Total Revenues increased \$433,516 from 2017, due mainly to an increase in grant funding received.
- Total Expenses increased \$216,503 from 2017, mainly due to increased renovation and demolition expenses in 2018.

ALLEN COUNTY LAND REUTILIZATION CORPORATION
Management's Discussion and Analysis (Continued)
December 31, 2018
(Unaudited)

Capital Assets

The Corporation has no capital assets at this time.

Debt

The Corporation had one short term note payable on the books as of 12-31-2018, and one credit line with a balance due. Below are the values and the beginning and end of the year.

	Debt as of December 31, 2018		
	1/1/2018	12/31/2018	Net Change
D'arcy Loan	\$ 150,000	\$ 104,597	\$ (45,403)
Superior Credit Union LOC	499,605	487,732	(11,873)
Totals	<u>\$ 649,605</u>	<u>\$ 592,329</u>	<u>\$ (57,276)</u>

Request for Information

This financial report is designed to provide a general overview of the Allen County Land Reutilization Corporation finances for all those with an interest in the Corporation's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Board of Directors, Allen County Land Reutilization Corporation, 301 N. Main St., Lima, OH 45801.

ALLEN COUNTY LAND REUTILIZATION CORPORATION
Statement of Net Position
December 31, 2018

	Governmental Activites
Assets	
Current Assets	
Cash and Cash Equivalents	\$ 19,433
Receivables Miscellaneous	278,030
Unapplied Property Acquisition Costs	4,125
Property Held for Resale	3,028,452
Total Current Assets	3,330,040
Total Assets	3,330,040
Liabilities	
Current Liabilities	
Accounts Payable	177,378
Deferred Revenue	200
Line of Credit	487,732
D'Arcy Loan Fund	104,597
Total Current Liabilities	769,907
Total Liabilities	769,907
Net Position	
Unrestricted	2,560,133
Total Net Position	\$ 2,560,133

The Notes to the Financial Statements are an Integral Part of This Statement.

ALLEN COUNTY LAND REUTILIZATION CORPORATION
Statement of Activities
For the Year Ended December 31, 2018

		Program Revenues		Net Revenue (Expense) & Changes in Net Position
	Expenses	Operating Grants & Contributions		Governmental Activities
Governmental Activities:				
Professional and Contract Services	\$ 437,021	\$ 1,478,282	\$	1,041,261
Program Administration	26,396	-		(26,396)
Total Governmental Activities	<u>\$ 463,417</u>	<u>\$ 1,478,282</u>		<u>1,014,865</u>
General Revenues:				
Property Sale Income				129,781
Operating County Contracts				160,089
Miscellaneous Income				<u>1,006</u>
Total General Revenues				<u>290,876</u>
Change in Net Position				1,305,741
Net Position Beginning of Year				1,254,392
Net Position End of Year			\$	<u><u>2,560,133</u></u>

ALLEN COUNTY LAND REUTILIZATION CORPORATION
Balance Sheet
Governmental Fund
December 31, 2018

		General Fund
		<u> </u>
Assets		
Cash and Cash Equivalents	\$	19,433
Receivables Miscellaneous		278,030
Unapplied Property Acquisition Costs		4,125
Property Held for Resale		<u>3,028,452</u>
Total Assets	\$	<u>3,330,040</u>
 Liabilities & Fund Balance		
Liabilities		
Accounts Payable	\$	177,378
Deferred Revenue		200
Line of Credit		487,732
D'Arcy Loan Fund		<u>104,597</u>
Total Liabilities		<u>769,907</u>
Fund Balance		
Nonspendable		2,560,133
Unassigned		<u>0</u>
Total Fund Balance		<u>2,560,133</u>
 Total Liabilities & Fund Balance	\$	<u>3,330,040</u>

The Notes to the Financial Statements are an Integral Part of This Statement.

ALLEN COUNTY LAND REUTILIZATION CORPORATION
Reconciliation of Total Governmental Fund Balance to
Net Position of Governmental Activities
December 31, 2018

Amounts reported for governmental activities in the statement of net position are different because of the following:

Total Governmental Fund Balance	\$ 2,560,133
--	--------------

There are no variances between the Total Governmental Fund Balance and the Net Position of Governmental Activities.

-

Total Net Position of Governmental Activities	<u>\$ 2,560,133</u>
--	---------------------

ALLEN COUNTY LAND REUTILIZATION CORPORATION
Statement of Revenues, Expenditures & Change in Fund Balance
Governmental Fund
For the Year Ended December 31, 2018

	General Fund
Revenues:	
Intergovernmental	\$ 1,638,371
Property Sale Income	129,781
Miscellaneous Revenue	1,006
Total Revenues	1,769,158
 Expenditures	
Professional and Contract Services	437,021
Program Administration	26,396
Total Expenditures	463,417
 Net Change in Fund Balance	 1,305,741
 Fund Balance Beginning of Year	 1,254,392
 Fund Balance End of Year	 \$ 2,560,133

ALLEN COUNTY LAND REUTILIZATION CORPORATION
Reconciliation of the Statement of Revenues, Expenditures & Changes in Fund Balance
of Governmental Fund to the Statement of Activities
For the Year Ended December 31, 2018

Net Change in Fund Balance - Total Governmental Fund \$ 1,305,741

There are no variances between the Statement of Revenues, Expenditures & Changes in Fund Balance of the Governmental Fund and Change in Net Position of Governmental Activities in the Statement of Activities.

