MARION COUNTY LAND REUTILIZATION CORPORATION
MARION COUNTY

INITIAL AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2017-2016

OHIO AUDITOR OF STATE
KEITH FABER

MARION COUNTY LAND REUTILIZATION CORPORATION
MARION COUNTY

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OHIO AUDITOR OF STATE
KEITH FABER

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INDEPENDENT AUDITOR'S REPORT

Marion County Land Reutilization Corporation
Marion County
222 West Center Street
Marion, Ohio 43302

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements, and related notes of the Marion County Land Reutilization Corporation, Marion County, Ohio (the Corporation), as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the accounting principles generally accepted in the United States of America. This responsibility includes the 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 that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse audit opinion.

Basis for Adverse Opinion

As described in Note 2 of the financial statements, the Corporation prepared these financial statements using the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. However, Ohio Revised Code Section 1724.05 requires these statements to follow accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 2 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumably material.

Adverse Opinion

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Marion County Land Reutilization Corporation as of December 31, 2017 and 2016, and the respective changes in financial position thereof for the years then ended.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 6, 2019, on our consideration of the Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control over financial reporting and compliance.

Keith Faber
Auditor of State

Columbus, Ohio

June 6, 2019

Marion County Land Reutilization Corporation
Marion County
Statement of Receipts, Disbursements and
Change in Fund Balance (Regulatory Cash Basis)
For the Year Ended December 31, 2017

Cash Receipts	
Fees/Chicago Title	$200
Reimbursement OHFA	56,273
DETAC	138,204
First Mortgage RPC	280
Total Cash Receipts	194,957
Cash Disbursements	
Current Disbursements:	
Contracts Wages	38,925
Contract RPC	1,401
Asbesto Surveys	15,206
Demolition Costs	146,062
D&O Insurance	1,061
Liability Insurance	808
Legal Services	4,134
Lawn Care	3,700
Seminar and Motel	1,046
First Mortgage Payback	120
Other	198
Debt Service:	
Principal Retirement	25,000
Total Cash Disbursements	237,661
Excess Receipts Under Disbursements	(42,704)
Other Financing Receipts	
Debt Proceeds	50,000
Total Other Financing Receipts	50,000
Net Change in Fund Cash Balances	7,296
Fund Cash Balances, January 1	48,742
Fund Cash Balances, December 31	
Unassigned	56,038
Fund Cash Balances, December 31	$56,038

The notes to the financial statement are an integral part of this statement.

Note 1 – Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Marion County Land Reutilization Corporation, Marion County, Ohio (the Corporation) as a body corporate and politic. The Corporation was organized as a not-for-profit land corporation by the Board of County Commissioners of Marion County March 3, 2016, under the authority granted under Chapter 1724 of the Ohio Revised Code. The Corporation's purpose is to return blighted and abandoned properties to tax paying status in Marion County. A five member Board of Directors (the Board) directs the Corporation. The Board consists of the County Treasurer, two members of the Board of County Commissioners of Marion County, a representative of the largest municipality in Marion County, and a representative of a Township with more than 10,000 residents located within Marion County.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The Corporation's financial statements consist of a statement of receipts, disbursements and changes in fund balances (regulatory cash basis).

Fund Accounting

The Corporation uses one fund and classifies it as the General Fund. It presents all financial resources of the Corporation.

Basis of Accounting

Although required by Ohio Rev. Code § 1724.05 to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America, the Corporation chooses to prepare its financial statement and notes in accordance with standards established by Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) for governmental entities that are not required to prepare annual financial reports in accordance with generally accepted accounting principles. This basis of accounting is similar to the cash receipts and disbursements basis of accounting. The Corporation recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in this financial statement.

Fund Balance

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

> ***Nonspendable*** The Corporation classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

Restricted Fund balance is *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 Board can *commit* amounts via formal action (resolution). The Corporation must adhere to these commitments unless the Board amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by the Board or a Corporation official delegated that authority by resolution, or by State Statute.

Unassigned Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

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.

Note 3 – Compliance

Ohio Revised Code § 1724.05, requires the Corporation to file annual financial reports which are prepared using generally accepted accounting principles (GAAP). However, the Corporation prepared its financial statement on the regulatory basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Note 4 – Deposits

The Ohio Revised Code prescribes allowable deposits. The carrying amount of deposits at December 31 was as follows:

	2017
Demand deposits	$56,038

Deposits are insured by the Federal Deposit Insurance Corporation.

