



OHIO AUDITOR OF STATE
KEITH FABER



**KNOX COUNTY LAND REUTILIZATION CORPORATION
KNOX COUNTY
DECEMBER 31, 2022 AND 2021**

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KNOX COUNTY LAND REUTILIZATION CORPORATION
KNOX COUNTY
DECEMBER 31, 2022 AND 2021
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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

Knox County Land Reutilization Corporation
Knox County
PO Box 29
Mount Vernon, Ohio 43050

To the Board of Directors:

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities and each major fund of the Knox County Land Reutilization Corporation, Knox County, Ohio (Corporation), as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Knox County Land Reutilization Corporation, Knox County, Ohio as of December 31, 2022 and 2021, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Corporation, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 28, 2023, 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. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Corporation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control over financial reporting and compliance.



Keith Faber
Auditor of State
Columbus, Ohio

August 28, 2023

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**KNOX COUNTY LAND REUTILIZATION CORPORATION
KNOX COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 2022**

The management's discussion and analysis of the Knox County Land Reutilization Corporation's (the Corporation) financial performance provides an overall review of the Corporation's financial activities for the year ended December 31, 2022. The intent of this discussion and analysis is to look at the Corporation's financial performance as a whole. Readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the Corporation's financial performance.

Financial Highlights

Key financial highlights for 2022 are as follows:

- The Corporation is focused on returning troubled real estate to productive use, strengthening neighborhoods, and accelerating economic activity in Knox County communities. The Corporation works cooperatively with units of government and individual property owners in this mission.
- The Corporation received \$104,336 from Knox County under a statutory arrangement to receive 5% of delinquent taxes collected. The Corporation also recognized revenue of \$873,629 from various sources in the form of grants to support the mission of the organization. The Corporation agreed to a \$100,000 loan from the Area Development Foundation, Inc. to assist with the operation of the Cooper Par Development Company, which, when added to the loan from 2021, created a debt of \$250,000.
- The Corporation completed the purchase option for a portion of Cooper Progress Park, now called Heartland Commerce Park, adding significantly to the Assets Held for Resale.
- The Corporation's net position increased from \$977,257 in 2021 to \$3,403,180 in 2022.

Overview of the Financial Statements

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

The Statement of Net Position and Statement of Activities provide information about the activities of the Corporation as a whole, presenting both an aggregate view of the Corporation's finances and a longer-term view of those finances. Fund financial statements tell how services were financed in the short term as well as what dollars remain for future spending.

Reporting the Corporation's Financial Activities

Statement of Net Position and the Statement of Activities

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

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

**KNOX COUNTY LAND REUTILIZATION CORPORATION
KNOX COUNTY, OHIO**

**MANAGEMENT’S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 2022**

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

- Assets
- Liabilities
- Net Position (Assets minus Liabilities)
- Program Expenses and Revenues
- General Revenues
- Change in Net Position
- Net Position, Beginning and End of the Year

The table below provides a summary of the Corporation’s net position for December 31, 2022, and 2021.

Table 1 Net Position		
	2022	2021
Assets		
Current and Other Assets	\$ 4,857,496	\$ 1,553,152
Liabilities		
Current and Other Liabilities	1,204,316	425,895
Long- Term Liabilities	250,000	150,000
Net Position	\$ 3,403,180	\$ 977,257

Over time, the net position can serve as a useful indicator of a government’s financial position. On December 31, 2022, the Corporation’s assets exceeded liabilities by \$3,403,180. The largest asset is Assets Held for Resale which amounted to \$3,726,146 on December 31, 2022.

The table below shows the changes in net position for the years ending December 31, 2022 and 2021.

Table 2 Net Position		
	2022	2021
Revenues		
Program Revenues		
Charges for Services	\$ 59,984	\$ 55,482
Operating Grants and Contributions	2,502,222	380,266
General Revenues		
Grants & Entitlements Not Restricted	977,965	843,492
Sale of Property	682,065	41,164
Miscellaneous	256,538	36,433
<i>Total Revenues</i>	4,478,774	1,356,837

**KNOX COUNTY LAND REUTILIZATION CORPORATION
KNOX COUNTY, OHIO**

**MANAGEMENT’S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 2022**

Expenditures		
Professional and Contract Services	1,110,506	643,144
Administration	271,721	250,377
<i>Total Expenditures</i>	<u>1,382,227</u>	<u>893,521</u>
Other Sources (Uses)		
Loss on Sale of Assets	(670,624)	(149,282)
<i>Net change in Net Position</i>	2,425,923	314,034
<i>Fund Balance, Beginning of Year</i>	977,257	663,223
<i>Fund Balance (Deficit), End of Year</i>	<u>\$3,403,180</u>	<u>\$977,257</u>

Revenues for 2022 and 2021 consist primarily of 5% delinquent tax and assessments from Knox County to the Corporation for the purpose of land reutilization and the acquisition of Heartland Commerce Park (formerly Cooper Progress Park). Heartland Commerce Park represents the largest expense for the Corporation due to the size of the project and complexity of owning a vacant multi-building industrial complex.