Change in Net Position of Governmental Activities in the Statement of Activities \$ 1,305,741

ALLEN COUNTY LAND REUTILIZATION CORPORATION

Notes to the Basic Financial Statements For the Year Ended December 31, 2018

1. DESCRIPTION OF THE ORGANIZATION

Nature of Activities

Allen County Land Reutilization Corporation (the Corporation) was organized in January 2016 by the Allen County Treasurer's and Commissioner's office as a land reutilization corporation to provide a land bank for acquisitions of abandoned, blighted structures and returning them as productive community assets to neighborhoods in Allen County, established under chapters 1724 and 1702 of the Ohio Revised Code. The organization is a nonprofit organization exempt from federal income taxes under Code Section 115 (1). The Corporation has been designated as the County's agent to further its mission to reclaim, rehabilitate, and reutilize vacant, abandoned, tax-foreclosed, or other real property in the County by exercising the powers of the County under chapter 5722 of the Ohio Revised Code.

The corporations' governing body consists of a county treasurer, county commissioners and appointees from the largest municipality and township in Allen County. The Corporation is classified as a component unit of Allen County for reporting purposes, in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14 as amended by GASB Statement No. 39.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies is presented to assist the reader in understanding and evaluating the financial statements of Allen County Land Reutilization Corporation.

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 fiduciary funds. These statements usually distinguish between those activities of the Corporation that are governmental and those that are considered business-type. The Corporation, however, does not have 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.

ALLEN COUNTY LAND REUTILIZATION CORPORATION

Notes to Financial Statements (Continued)

For the Year Ended December 31, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 deferred outflows of resources and liabilities and deferred inflows of resources 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 and interests on delinquent taxes, governmental grants and revenues, sales of assets and donations. 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 and deferred outflows of resources and all liabilities and deferred inflows of resources 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 deferred outflows of resources and current liabilities and deferred inflows of resources 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 in the financial records and reported on the financial statements. The financial statements of the organization have been prepared on 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.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles sometimes requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash

For purposes of reporting cash flows, the organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

ALLEN COUNTY LAND REUTILIZATION CORPORATION

Notes to Financial Statements (Continued)

For the Year Ended December 31, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 of 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 90 days of the year-end.

Receivables Miscellaneous

As of December 31, 2018, the Receivables reflected of \$278,030 consisted of reimbursement of inventory costs related to individual properties from the Ohio Housing Finance Agency in the amount of \$265,640 along with other miscellaneous reimbursements of expenses totaling \$12,390 which are to be collected within 90 days.

Capitalization and Depreciation

There are no capital assets reflected. All capital assets would be capitalized at cost, while expenditures for normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life would be charged to an expense as incurred. Depreciation would be recorded on capitalized assets using the straight-line method.

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.

Revenue Recognition

The organization receives operating income through Allen County which represent collection of penalties assessed on delinquent property taxes that are deposited into the county's delinquent tax and assessment collection fund and Ohio Unclaimed Funds. These monies are then paid to the organization by the county treasurer and county auditor and reflected on the Statement of Activities as Operating County Contracts.

Property Sale Income is proceeds from actual inventory property sales. Grant awards are recorded as revenue when expenditures have been incurred in compliance with grant compliance requirements.

Income Taxes

The organization is exempt from income taxes under Code Section 115 (1) of the United States Internal Revenue Code. Therefore, no provision for income taxes is reflected in the financial statements.

ALLEN COUNTY LAND REUTILIZATION CORPORATION

Notes to Financial Statements (Continued)

For the Year Ended December 31, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or 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 also includes the long-term amount of interfund loans, loans receivable, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed, or assigned.

Restricted Fund balance is reported as restricted 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 is imposed by law through constitutional provisions.

Committed The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (resolution) of the Board. Those committed amounts cannot be used for any other purpose unless the Board removes 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.

Assigned Amounts in the assigned fund balance classification are intended to be used by the Corporation for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by the Board or a Corporation official delegated that authority, or by State Statute.

Unassigned

Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. 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.

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.

Net Position

Net position represents the difference between all other elements in a statement of financial position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The Corporation applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

ALLEN COUNTY LAND REUTILIZATION CORPORATION
Notes to Financial Statements (Continued)
For the Year Ended December 31, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intergovernmental Revenue

The Corporation historically has received a portion of its operating income through Allen County. This money represents a portion of the total delinquent taxes, penalties and interest collected by the County when received. The five percent is then distributed to the Corporation, upon the Corporation's request.

In certain instances, the Corporation receives grant subsidy revenue from the Ohio Housing Finance Agency prior to meeting the definition of earned. Such amounts are reflected as a liability, Deferred Revenue, until amounts are deemed earned and then recognized as revenue.

The Deferred Revenue as of December 31, 2018 of \$200 is for a property sale in which the property ownership had not yet been transferred.

The Corporation was awarded \$4.5 million for the Neighborhood Initiative Program, which is designed to stabilize property values by removing and greening vacant and blighted properties in an effort to prevent future foreclosures for existing homeowners. The amount received from this program as reimbursement of the inventory costs in 2018 totaled \$1,392,929 and received for administration fees totaled \$85,353, reflected as Intergovernmental Revenue.

Estimates

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

Analysis of Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the Corporation's deposits may not be returned to it. The Corporation maintains its cash balances in accounts at a financial institution. The Federal Deposit Insurance Corporation ("FDIC") provides insurance coverage up to \$250,000. The financial institution secures The Corporation deposits in excess of FDIC with a pledge of collateral in accordance with Act 72. The pool of assets applicable to the financial institution's collateralization consists of Government National Mortgage Association (GNMA) securities and other collateral eligible under the U.S. Treasury Tax and Loan Program as in effect on the effective date of Act 72.