Note 5 – Risk Management

Commercial Insurance

The Corporation has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Directors and Officers Insurance

Note 6 – Debt

Debt outstanding at December 31, 2016, was as follows:

	Principal
2016 Marion County Loan	$45,000
2017 Marion County Loan	50,000
Total	$95,000

The Corporation is obligated for two loans from Marion County.

The Corporation does not have a formal agreement or amortization schedule with Marion County for repayment of the 2016 loan or 2017 loan. The 2016 Marion County loan principal amount must be fully repaid to Marion County by January 31, 2019. The Marion County Commissioners did not set a repayment date for the 2017 Marion County loan principal amount.

Note 7 – Contingent Liabilities

Amounts grantor agencies pay to the Corporation are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

Marion County Land Reutilization Corporation
Marion County
Statement of Receipts, Disbursements and
Change in Fund Balance (Regulatory Cash Basis)
For the Year Ended December 31, 2016

Cash Disbursements	
Current Disbursements:	
Supplies	$186
Contract Wages	20,070
D&O Insurance	1,000
Bank fees	2
Total Cash Disbursements	21,258
Excess Receipts Under Disbursements	(21,258)
Other Financing Receipts	
Debt Proceeds	70,000
Total Other Financing Receipts	70,000
Net Change in Fund Cash Balances	48,742
Fund Cash Balances, January 1	0
Fund Cash Balances, December 31	
Unassigned	48,742
Fund Cash Balances, December 31	$48,742

The notes to the financial statement are an integral part of this statement.

Note 1 – Reporting Entity

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Basis of Presentation

The Corporation's financial statements consist of a statement of receipts, disbursements and changes in fund balances (regulatory cash basis).

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The Corporation uses one fund and classifies it as the General Fund. It presents all financial resources of the Corporation.

Basis of Accounting

Although required by Ohio Rev. Code § 1724.05 to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America, the Corporation chooses to prepare its financial statement and notes in accordance with standards established by Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) for governmental entities that are not required to prepare annual financial reports in accordance with generally accepted accounting principles. This basis of accounting is similar to the cash receipts and disbursements basis of accounting. The Corporation recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in this financial statement.

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

> ***Nonspendable*** The Corporation classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

Restricted Fund balance is *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 Board can *commit* amounts via formal action (resolution). The Corporation must adhere to these commitments unless the Board amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by the Board or a Corporation official delegated that authority by resolution, or by State Statute.

Unassigned Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

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.

Note 3 – Compliance

Ohio Revised Code § 1724.05, requires the Corporation to file annual financial reports which are prepared using generally accepted accounting principles (GAAP). However, the Corporation prepared its financial statement on the regulatory basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Note 4 – Deposits

The Ohio Revised Code prescribes allowable deposits. The carrying amount of deposits at December 31 was as follows:

	2016
Demand deposits	$48,742

Deposits are insured by the Federal Deposit Insurance Corporation.

Note 5 – Risk Management

Commercial Insurance

The Corporation has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Directors and Officers Insurance

Note 6 – Debt

Debt outstanding at December 31, 2016, was as follows:

	Principal
2016 Marion County Loan	$70,000

The Corporation is obligated for one loan from Marion County. The loan is payable over a period of two years.

The Corporation does not have a formal agreement or amortization schedule with Marion County for repayment of the 2016 Loan. The principal must be fully repaid to Marion County by January 31, 2019.

Note 7 – Contingent Liabilities

Amounts grantor agencies pay to the Corporation are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

Note 8 – Subsequent Events

On November 9, 2017 the Corporation received a loan from Marion County totaling $50,000. The Corporation does not have a formal agreement or amortization schedule with Marion County for repayment of the loan.

OHIO AUDITOR OF STATE
KEITH FABER

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

Marion County Land Reutilization Corporation
Marion County
222 West Center Street
Marion, Ohio 43302

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 Marion County Land Reutilization Corporation, Marion County, (the Corporation) as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements and have issued our report thereon dated June 6, 2019, wherein we issued an adverse opinion on the Corporation's financial statements because the Corporation did not follow accounting principles generally accepted in the United States of America as required by Ohio Rev. Code § 1724.05.

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 2017-002 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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2017-001.