Reporting on the Corporation’s Most Significant Fund

The governmental fund statements provide a detailed short-term view of the Corporation’s general operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future on services provided to the Corporation’s government constituents. The relationship (or difference) between governmental activities (reported on the Statement of Net Position and the Statement of Activities) and the general fund is reconciled in the financial statements.

General Fund

The presentation for the Corporation’s General Fund focuses on how resources flow into and out of it and the balance that is left at year-end available for spending in future periods. The General Fund serves as the main operating account of the Corporation. The General Fund is reported using the modified accrual of accounting, which measures cash and all other financial assets that are expected to be readily converted to cash. The General Fund had income of \$3,656,248 and expenditures of \$906,774.

Special Revenue Fund

The Special Revenue Fund shows the activity of the Cooper Park Development Company which is a component of the Knox County Land Reutilization Corporation and accounts for the activity related to the Cooper Progress Park at 105 N. Sandusky Street, Mount Vernon, Ohio. The Special Revenue Fund is reported using the modified accrual of accounting, which measures cash and all other financial assets that are expected to be readily converted to cash. The Special Revenue Fund has income of \$922,526 and expenditures of \$1,144,449.

Capital Assets

In 2022, the Corporation had minimal capital asset purchases or sales.

**KNOX COUNTY LAND REUTILIZATION CORPORATION
KNOX COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 2022**

Debt

As of December 31, 2022, the Corporation owes the Area Development Foundation \$250,000 that was received as a 0% interest loan to be paid back as able. These funds were for the specific purpose of repositioning Heartland Commerce Park as a marketable property.

Current Financial Related Activities

The Corporation, established in late 2017, has been designated by Knox County, Ohio as its agent for the reclamation, rehabilitation, and reutilization of vacant, abandoned, tax-foreclosed, and other real property in Knox County. Principal operating revenues of the Corporation include contributions from Knox County's delinquent tax and assessment collection fund.

Request for Information

This financial report is designed to provide users of the financial statements with a general overview of the Corporation's finances and show the Corporation's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Jeff Gottke, President of the Knox County Land Reutilization Corporation, PO Box 29, Mount Vernon, Ohio 43050.

Knox County Land Reutilization Corporation

Statement of Net Position

December 31, 2022

	<u>Governmental Activities</u>
<u>Assets</u>	
Cash	\$ 390,188
Assets Held for Resale	3,726,146
Mortgage Receivable	591,685
Ohio Department of Development Grant	128,629
Prepaid Insurance	15,056
Prepaid Expenses	500
Net Capital Assets	<u>5,292</u>
Total Assets	<u>4,857,496</u>
<u>Liabilities</u>	
Accounts Payable	112,445
Down Payment on Property Sale	6,990
Due to ADF	493,196
Deferred Revenue	<u>591,685</u>
Total Current Liabilities	1,204,316
Long-Term Liabilities	
Loan from ADF	<u>250,000</u>
Total Long-Term Liabilities	<u>250,000</u>
Total Liabilities	<u>1,454,316</u>
<u>Net Position</u>	
Unrestricted	<u>3,403,180</u>
Total Net Position	<u><u>\$ 3,403,180</u></u>

See accompanying notes to the basic financial statements.

Knox County Land Reutilization Corporation

Statement of Activity

For the Year Ended December 31, 2022

	Program Revenue			Net (Expenses) Revenue Change in Net Position
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Functions/Programs				
Governmental Activities				
General Government Support				
Professional and Contract Services	\$ 1,110,506	\$ 59,984	\$ 2,502,222	\$ 1,451,700
Administration	271,721	-	-	(271,721)
Total Functions and Programs	\$ 1,382,227	\$ 59,984	\$ 2,502,222	\$ 1,179,979
General Revenues				
Grants and Entitlements not				
Restricted to Specific Programs				\$ 977,965
Sale of Property				682,065
Miscellaneous				256,538
Total General Revenues				1,916,568
Loss on Sale of Asset				(670,624)
Change in Net Position				2,425,923
Net Position, Beginning of Year				977,257
Net Position, End of Year				\$ 3,403,180

See accompanying notes to the basic financial statements.