Current Cash Balance

Cash balances in banks as of December 31, 2018 was \$33,185.80.

3. PROPERTY HELD FOR RESALE

Properties held for resale are recorded by the organization at cost, which totaled \$3,028,452 as of December 31, 2018. The property held is mostly vacant and abandoned properties in primarily distressed neighborhoods. All significant costs incurred to acquire and improve or rehabilitate the property are capitalized into the Property Held for Resale.

Generally Accepted Accounting Principles require that inventory be reported at the "lower of cost or market". Management has indicated that the value of lot inventory in aggregate is in all probability below the sales price that could be obtained in an arm's length transaction. Management has also indicated the following:

- Lots are subject to donation to third parties as a part of the organization's non-profit purpose
- Lot sales are subject to discount sales as low as \$200 as part of the organization's non-profit purpose
- If sold to an unrelated party in the normal course of activity where donation or discount sale transaction rules do not apply, the lots are under a state grant restriction as to minimum sales pricing based on age of reimbursement date. That formula is that the sales price must be at least 2/3 of cost for lots held from one year to two years, and 1/3 of cost after two years.

ALLEN COUNTY LAND REUTILIZATION CORPORATION

Notes to Financial Statements (Continued)

For the Year Ended December 31, 2018

3. PROPERTY HELD FOR RESALE (Continued)

Lots are often held in depressed areas and obtaining appraisals is not reasonably possible. Consequently, lots are carried at cost, no current charge is posted as an expense. This handling is a departure from GAAP. The impact on earnings and equity would equal a difference between lot costs and what they could be sold for, modified for an estimated impact of probable donation. This difference could not be reasonably determined.

4. UNAPPLIED PROPERTY ACQUISITION COSTS

Initial costs incurred for pending inventory acquisitions are reflected as Unapplied Property Acquisition Costs, which totaled \$4,125 as of December 31, 2018. When the purchase is finalized, these pending costs will then be applied to the specific inventory item as Property Held for Resale.

5. ACCOUNTS PAYABLE

The Corporation had total accounts payable of \$177,378 as of December 31, 2018. The accounts payable were comprised of various bills which are incurred in the course of normal operation of the Corporation. The entire sum of accounts payable was paid off within 30 days.

6. CURRENT NOTES PAYABLE

Superior Credit Union, Inc., \$500,000 credit line, variable interest rate, collateralized by all business assets and the Ohio Housing Finance Agency Neighborhood Initiative Program Grant, renewed annually, interest paid monthly.

Balance as of 12.31.2018 \$487,732

Ohio Housing Finance Agency, \$200,000 line of credit, "Deferred Revenue" see Note 2. Return payment of advanced funds is approved when the property reimbursement requests are approved. All reimbursement requests were to be submitted by December 1, 2018.

Balance as of 12.31.2018 \$0.00

D'Arcy Fund, Inc., \$150,000 note payable, fixed interest rate 5%, collateralized by all business assets and the Ohio Housing Finance Agency Neighborhood Initiative Program Grant, matures October 2019, monthly loan repayments of \$10,700.94 including interest.

Balance as of 12.31.2018 \$104,597

7. AVAILABILITY AND LIQUIDITY

Allen County Land Reutilization Corporation has \$297,463 of financial assets as of December 31, 2018, consisting of Cash and Receivables, to meet the needs for general expenditures. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the financial statement date. As part of its liquidity plan, there is also a line of credit, see Note 6, which it could draw upon in the event of an unanticipated liquidity need.

8. 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; and natural disasters for which the Corporation carries insurance.

9. CONTINGENCIES

The Corporation is not a named defendant in any pending lawsuits.

ALLEN COUNTY LAND REUTILIZATION CORPORATION
Supplemental Information
Schedule of Revenues, Expenditures and Change in Fund Balance
– Budget (Non-GAAP Basis) And Actual General Fund
For the Year Ended December 31, 2018

	<u>Budget</u>	<u>Actual</u>	<u>Variance With Budget Positive (Negative)</u>
Revenues			
Intergovernmental	\$ 245,000	\$ 1,360,341	\$ 1,115,341
Sale of Property	15,000	129,981	114,981
Miscellaneous Revenue	3,500	1,006	(2,494)
Total Revenues	<u>\$ 263,500</u>	<u>\$ 1,491,328</u>	<u>\$ 1,227,828</u>
Expenditures			
Professional and Contract Services	\$ 230,350	\$ 437,021	\$ (206,671)
Program Administration	33,150	1,112,641	(1,079,491)
Total Expenditures	<u>\$ 263,500</u>	<u>\$ 1,549,662</u>	<u>\$ (1,286,162)</u>
Net Change in Fund Balance	-	(58,334)	(58,334)
Fund Balance Beginning of Year	<u>77,767</u>	<u>77,767</u>	<u>-</u>
Fund Balance End of Year	<u>\$ 77,767</u>	<u>\$ 19,433</u>	<u>\$ (58,334)</u>

The Notes to the Supplemental Information are an Integral Part of this Schedule

ALLEN COUNTY LAND REUTILIZATION CORPORATION
Notes to Supplemental Information

BUDGETARY BASIS OF ACCOUNTING

Budgetary Process

The budgetary process that is followed by the Land Reutilization Corporation is for control purposes and is set forth in its Code of Regulations. At least Ten (10) days prior to the first regularly scheduled quarterly meeting in the Corporation's fiscal year, the Executive Director shall provide to the Board of Directors the annual budget for the fiscal year. The Board of Directors shall at the first regularly scheduled meeting or at another meeting called for the purpose, adopt the annual budget which shall govern the expenditures of the Corporation during the last three quarters of the fiscal year and first quarter of the following year to which such budget applies. On and after its commencement, the annual budget as adopted 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 Executive Director 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 next three months of the new fiscal year.