Purpose of this Report

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

Keith Faber
Auditor of State

Columbus, Ohio

June 6, 2019

SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016

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

FINDING NUMBER 2017-001

Noncompliance – Annual Financial Report

Ohio Rev. Code § 117.38 provides that each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office.

Additionally, **Ohio Rev. Code § 1724.05** provides that land reutilization corporations shall prepare an annual financial report that conforms to rules prescribed by the auditor of state pursuant to section 117.20 of the Ohio Rev. Code, that is prepared according to generally accepted accounting principles, and that is certified by the board of directors of the corporation or its treasurer or other chief fiscal officer to the best knowledge and belief of those persons certifying the report. The financial report shall be filed with the auditor of state within one hundred twenty days following the last day of the corporation's fiscal year, unless the auditor of state extends that deadline. The auditor of state may establish terms and conditions for granting any extension of that deadline.

The Corporation prepared financial statements in accordance with standards established by the Auditor of State for governmental entities that are not required to prepare reports in accordance with generally accepted accounting principles. This basis of accounting is similar to the cash receipts and disbursements basis of accounting. The accompanying financial statements and notes omit certain assets, liabilities, deferred inflows/outflows of resources, fund equities/net position, and disclosures that, while presumed material, cannot be determined at this time.

Additionally, the annual financial statements, including notes to the financial statements for the years ending December 31, 2017 and 2016 were filed with the Auditor of State on May 28, 2019 and December 21, 2018, respectively. Both reports were filed after the required 120 day filing deadline.

Pursuant to **Ohio Rev. Code § 117.38**, the Corporation may be fined and subject to various other administrative remedies for its failure to file the required report. Failure to report on a GAAP basis compromises the Corporation’s ability to evaluate and monitor the overall financial condition of the Corporation. To help provide the users with more meaningful financial statements, the Corporation should prepare its annual financial statements according to generally accepted accounting principles.

We recommend the Corporation prepare its annual financial statements according to generally accepted accounting principles and file their annual report with the Auditor of State within the required 120 days after fiscal year end.

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

FINDING NUMBER 2017-002

Material Weakness – Financial Reporting

In our audit engagement letter, as required by AU-C Section 210, Terms of Engagement, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16.

The following adjustments were posted to the Corporation's financial statements for fiscal year ended December 31, 2016:

- Reclassification of $70,000 of debt proceeds from cash receipts to other financing receipts.
- Adjustment of $2 to record bank fees on the financial statements.

The following adjustments were posted to the Corporation's financial statements for fiscal year ended December 31, 2017:

- Adjustment of $25,000 to record debt service payment and intergovernmental receipts. The Corporation repaid $25,000 of their Marion County loans using the March 2017 delinquent property tax receipts received from the County. The Corporation did not record the $25,000 debt disbursement in the QuickBooks system. Additionally the Corporation only posted $80,902 of the total $105,902 of delinquent property tax receipts to the QuickBooks system, which is net of the $25,000 loan payment.
- Reclassification of $50,000 of debt proceeds from cash receipts to other financing receipts.
- Adjustment of $44 to record an outstanding check to the Marion County Recorder’s Office to Cash Disbursements- Other on the financial statements.
- Finally, the 2017 filed financial statements contained mathematical errors.

Additionally, adjustments of $48,742 and $56,038 were reclassified as unassigned fund balance in accordance with GASB 54 fund classifications for fiscal years 2016 and 2017, respectively.

Lastly, adjustments were made to the 2016 and 2017 notes to the financial statements to include Note 3 compliance, Note 6 debt, and Note 7 contingent liabilities. Also, adjustments were made to update Note 2 summary of significant accounting policies, Note 4 deposits and Note 5 risk management.

Lack or failure of controls over classifying transactions, posting of financial transactions and financial reporting can result in errors and irregularities that may be disseminated to the governing board, management, and the financial statement readers.

We recommend the Corporation implement internal control procedures over financial reporting to help ensure the completeness and accuracy of financial information reported within the Corporation's financial report. The adjustments identified during the audit should be reviewed by the Director to ensure that similar errors are not reported on the financial statements in subsequent years. In addition, the Board of Directors should review the financial statements and note disclosures to identify and correct errors and omissions.

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

OHIO AUDITOR OF STATE
KEITH FABER

MARION COUNTY LAND REUTILIZATION CORPORATION

MARION COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JUNE 27, 2019