Knox County Land Reutilization Corporation

Balance Sheet

Governmental Funds

December 31, 2022

	General	Special Revenue	Total
Assets			
Cash	\$ 295,499	\$ 94,689	\$ 390,188
Assets Held for Resale	3,726,146	-	3,726,146
Due from Cooper Park	65,055	-	65,055
Mortgage Recievable	-	591,685	591,685
Ohio Department of Development Grant	128,629	-	128,629
Prepaid Expenses	500	-	500
Prepaid Insurance	6,331	8,725	15,056
	<hr/>		
Total Assets	\$ 4,222,160	\$ 695,099	\$ 4,917,259
	<hr/> <hr/>		
Liabilities			
Accounts Payable	\$ 5,876	\$ 106,569	\$ 112,445
Down Payment on Property Sale	-	6,990	6,990
Due to Land Bank	-	65,055	65,055
Due to ADF	-	493,196	493,196
Deferred Revenue	-	591,685	591,685
	<hr/>		
Total Liabilities	\$ 5,876	\$ 1,263,495	\$ 1,269,371
	<hr/> <hr/>		
Fund Balance (Deficit)			
Unassigned (Deficit)	4,216,284	(568,396)	3,647,888
Total Fund Balance (Deficit)	4,216,284	(568,396)	3,647,888
	<hr/>		
Total Liabilities and Fund Balance	\$ 4,222,160	\$ 695,099	\$ 4,917,259
	<hr/> <hr/>		

See accompanying notes to the basic financial statements.

Knox County Land Reutilization Corporation
*Reconciliation of Total Governmental Fund Balances
to Statement of Net Position of Governmental Activities
December 31, 2022*

Total Governmental Funds Balances \$ 3,647,888

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

Capital assets used in governmental activities are not financial
resources and therefore are not reported in the funds

Cost of Capital Assets	8,141	
Accumulated Depreciation	(2,849)	
Total	5,292	

Long-term liabilities, including loans payable are not due in
the current period and therefore are not reported in the funds:

Loans Payable	(250,000)	
Total	(250,000)	

Total Net Position of Governmental Activities \$ 3,403,180

See accompanying notes to the basic financial statements.

Knox County Land Reutilization Corporation
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
For the Year Ended December 31, 2022

	General	Special Revenue	Total
Revenues			
Public Support	\$ 2,502,222	\$ -	\$ 2,502,222
Property Sales	201,250	480,815	682,065
Intergovernmental	232,965	150,000	382,965
Government Grants	595,000	-	595,000
Rental Income	584	46,951	47,535
Interest Income	-	12,449	12,449
Miscellaneous Revenue	124,227	132,311	256,538
Total Revenues	\$ 3,656,248	\$ 822,526	\$ 4,478,774
Expenditures			
Current			
General Government			
Professional and Contract Services	212,765	896,113	1,108,878
Administration	23,385	248,336	271,721
Total Expenditures	\$ 236,150	\$ 1,144,449	\$ 1,380,599
Excess of Revenues Over (Under) Expenditures	3,420,098	(321,923)	3,098,175
Other Financing Sources (Uses)			
Loss on Sale of Assets	(670,624)	-	(670,624)
Proceeds from Long Term Debt	-	100,000	100,000
Total Other Financing Sources (Uses)	(670,624)	100,000	(570,624)
Net Change in Fund Balance	2,749,474	(221,923)	2,527,551
Fund Balance, Beginning of Year	1,466,810	(346,473)	1,120,337
Fund Balance (Deficit), End of Year	\$ 4,216,284	\$ (568,396)	\$ 3,647,888

See accompanying notes to the basic financial statements.

Knox County Land Reutilization Corporation
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2022*

Net Change in Fund Balances - Total Governmental Funds \$ 2,527,551

*Amounts reported for governmental activities in the
statement of activities are different because*

Governmental funds report capital outlays as expenditures. However, in the Statement of net Position, assets with an initial cost of more than \$5,000 are capitalized and in the Statement of Activities the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeded capital outlays in the

Depreciation Expense	(1,628)	
Total		(1,628)

Proceeds of long-term debt, including premiums on issuance, are recorded as an other financing source for governmental funds but are not recorded in the Statement of Activities. This is the amount of proceeds from long-term debt received in the current

	(100,000)	
		(100,000)

Changes in Net Position of Governmental Activities	\$ 2,425,923
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See accompanying notes to the basic financial statements.

KNOX COUNTY LAND REUTILIZATION CORPORATION

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2022

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Knox County Land Reutilization Corporation (the Corporation) is a county land reutilization corporation that was formed on November 17, 2017, pursuant to the Board of Knox County Commissioners authorizing the establishment of the Corporation under Chapter 1724 of the Ohio Revised Code under commissioners' resolution number 1059-2017 as a not-for-profit corporation under the laws of the State of Ohio. The purpose of the Corporation is to strengthen neighborhoods in Knox County (the County) by returning vacant and abandoned properties to productive use. The Corporation has been designated as the County's agent to further its mission to reclaim, rehabilitate, and reutilize vacant, abandoned, tax foreclosed and other real property in the County by exercising the powers of the County under Chapter 5722 of the Ohio Revised Code.