Budgetary Basis of Accounting

While the Land Reutilization 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:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).

Additionally, the fund balances are classified on the cash basis rather than the GAAP basis. The reconciliation between the two methods is below.

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	
For the Year Ended December 31, 2018	
GAAP Basis	\$ 1,305,741
Net Adjustment for Revenue Accruals	(277,830)
Net Adjustment for Expenditure Accruals	<u>(1,086,245)</u>
Budget Basis	\$ (58,334)

This page intentionally left blank.

ALLEN COUNTY LAND REUTILIZATION CORPORATION
Management's Discussion and Analysis
For the Year Ended December 31, 2017
(Unaudited)

The following Management's Discussion and Analysis (MD&A) of the Allen County Land Reutilization Corporation's (the Corporation) financial performance provides an introduction to the financial statements for the year ended December 31, 2017. The information contained in this MD&A should be considered in conjunction with the information contained in the Corporation's financial statements.

Financial Highlights

- 2017 was the first full year for the Corporation.
- At December 31, 2017, assets of the Corporation exceeded the liabilities by \$1,254,392, up from \$165,664 at the same point in 2016.
- The Corporation's total revenues on the Statement of Activities amounted to \$1,335,642 in 2017, of which \$978,175 were program revenues and \$357,467 were general revenues.
- The Corporation had \$246,914 in total expenses in 2017 compared to \$76,265 in 2016, which was only a partial year.

Using this Annual Financial Report

The annual report consists of financial statements and notes to those statements. These statements are organized so the reader can understand the Corporation as a financial whole.

The Statement of Net Position and Statement of Activities (referred collectively as the government-wide statements) provide information about the activities of the entire Corporation and present a longer-term view of the Corporation's finances. The Corporation has no long-term assets or liabilities. Please reference the Debt section in the notes for related information.

Reporting the Corporation as a Whole

Statement of Net Position and Statement of Activities

These government-wide statements answer the question "How did the Corporation as a whole do financially during 2017?" They are prepared on the accrual basis of accounting, including all assets and liabilities, much the same way as for a private enterprise. This basis of accounting takes 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 the changes in the net position. This change in net position is important as it tells the reader that, 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, nonfinancial information such as the condition of the Corporation's needs will also need to be evaluated.

ALLEN COUNTY LAND REUTILIZATION CORPORATION
Management's Discussion and Analysis (Continued)
December 31, 2017
(Unaudited)

The Statement of Net Position. This statement (page 30) reports all assets and liabilities of the Corporation as of December 31, 2017. The difference between total assets and total liabilities is reported as net position. Increases in net position generally indicate an improvement in financial positions while decreases may indicate a deterioration of financial position.

The Statement of Activities. This statement (page 31) serves the purpose of the traditional income statement. It provides consolidated reporting of the results of all activities of the Corporation for the year ended December 31, 2017. Changes in net position are recorded in the period in which the underlying event takes place, which may differ from the period in which cash is received or disbursed. The Statement of Activities displays the expenses of the Corporation's various programs net of related revenues, as well as the separate presentation of revenues available for general purposes.

In the Statement of Net Position and the Statement of Activities, the Corporation has one kind of activity:

Governmental Activities. All of the Corporation's programs are reported here. These programs will be funded primarily by penalties and interest on delinquent property taxes collected and intergovernmental revenue which can include grants, sales of properties and donations.

Reporting the Corporation's Most Significant Funds

Fund Financial Statements

These statements provide financial position and results of the Corporation's major funds. The Corporation's only major governmental fund (and only fund) is the General Fund. A fund is an accounting entity created to account for a specific activity or purpose. The creation of some funds is mandated by law and others are created by management to demonstrate financial compliance with budgetary or legal requirements. Funds are classified into three broad categories: governmental funds, proprietary funds, and fiduciary funds. The Corporation has only governmental funds.

Governmental Funds. Governmental funds are used to account for "Government Type" activities. However, unlike the government-wide financial statements, governmental fund statements use a "flow of financial resources" measurement focus. The governmental fund statements provide a detailed short-term view of the Corporation's general operations and the basic services it provides. Increases in spendable resources are reported in the operating statements as "revenues" or "other financing sources." Decreases in spendable resources are reported "expenditures" or "other financing uses." State and federal grants have financed most of those activities to date.

ALLEN COUNTY LAND REUTILIZATION CORPORATION
Management's Discussion and Analysis (Continued)
December 31, 2017
(Unaudited)

The Basic Governmental Fund Financial Statements can be found on pages 32 and 34 of this report. As the Corporation only has one fund, the Fund Activities do not differ from the Governmental Activities.

Other Information

Notes to the Basic Financial Statements:

The notes provide additional and explanatory data. They are an integral part of the basic financial statements. Notes to the Basic Financial Statements can be found starting on page 36 of this report. See notes to the basic financial statements for additional information on debt.

The Corporation as a Whole

Recall the Statement of Net Position looks at the Corporation as a whole. Table 1 provides a summary of the Corporation's net position for 2017 and 2016.

Table 1
Net Position

	2017	2016
Assets:		
Cash and cash equivalents	\$ 77,767	\$ 127,067
Property held for resale	1,811,490	26,516
Unapplied Property Acquisition Costs	14,740	12,082
Total Assets	1,903,997	165,664
Liabilities:		
Line of Credit	499,605	-
D'Arcy Loan Fund	150,000	-
Total Liabilities	649,605	-
Net Position:		
Unrestricted	\$ 1,254,392	\$ 165,664
Total Net Position	\$ 1,254,392	\$ 165,664

2017 was the first full year of operations for the Corporation. During 2017, the Corporation's overall financial position increased by \$1,088,728. Cash and cash equivalents decreased due to property acquisition increases outpacing grant revenue increases. The biggest factor in the overall increase in financial position was the acquisition of property held for resale.

ALLEN COUNTY LAND REUTILIZATION CORPORATION
Management's Discussion and Analysis (Continued)
December 31, 2017
(Unaudited)

The following represents the Corporation's summary of changes in net position:

Table 2
Changes in Net Position

	2017	2016
Program Revenues		
Operating grants & contributions	\$ 978,175	\$ -
General Revenues		
Property Sale Revenue	176,656	39,524
Operating County Contracts	<u>180,811</u>	<u>202,406</u>
Total Revenues	<u>1,335,642</u>	<u>241,929</u>
Program Expenses:		
Professional and contract services	163,931	71,415
Program Administration	<u>82,983</u>	<u>4,850</u>
Total Program Expenses	<u>246,914</u>	<u>76,265</u>
Increase in Net Position	1,088,728	165,664
Net Position, Beginning of Year	<u>165,664</u>	<u>-</u>
Total Net Position	<u>\$ 1,254,392</u>	<u>\$ 165,664</u>

The Corporation's revenues were \$1,335,642 and its expenses were \$246,914 for 2017. The revenue sources include funds from the Neighborhood Initiative Program Grant, as well as the sales of reclaimed properties.

A comparative analysis of the Corporation's financial position and change in net position is as follows:

- Total Revenues increased \$1,093,713 from 2016, due mainly to an increase in grant funding received.
- Total Expenses increased \$170,649 from 2016, mainly due to increased renovation and demolition expenses in 2017.

ALLEN COUNTY LAND REUTILIZATION CORPORATION
Management's Discussion and Analysis (Continued)
December 31, 2017
(Unaudited)

Capital Assets

The Corporation has no capital assets at this time.

Debt

The Corporation had one short term note payable on the books as of 12-31-2017, and one credit line with a balance due. Below are the values and the beginning and end of the year.

Debt as of December 31, 2017

	1/1/2017	12/31/2017	Net Change
D'arcy Loan	\$ -	\$ 150,000	\$ 150,000
Superior Credit Union LOC	-	499,605	499,605
Totals	<u>\$ -</u>	<u>\$ 649,605</u>	<u>\$ 649,605</u>

Request for Information

This financial report is designed to provide a general overview of the Allen County Land Reutilization Corporation finances for all those with an interest in the Corporation's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Board of Directors, Allen County Land Reutilization Corporation, 301 N. Main St., Lima, OH 45801.

ALLEN COUNTY LAND REUTILIZATION CORPORATION
Statement of Net Position
December 31, 2017

	Governmental Activites
Assets	
Current Assets	
Cash and Cash Equivalents	\$ 77,767
Unapplied Property Acquisition Costs	14,740
Property Held for Resale	1,811,490
Total Current Assets	1,903,997
Total Assets	1,903,997
Liabilities	
Current Liabilities	
Line of Credit	499,605
D'Arcy Loan Fund	150,000
Total Current Liabilities	649,605
Total Liabilities	649,605
Net Position	
Unrestricted	1,254,392
Total Net Position	\$ 1,254,392

The Notes to the Financial Statements are an Integral Part of This Statement.

ALLEN COUNTY LAND REUTILIZATION CORPORATION
Statement of Activities
For the Year Ended December 31, 2017

	Program Revenues	Operating Grants & Contributions	Net Revenue (Expense) & Changes in Net Position
	Expenses		Governmental Activities
Governmental Activities:			
Professional and Contract Services	\$ 163,931	\$ 978,175	\$ 814,244
Program Administration	82,983	-	(82,983)
Total Governmental Activities	\$ 246,914	\$ 978,175	731,261
 General Revenues:			
Property Sale Income Operating County			176,656
Contracts			180,811
			357,467
			1,088,728
			165,664
			\$ 1,254,392

The Notes to the Financial Statements are an Integral Part of This Statement.

ALLEN COUNTY LAND REUTILIZATION CORPORATION
Balance Sheet
Governmental Fund
December 31, 2017

		General Fund
		<u> </u>
Assets		
Cash and Cash Equivalents	\$	77,767
Unapplied Property Acquisition Costs		14,740
Property Held for Resale		<u>1,811,490</u>
Total Assets	\$	<u><u>1,903,997</u></u>
 Liabilities & Fund Balance		
Liabilities		
Line of Credit		499,605
D'Arcy Loan Fund		<u>150,000</u>
Total Liabilities		<u>649,605</u>
Fund Balance		
Nonspendable		1,254,392
Unassigned		<u>0</u>
Total Fund Balance		<u>1,254,392</u>
Total Liabilities & Fund Balance	\$	<u><u>1,903,997</u></u>

The Notes to the Financial Statements are an Integral Part of This Statement.

ALLEN COUNTY LAND REUTILIZATION CORPORATION
Reconciliation of Total Governmental Fund Balance to
Net Position of Governmental Activities
December 31, 2017

Amounts reported for governmental activities in the statement of net position are different because of the following:

Total Governmental Fund Balance	\$ 1,254,392
--	--------------

There are no variances between the Total Governmental Fund Balance and the Net Position of Governmental Activities.