Pursuant to Section 1724.03 (B) of the Ohio Revised Code, the Board of Directors of the Corporation shall be composed of five to nine members including two County Commissioners, the County Treasurer, one representative from the municipal corporation with the largest population, one Director with private sector or nonprofit experience in rehabilitation or real estate acquisitions.

The Corporation is dedicated to strategically acquiring tax foreclosed property and other foreclosed property via the following means: adjudication of vacant and abandoned property by the Knox County Board of Revision, Sheriff's Sale, Bank Real Estate Owned, County Auditor, third parties, and through donations. The Corporation then strives to put the properties back to productive use.

The reporting entity for the Corporation is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Corporation and any other organizations that would need to be included to ensure the financial statements of the Corporation are not misleading.

Component units are legally separate organizations for which the Corporation is financially accountable. The Corporation is financially accountable for an organization if the Corporation appoints a voting majority of the organization's governing board; and 1) the Corporation is able to significantly influence the programs or services performed or provided by the organization; or 2) the Corporation is legally entitled to or can otherwise access the organization's resources; the Corporation is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Corporation is obligated for the debt of the organization. Component units may also include organizations for which the Corporation authorizes the issuance of debt, or the levying of taxes, or determines the budget. The Cooper Park Development Company (CPDC) is the only component unit included as part of this report. The Corporation has a controlling financial interest through ownership of the majority voting interest. CPDC was formed in 2020 to assist The Corporation in seeking grants and assisting with maintenance, management, and marketing of a business park located in Mount Vernon, Ohio.

KNOX COUNTY LAND REUTILIZATION CORPORATION

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2022

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Basis of Presentation

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

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

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

KNOX COUNTY LAND REUTILIZATION CORPORATION

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2022

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Basis of Presentation – Continued

Fund 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.

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 funds are 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 governmental funds:

General Fund

The general fund accounts for all financial resources, including those that are received from the Knox County Fiscal Officer from penalties collected on delinquent property taxes and interest on those delinquencies. The general fund balance is available to the Corporation for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Fund

The special revenue fund accounts are for the proceeds of specific revenue sources, such as government grants, that are legally restricted to expenditures for specified purposes.

KNOX COUNTY LAND REUTILIZATION CORPORATION

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2022

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Measurement Focus and Basis of Accounting

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 may include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for the general fund and special revenue fund.

Basis of Accounting

Basis of accounting determines when transactions are recorded on the financial records and reported on the financial statements. Government-wide statements are prepared using the accrual basis of accounting. The general fund and special revenue fund use 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 inflows/outflows of resources and in the presentation of expenses versus expenditures.

KNOX COUNTY LAND REUTILIZATION CORPORATION

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2022

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Revenues - Exchange and Nonexchange Transactions

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

Nonexchange transactions, in which the Corporation receives value without directly giving equal value in return, include grants, entitlements and donations. Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the Corporation must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Corporation on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of assets that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. The Corporation did not have any deferred outflows of resources at December 31, 2022.

In addition to liabilities, the statements of financial position will sometimes report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of assets that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. The Corporation did not have any deferred inflows of resources at December 31, 2022.

KNOX COUNTY LAND REUTILIZATION CORPORATION

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2022

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Expenses/Expenditures

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

Budgetary Process

The Corporation is not bound by the budgetary laws prescribed by the Ohio Revised Code for governmental entities.

Federal Income Tax

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

Cash and Cash Equivalents

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

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

Prepaid Items

Payments made to vendors for services that will benefit periods beyond the current year, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount at the time of purchase and reflecting the expenditure/expense in the year in which the services are consumed.

KNOX COUNTY LAND REUTILIZATION CORPORATION

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2022

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Assets Held for Resale

Assets held for resale represent properties purchased by or donated to the Corporation. Purchased properties are valued based upon the purchase price plus any costs of significant maintenance, rehabilitation, or betterment of properties. Donated properties are valued based on the appraised value of the property. The Corporation holds the properties until it is either sold to a new owner, sold to an individual who will rehabilitate the property, the building on the property is demolished, or the Corporation may sell other lots to the owners of adjacent parcels for a nominal cost.