-

Total Net Position of Governmental Activities	<u>\$ 1,254,392</u>
--	---------------------

ALLEN COUNTY LAND REUTILIZATION CORPORATION
Statement of Revenues, Expenditures & Change in Fund Balance
Governmental Fund
For the Year Ended December 31, 2017

	General Fund
Revenues:	
Intergovernmental	\$ 1,158,986
Property Sale Income	176,656
Total Revenues	1,335,642
 Expenditures	
Professional and Contract Services	163,931
Program Administration	82,983
Total Expenditures	246,914
Net Change in Fund Balance	1,088,728
Fund Balance Beginning of Year	165,664
Fund Balance End of Year	\$ 1,254,392

The Notes to the Financial Statements are an Integral Part of This Statement.

ALLEN COUNTY LAND REUTILIZATION CORPORATION
Reconciliation of the Statement of Revenues, Expenditures & 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	\$ 1,088,728
---	--------------

There are no variances between the Statement of Revenues, Expenditures & Changes in Fund Balance of the Governmental Fund and Change in Net Position of Governmental Activities in the Statement of Activities.

Change in Net Position of Governmental Activities in the Statement of Activities	<u><u>\$ 1,088,728</u></u>
---	----------------------------

ALLEN COUNTY LAND REUTILIZATION CORPORATION

Notes to the Basic Financial Statements For the Year Ended December 31, 2017

1. DESCRIPTION OF THE ORGANIZATION

Nature of Activities

Allen County Land Reutilization Corporation (the Corporation) was organized in January 2016 by the Allen County Treasurer's and Commissioner's office as a land reutilization corporation to provide a land bank for acquisitions of abandoned, blighted structures and returning them as productive community assets to neighborhoods in Allen County, established under chapters 1724 and 1702 of the Ohio Revised Code. The organization is a nonprofit organization exempt from federal income taxes under Code Section 115 (1). The Corporation has been designated as the County's agent to further its mission to reclaim, rehabilitate, and reutilize vacant, abandoned, tax-foreclosed, or other real property in the County by exercising the powers of the County under chapter 5722 of the Ohio Revised Code.

The corporation's governing body consists of a county treasurer, county commissioners and appointees from the largest municipality and township in Allen County. The Corporation is classified as a component unit of Allen County for reporting purposes, in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14 as amended by GASB Statement No. 39.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies is presented to assist the reader in understanding and evaluating the financial statements of Allen County Land Reutilization Corporation.

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 fiduciary funds. These statements usually distinguish between those activities of the Corporation that are governmental and those that are considered business-type. The Corporation, however, does not have 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.

ALLEN COUNTY LAND REUTILIZATION CORPORATION

Notes to Financial Statements (Continued)

For the Year Ended December 31, 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 deferred outflows of resources and liabilities and deferred inflows of resources 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 and interests on delinquent taxes, governmental grants and revenues, sales of assets and donations. 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 and deferred outflows of resources and all liabilities and deferred inflows of resources 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 deferred outflows of resources and current liabilities and deferred inflows of resources 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 in the financial records and reported on the financial statements. The financial statements of the organization have been prepared on the 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.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles sometimes requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash

For purposes of reporting cash flows, the organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

ALLEN COUNTY LAND REUTILIZATION CORPORATION

Notes to Financial Statements (Continued)

For the Year Ended December 31, 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 of 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 conducted 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 expended to be received within 90 days of the year-end.

Capitalization and Depreciation

There are no capital assets reflected. All capital assets would be capitalized at cost, while expenditures for normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life would be charged to an expense as incurred. Depreciation would be recorded on capitalized assets using the straight-line method.

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.

Revenue Recognition

The organization receives operating income through Allen County which represent collection of penalties assessed on delinquent property taxes that are deposited into the county's delinquent tax and assessment collection fund and Ohio Unclaimed Funds. These monies are then paid to the organization by the county treasurer and county auditor and reflected on the Statement of Activities as Operating County Contracts.

Property Sale Income is proceeds from actual inventory property sales. Grant awards are recorded as revenue when expenditures have been incurred in compliance with grant compliance requirements.

Income Taxes

The organization is exempt from income taxes under Code Section 115 (1) of the United States Internal Revenue Code. Therefore, no provision for income taxes is reflected in the financial statements.

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

The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or 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 also includes the long-term amount of interfund loans, loans receivable, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed, or assigned.

Restricted Fund balance is reported as restricted 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 is imposed by law through constitutional provisions.

ALLEN COUNTY LAND REUTILIZATION CORPORATION

Notes to Financial Statements (Continued)

For the Year Ended December 31, 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Committed The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (resolution) of the Board. Those committed amounts cannot be used for any other purpose unless the Board removes 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.

Assigned Amounts in the assigned fund balance classification are intended to be used by the Corporation for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by the Board or a Corporation official delegated that authority, or by State Statute.

Unassigned

Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. 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.

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.

Net Position

Net position represents the difference between all other elements in a statement of financial position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The Corporation applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

Intergovernmental Revenue

The Corporation historically has received a portion of its operating income through Allen County. This money represents a portion of the total delinquent taxes, penalties and interest collected by the County when received. The five percent is then distributed to the Corporation, upon the Corporation's request.

In certain instances, the Corporation receives grant subsidy revenue from the Ohio Housing Finance Agency prior to meeting the definition of earned. Such amounts are reflected as a liability, Deferred Revenue, until amounts are deemed earned and then recognized as revenue.