Capital Assets

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Capitalization thresholds (the dollar value above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the Government-wide statements are as follows:

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Furniture and Equipment	5,000	SL	5 Years

KNOX COUNTY LAND REUTILIZATION CORPORATION

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2022

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Accrued Liabilities and Long-Term Obligations

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

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

The Corporation had one long-term obligation at December 31, 2022. Loan from ADF with a balance of \$250,000.

Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The Corporation had \$0 restricted net position at December 31, 2022. The Corporation applies restricted resources first when an expense is incurred for which restricted and unrestricted amount is available.

Intergovernmental Revenue

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

Government Grants

The Corporation receives financial assistance from Area Development Foundation and Ariel Foundation in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements. Any disallowed claims resulting from such audits could become a liability of the general fund. However, the effect of any such disallowed claims on the overall financial position of the Corporation at December 31, 2022, if applicable, cannot be determined at this time.

Public Support

The Corporation receives financial support from the public through property donations and properties acquired through either the Board of Revisions or Sheriff sales. These properties are recorded at the assessed value, and later sold by the Corporation.

KNOX COUNTY LAND REUTILIZATION CORPORATION

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2022

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Estimates

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

Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Corporation Administration and that are either unusual in nature or infrequent in occurrence. The Corporation had no extraordinary or special items during 2022.

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 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 a formal action (resolution) of the Corporation’s 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 or use in satisfying those contractual requirements.

KNOX COUNTY LAND REUTILIZATION CORPORATION

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2022

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Fund Balance – Continued

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 policies of the Corporation's Board. The Board has by resolution authorized the Executive Director to assign fund balance. The Board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget.

Unassigned - Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed or assigned.

The Corporation has not adopted a formal fund balance policy. 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 2 – DEPOSITS

Custodial credit risk is the risk that, in the event of bank failure, the Corporation will not be able to recover deposits or collateral securities that are in the possession of an outside party. The Corporation has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by (1) eligible securities pledged to the Corporation and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured, or (2) participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

At December 31, 2021, \$344,689 was covered by Federal depository insurance, while the remaining balance was covered by the OPCS.

KNOX COUNTY LAND REUTILIZATION CORPORATION

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2022

NOTE 3 – TRANSACTIONS WITH KNOX COUNTY

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

NOTE 4 – AGENCY AGREEMENT

The Corporation entered into an agreement in October 2020, which continues through July 31, 2023, with CPDC and Area Development Foundation, Inc. to maintain, manage and market a business park located in Mount Vernon, Ohio. The Corporation's role was to acquire the lease rights, approve the sub-lease and sale of real estate within the park, while overseeing all aspects of the compliance. The Corporation shall receive all net profits after payments of all costs and expenses.

NOTE 5 – RISK MANAGEMENT

The Corporation is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; and natural disasters.

The Corporation maintains comprehensive insurance coverage with independent third parties for real property, building, vehicle, general liability and professional liability insurance. There were no settled claims from these risks that have exceeded commercial insurance coverage.

NOTE 6 – FINANCIAL POSITION

As of the date of this report, the COVID-19 pandemic is still ongoing. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration. Therefore, while the Corporation expects this matter to impact its operating results and financial condition, the related financial impact and duration cannot be reasonably estimated at this time.

KNOX COUNTY LAND REUTILIZATION CORPORATION

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2022

NOTE 7 - CAPITAL ASSETS

Capital asset balances and activity for the year ended December 31, 2022 are as follows:

Governmental Activities	Beginning Balance	Additions	Retirements / Reclassifications	Ending Balance
Capital Assets That Are Being Depreciated:				
Furniture and Equipment	\$8,141	\$-	\$-	\$8,141
Total Depreciated Assets	<u>8,141</u>	<u>-</u>	<u>-</u>	<u>8,141</u>
Less: Accumulated Depreciation For				
Furniture and Equipment	(1,221)	(1,628)	-	(2,849)
Total Accumulated Depreciation	<u>(1,221)</u>	<u>(1,628)</u>	<u>-</u>	<u>(2,849)</u>
Total Depreciated Assets, Net	<u>6,920</u>	<u>(1,628)</u>	<u>-</u>	<u>5,292</u>
Capital Assets, Net	<u><u>\$6,920</u></u>	<u><u>\$(1,628)</u></u>	<u><u>\$-</u></u>	<u><u>\$5,292</u></u>

Depreciation expense was charged to governmental functions as follows:

Administration Expense	\$	1,628
Total Depreciation Expense	<u>\$</u>	<u>1,628</u>

KNOX COUNTY LAND REUTILIZATION CORPORATION

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2022

NOTE 8 - LONG-TERM DEBT OBLIGATIONS

The Special Revenue fund borrows money in order to make improvements, and/or cover operational expenses. This enables the cost of these capital assets to be borne by the present and future taxpayers receiving the benefit of the capital assets. These long-term liabilities are full faith and credit debt of the local government. The note payable dated January 7, 2022 with ADF for \$100,000 does not have a set maturity and the interest is 0%.

Long-term liability balances and activity for the year are summarized below:

Governmental Activities	Beginning			Ending	Amount Due
	Balance	Additions	Reductions	Balance	Within One
					Year
Long-Term Liabilities:					
General Obligation Debt					
Note Payable	\$150,000	\$100,000	-	\$ 250,000	-
Total Long-Term Liabilities	<u>150,000</u>	<u>100,000</u>	<u>-</u>	<u>250,000</u>	<u>-</u>
Total Governmental Activities	<u>\$ 150,000</u>	<u>\$ 100,000</u>	<u>-</u>	<u>\$ 250,000</u>	<u>-</u>

NOTE 9 – Lease Receivable

Receivables at December 31, 2022, consisted of mortgage receivable of \$591,685. This amount will be collected over the next 15 months.

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**KNOX COUNTY LAND REUTILIZATION CORPORATION
KNOX COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 2021**

The management's discussion and analysis of the Knox County Land Reutilization Corporation's (the Corporation) financial performance provides an overall review of the Corporation's financial activities for the year ended December 31, 2021. The intent of this discussion and analysis is to look at the Corporation's financial performance as a whole. Readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the Corporation's financial performance.

Financial Highlights

Key financial highlights for 2021 are as follows:

- The Corporation is focused on returning troubled real estate to productive use, strengthening neighborhoods, and accelerating economic activity in Knox County communities. The Corporation works cooperatively with units of government and individual property owners in this mission.
- The Corporation received \$109,139 from Knox County under a statutory arrangement to receive 5% of delinquent taxes collected. The Corporation also recognized revenue of \$484,353 from the Ariel Foundation and \$100,000 from Knox County in the form of grants to support the mission of the organization. The Corporation agreed to a \$150,000 loan from the Area Development Foundation, Inc. to assist with the operation of the Cooper Park Development Company.
- The Corporation's net position increased from \$663,223 in 2020 to \$977,257 in 2021.

Overview of the Financial Statements

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

The Statement of Net Position and Statement of Activities provide information about the activities of the Corporation as a whole, presenting both an aggregate view of the Corporation's finances and a longer-term view of those finances. Fund financial statements tell how services were financed in the short term as well as what dollars remain for future spending.

Reporting the Corporation's Financial Activities

Statement of Net Position and the Statement of Activities

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

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

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

- Assets
- Liabilities
- Net Position (Assets minus Liabilities)
- Program Expenses and Revenues
- General Revenues
- Change in Net Position
- Net Position, Beginning and End of the Year

**KNOX COUNTY LAND REUTILIZATION CORPORATION
KNOX COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 2021**

The table below provides a summary of the Corporation's net position for December 31, 2021, and 2020.

Table 1 Net Position		
	2021	2020
Assets		
Current and Other Assets	\$ 1,553,152	\$ 927,396
Liabilities		
Current and Other Liabilities	425,895	264,173
Long- Term Liabilities	150,000	-
Net Position	\$ 977,257	\$663,223

Over time, the net position can serve as a useful indicator of a government's financial position. On December 31, 2021, the Corporation's assets exceeded liabilities by \$977,257. The largest asset is Assets Held for Resale which amounted to \$1,275,957 on December 31, 2021.

The table below shows the changes in net position for the years ending December 31, 2021 and 2020.

Table 2 Net Position		
	2021	2020
Revenues		
Program Revenues		
Charges for Services	\$55,482	\$-
Operating Grants and Contributions	380,266	431,103
General Revenues		
Grants & Entitlements Not Restricted	843,492	473,345
Sale of Property	41,164	(25,398)
Miscellaneous	36,433	-
<i>Total Revenues</i>	<i>1,356,837</i>	<i>879,050</i>
Expenditures		
Impairment Loss	-	151,241
Professional and Contract Services	643,144	308,377
Administration	250,377	60,380
<i>Total Expenditures</i>	<i>893,521</i>	<i>519,997</i>
Other Sources (Uses)		
Loss on Sale of Assets	(149,282)	-

**KNOX COUNTY LAND REUTILIZATION CORPORATION
KNOX COUNTY, OHIO**

**MANAGEMENT’S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 2021**

<i>Net change in Net Position</i>	314,034	359,053
<i>Fund Balance, Beginning of Year</i>	663,223	304,170
<i>Fund Balance (Deficit), End of Year</i>	\$977,257	\$663,223

Revenues for 2021 and 2020 consist primarily of 5% delinquent tax and assessments from Knox County to the Corporation for the purpose of land reutilization and grants from the Ariel Foundation and Knox County to address blight, revitalization of corridors, and general land reutilization activities. The Corporation acquired 14 properties in 2021 and sold 12 properties. The sold properties led to 5 homes being renovated, 3 new homes being built, and 4 for non-profit/government use. Obtaining the lease to Cooper Progress Park led to a large increase in professional and contract services to maintain the property.