The Corporation was awarded \$4.5 million for the Neighborhood Initiative Program, which is designed to stabilize property values by removing and greening vacant and blighted properties in an effort to prevent future foreclosures for existing homeowners. The amount received from this program as reimbursement of the inventory costs in 2017 totaled \$914,024 and received for administration fees totaled \$64,151, reflected as Intergovernmental Revenue.

ALLEN COUNTY LAND REUTILIZATION CORPORATION

Notes to Financial Statements (Continued)

For the Year Ended December 31, 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimates

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

Analysis of Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the Corporation's deposits may not be returned to it. The Corporation maintains its cash balances in accounts at a financial institution. The Federal Deposit Insurance Corporation ("FDIC") provides insurance coverage up to \$250,000. The financial institution secures The Corporation deposits in excess of FDIC with a pledge of collateral in accordance with Act 72. The pool of assets applicable to the financial institution's collateralization consists of Government National Mortgage Association (GNMA) securities and other collateral eligible under the U.S. Treasury Tax and Loan Program as in effect on the effective date of Act 72.

Current Cash Balance

Cash balances in banks as of December 31, 2017 was \$187,370.51.

3. PROPERTY HELD FOR RESALE

Properties held for resale are recorded by the organization at cost, which totaled \$1,811,490 as of December 31, 2017. The property held is mostly vacant and abandoned properties in primarily distressed neighborhoods. All significant costs incurred to acquire and improve or rehabilitate the property are capitalized into the Property Held for Resale.

Generally Accepted Accounting Principles require that inventory be reported at the "lower of cost or market". Management has indicated that the value of lot inventory in aggregate is in all probability below the sales price that could be obtained in an arm's length transaction. Management has also indicated the following:

- Lots are subject to donation to third parties as a part of the organization's non-profit purpose
- Lot sales are subject to discount sales as low as \$200 as part of the organization's non-profit purpose
- If sold to an unrelated party in the normal course of activity where donation or discount sale transaction rules do not apply, the lots are under a state grant restriction as to minimum sales pricing based on age of reimbursement date. That formula is that the sales price must be at least 2/3 of cost for lots held from one year to two years, and 1/3 of cost after two years.

Lots are often held in depressed areas and obtaining appraisals is not reasonably possible. Consequently, lots are carried at cost, no current charge is posted as an expense. This handling is a departure from GAAP. The impact on earnings and equity would equal a difference between lot costs and what they could be sold for, modified for an estimated impact of probable donation. This difference could not be reasonably determined.

4. UNAPPLIED PROPERTY ACQUISITION COSTS

Initial costs incurred for pending inventory acquisitions are reflected as Unapplied Property Acquisition Costs, which totaled \$14,740 as of December 31, 2017. When the purchase is finalized, these pending costs will then be applied to the specific inventory item as Property Held for Resale.

5. CURRENT NOTES PAYABLE

Superior Credit Union, Inc., \$500,000 credit line, variable interest rate, collateralized by all business assets and the Ohio Housing Finance Agency Neighborhood Initiative Program Grant, renewed annually, interest paid monthly.

Balance as of 12.31.2017 \$499,605

ALLEN COUNTY LAND REUTILIZATION CORPORATION

Notes to Financial Statements (Continued)

For the Year Ended December 31, 2017

5. CURRENT NOTES PAYABLE (CONTINUED)

Ohio Housing Finance Agency, \$200,000 line of credit. Return payment of advanced funds is approved when the property reimbursement requests are approved. All reimbursement requests were to be submitted by December 1, 2017.

Balance as of 12.31.2017 \$0.00

D'Arcy Fund, Inc., \$150,000 note payable, fixed interest rate 5%, collateralized by all business assets and the Ohio Housing Finance Agency Neighborhood Initiative Program Grant, matures October 2018, monthly loan repayments of \$10,700.94 including interest.

Balance as of 12.31.2017 \$150,000

6. AVAILABILITY AND LIQUIDITY

Allen County Land Reutilization Corporation has \$77,767 of financial assets as of December 31, 2017, consisting of Cash, to meet the needs for general expenditures. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the financial statement date. As part of its liquidity plan, there is also a line of credit, see Note 5, which it could draw upon in the event of an unanticipated liquidity need.

7. CHANGES IN ACCOUNTING PRINCIPLES

The Corporation has implemented Governmental Accounting Standard Board (GASB) Statement No. 61, "The Financial Reporting Entity: Omnibus, an amendment of GASB 14 and 34."

GASB Statement No. 61 modifies existing requirements for the assessment of potential component units in determining what should be included in the financial reporting entity, and financial reporting entity display and disclosure requirements. These changes were incorporated in the Corporation's 2017 financial statements; however, there was no effect on beginning net position/fund balance.

8. 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; and natural disasters for which the Corporation carries insurance.

9. CONTINGENCIES

The Corporation is not a named defendant in any pending lawsuits.