Reporting on the Corporation’s Most Significant Funds

The governmental fund statements provide a detailed short-term view of the Corporation’s general operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future on services provided to the Corporation’s government constituents. The relationship (or difference) between governmental activities (reported on the Statement of Net Position and the Statement of Activities) and the general fund is reconciled in the financial statements.

General Fund

The presentation for the Corporation’s General Fund focuses on how resources flow into and out of it and the balance that is left at year-end available for spending in future periods. The General Fund serves as the main operating account of the Corporation. The General Fund is reported using the modified accrual of accounting, which measures cash and all other financial assets that are expected to be readily converted to cash. The General Fund had income of \$1,131,984 and expenditures of \$298,014.

Special Revenue Fund

The Special Revenue Fund shows the activity of the Cooper Park Development Company which is a component of the Knox County Land Reutilization Corporation and accounts for the activity related to the Cooper Progress Park at 105 N. Sandusky Street, Mount Vernon, Ohio. The Special Revenue Fund is reported using the modified accrual of accounting, which measures cash and all other financial assets that are expected to be readily converted to cash. The Special Revenue Fund has income of \$374,853 and expenditures of \$751,709.

Capital Assets

In 2021, the Corporation had minimal capital asset purchases or sales.

Debt

As of December 31, 2021, the Corporation owes the Area Development Foundation \$150,000 that was received as a 0% interest loan to be paid back as able. These funds were for the specific purpose of repositioning Cooper Progress Park as a marketable property.

Current Financial Related Activities

The Corporation, established in late 2017, has been designated by Knox County, Ohio as its agent for the reclamation, rehabilitation, and reutilization of vacant, abandoned, tax-foreclosed, and other real property in Knox County. Principal operating revenues of the Corporation include contributions from Knox County’s delinquent tax and assessment collection fund.

**KNOX COUNTY LAND REUTILIZATION CORPORATION
KNOX COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 2021**

Request for Information

This financial report is designed to provide users of the financial statements with a general overview of the Corporation's finances and show the Corporation's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Jeff Gottke, President of the Knox County Land Reutilization Corporation, PO Box 29, Mount Vernon, Ohio 43050.

Knox County Land Reutilization Corporation

Statement of Net Position

December 31, 2021

	<u>Governmental Activities</u>
<u>Assets</u>	
Cash	\$ 199,113
Assets Held for Resale	1,275,957
Prepaid Insurance	14,220
Property Down Payment	10,000
Net Capital Assets	6,920
Lease Receivable	46,942
	<hr/>
Total Assets	1,553,152
	<hr/>
<u>Liabilities</u>	
Accounts Payable	91,977
Down Payment on Property Sale	6,990
Due to ADF	269,986
Deferred Revenue	56,942
	<hr/>
Total Current Liabilities	425,895
Long-Term Liabilities	
Loan from ADF	150,000
	<hr/>
Total Long-Term Liabilities	150,000
	<hr/>
Total Liabilities	575,895
	<hr/>
<u>Net Position</u>	
Unrestricted	977,257
	<hr/>
Total Net Position	\$ 977,257
	<hr/> <hr/>

See accompanying notes to the basic financial statements.

Knox County Land Reutilization Corporation

Statement of Activity

For the Year Ended December 31, 2021

	Program Revenue			Net (Expenses)
	Expenses	Charges for	Operating Grants	Revenue
Functions/Programs		Services and Sales	and Contributions	Change in
				Net Position
				Governmental
				Activities
Governmental Activities				
General Government Support				
Professional and Contract Services	\$ 643,144	\$ 55,482	\$ 380,266	\$ (207,396)
Administration	250,377	-	-	(250,377)
Total Functions and Programs	\$ 893,521	\$ 55,482	\$ 380,266	\$ (457,773)
General Revenues				
Grants and Entitlements not				
Restricted to Specific Programs				\$ 843,492
Sale of Property				41,164
Miscellaneous				36,433
				921,089
Total General Revenues				921,089
Loss on Sale of Asset				(149,282)
Change in Net Position				314,034
Net Position, Beginning of Year				663,223
Net Position, End of Year				\$ 977,257

See accompanying notes to the basic financial statements.