ALLEN COUNTY LAND REUTILIZATION CORPORATION
Supplemental Information
Schedule of Revenues, Expenditures and Change in Fund Balance
– Budget (Non-GAAP Basis) And Actual General Fund
For the Year Ended December 31, 2017

	Budget	Actual	Variance With Budget Positive(Negative)
Revenues			
Intergovernmental	\$ 175,000	\$ 1,156,334	\$ 981,334
Sale of Property	20,000	176,656	156,656
Miscellaneous Revenue	7,500	2,652	(4,848)
Total Revenues	<u>\$ 202,500</u>	<u>\$ 1,335,642</u>	<u>\$ 1,133,142</u>
Expenditures			
Professional and Contract Services	188,740	159,314	29,426
Program Administration	26,000	1,225,628	(1,199,628)
Total Expenditures	<u>\$ 214,740</u>	<u>\$ 1,384,942</u>	<u>\$ (1,170,202)</u>
Net Change in Fund Balance	(12,240)	(49,300)	(37,060)
Fund Balance Beginning of Year	127,067	127,067	-
Fund Balance End of Year	<u>\$ 114,827</u>	<u>\$ 77,767</u>	<u>\$ (37,060)</u>

The Notes to the Supplemental Information are an Integral Part of this Schedule

ALLEN COUNTY LAND REUTILIZATION CORPORATION
Notes to Supplemental Information

BUDGETARY BASIS OF ACCOUNTING

Budgetary Process

The budgetary process that is followed by the Land Reutilization Corporation is for control purposes and is set forth in its Code of Regulations. At least Ten (10) days prior to the first regularly scheduled quarterly meeting in the Corporation's fiscal year, the Executive Director shall provide to the Board of Directors the annual budget for the fiscal year. The Board of Directors shall at the first regularly scheduled meeting or at another meeting called for the purpose, adopt the annual budget which shall govern the expenditures of the Corporation during the last three quarters of the fiscal year and first quarter of the following year to which such budget applies. On and after its commencement, the annual budget as adopted 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 Executive Director 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 next three months of the new fiscal year.

Budgetary Basis of Accounting

While the Land Reutilization 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:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).

Additionally, the fund balances are classified on the cash basis rather than the GAAP basis. The reconciliation between the two methods is below.

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	
For the Year Ended December 31, 2017	
GAAP Basis	\$ 1,088,728
Net Adjustment for Revenue Accruals	-
Net Adjustment for Expenditure Accruals	<u>(1,138,028)</u>
Budget Basis	\$ (49,300)

This page intentionally left blank.

OHIO AUDITOR OF STATE KEITH FABER



One First National Plaza
130 West Second Street, Suite 2040
Dayton, Ohio 45402-1502
(937) 285-6677 or (800) 443-9274
WestRegion@ohioauditor.gov

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

Allen County Land Reutilization Corporation
Allen County
301 N. Main Street, Ste. 203
Lima, OH 45801

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 the Allen County Land Reutilization Corporation, Allen County, (the Corporation) as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements and have issued our report thereon dated October 17, 2019.

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*.

Corporation's Response to Finding

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

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Corporation's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Corporation's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio

October 17, 2019

**ALLEN COUNTY LAND REUTILIZATION CORPORATION
ALLEN COUNTY**

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

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

FINDING NUMBER 2018-001

Material Weakness – Accuracy of 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.

The following errors were identified in the December 31, 2018 statements:

- The Statement of Net Position reported net investment in capital assets in the amount of \$2,262,670; however, since capital assets were not reported as an asset, this amount was should have been classified as unrestricted net position;
- Program Revenues - Operating Grants and Contributions in the amount of \$1,478,282, and General Revenues - Property Sale Income in the amount of \$129,781, were classified as Program Revenues, Capital Grants and Contributions on the Statement of Activities; and
- The Balance Sheet for the General Fund reported \$297,463 as unassigned fund balance, however, since the asset property held for resale exceeded this balance the entire balance should have been classified as non-spendable.

The following errors were identified in the December 31, 2017 financial statements:

- The Statement of Net Position reported net investment in capital assets in the amount of \$1,176,625; however, since capital assets were not reported as an asset, this amount should have been classified as unrestricted net position;
- Program Revenues - Operating Grants and Contributions in the amount of \$978,175, and General Revenues - Property Sale Income in the amount of \$176,656, were classified as Program Revenues, Capital Grants and Contributions on the Statement of Activities; and
- The Balance Sheet for the General Fund reported \$77,767 as unassigned fund balance, however, since the asset property held for resale exceeded this balance the entire balance should have been classified as non-spendable.

The accompanying financial statements have been adjusted to correct these errors.

The notes to the financial statements for the years ended December 31, 2018 and 2017, had errors including, but not limited to the following:

- The Corporation was identified as a related organization of Allen County, instead of a component unit;
- The Corporation was identified as a community improvement corporation, instead of a land reutilization corporation; and
- Notes related to risk management and contingencies were not disclosed.

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

The supplemental information presented on the Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual General Fund and the accompanying notes to supplemental information presented actual activity on the Generally Accepted Accounting Principles (GAAP) basis instead of the Cash Basis.

The errors in the notes to financial statements and the errors in Supplemental Information and related notes were corrected in the accompanying financial statements.

Financial reporting errors may impact the user's understanding of the financial operations, the ability to make sound financial decisions, and result in the material misstatement of the financial statements. The errors discussed above may be due to the lack of or failure of accuracy and completeness controls over financial reporting.

A procedure(s) and/or control(s) should be implemented to help prevent these errors in subsequent years. Such a procedure(s) and/or control(s) may include but not be limited to the comparison of the prior audited financial statements to the current un-audited statements, inquiry with other officials to help identify relationships with other governments, and discussion with the conversion firm on matters that may impact the annual financial statements.

OFFICIALS' RESPONSE: The Allen County Land Reutilization Corporation did not intentionally prepare reports in a format not acceptable by the State Auditor's standards for governmental bodies. Every attempt was made to complete the conversion in an expedited time frame.

OHIO AUDITOR OF STATE KEITH FABER



ALLEN COUNTY LAND REUTILIZATION CORPORATION

ALLEN COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 7, 2019**