Knox County Land Reutilization Corporation

Balance Sheet

Governmental Funds

December 31, 2021

	General	Special Revenue	Total
Assets			
Cash	\$ 163,392	\$ 35,721	\$ 199,113
Assets Held for Resale	1,275,957	-	1,275,957
Property Down Payment	10,000	-	10,000
Due from Cooper Park	33,222	-	33,222
Prepaid Insurance	4,682	9,538	14,220
Lease Receivable	-	46,942	46,942
Total Assets	\$ 1,487,253	\$ 92,201	\$ 1,579,454
Liabilities			
Accounts Payable	\$ 10,443	\$ 81,534	\$ 91,977
Down Payment on Property Sale	-	6,990	6,990
Due to Land Bank	-	33,222	33,222
Due to ADF	-	269,986	269,986
Deferrred Revenue	10,000	46,942	56,942
Total Liabilities	\$ 20,443	\$ 438,674	\$ 459,117
Fund Balance (Deficit)			
Unassigned (Deficit)	1,466,810	(346,473)	1,120,337
Total Fund Balance (Deficit)	1,466,810	(346,473)	1,120,337
Total Liabilities and Fund Balance	\$ 1,487,253	\$ 92,201	\$ 1,579,454

See accompanying notes to the basic financial statements.

Knox County Land Reutilization Corporation
*Reconciliation of Total Governmental Fund Balances
to Statement of Net Position of Governmental Activities
December 31, 2021*

Total Governmental Funds Balances \$ 1,120,337

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

Capital assets used in governmental activities are not financial
resources and therefore are not reported in the funds

Cost of Capital Assets	8,141	
Accumulated Depreciation	(1,221)	
Total		6,920

Long-term liabilities, including loans payable, are not due in the
current period and therefore are not reported in the funds:

Loans Payable	(150,000)	
Total		(150,000)

Total Net Position of Governmental Activities \$ 977,257

See accompanying notes to the basic financial statements.

Knox County Land Reutilization Corporation
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
For the Year Ended December 31, 2021

	General	Special Revenue	Total
Revenues			
Public Support	\$ 380,266	\$ -	\$ 380,266
Property Sales	41,164	-	41,164
Intergovernmental	209,139	-	209,139
Government Grants	484,353	150,000	634,353
Rental Income	5,600	49,882	55,482
Miscellaneous Revenue	11,462	24,971	36,433
Total Revenues	\$ 1,131,984	\$ 224,853	\$ 1,356,837
Expenditures			
Current			
General Government			
Capital Outlay	-	6,920	6,920
Professional and Contract Services	116,302	526,842	643,144
Administration	32,430	217,947	250,377
Total Expenditures	\$ 148,732	\$ 751,709	\$ 900,441
Excess of Revenues Over (Under) Expenditures	983,252	(526,856)	456,396
Other Financing Sources (Uses)			
Loss on Sale of Assets	(149,282)	-	(149,282)
Proceeds from Long Term Debt	-	150,000	150,000
Total Other Financing Sources (Uses)	(149,282)	150,000	718
Net Change in Fund Balance	833,970	(376,856)	457,114
Fund Balance, Beginning of Year	632,840	30,383	663,223
Fund Balance (Deficit), End of Year	\$ 1,466,810	\$ (346,473)	\$ 1,120,337

See accompanying notes to the basic financial statements.

Knox County Land Reutilization Corporation
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2021*

Net Change in Fund Balances - Total Governmental Funds \$ 457,114

*Amounts reported for governmental activities in the
statement of activities are different because*

Governmental funds report capital outlays as expenditures. However, in the Statement of net Position, assets with an initial cost of more than \$5,000 are capitalized and in the Statement of Activities the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeded capital outlays in the

Capital Outlays	8,141	
Depreciation Expense	(1,221)	
Total	6,920	6,920

Proceeds of long-term debt, including premiums on issuance, are recorded as an other financing source for governmental funds but are not recorded in the Statement of Activities. This is the amount of proceeds from long-term debt received in the current

(150,000)	
(150,000)	(150,000)

Changes in Net Position of Governmental Activities \$ 314,034

See accompanying notes to the basic financial statements.

KNOX COUNTY LAND REUTILIZATION CORPORATION

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2021

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Knox County Land Reutilization Corporation (the Corporation) is a county land reutilization corporation that was formed on November 17, 2017, pursuant to the Board of Knox County Commissioners authorizing the establishment of the Corporation under Chapter 1724 of the Ohio Revised Code under commissioners' resolution number 1059-2017 as a not-for-profit corporation under the laws of the State of Ohio. The purpose of the Corporation is to strengthen neighborhoods in Knox County (the County) by returning vacant and abandoned properties to productive use. The Corporation has been designated as the County's agent to further its mission to reclaim, rehabilitate, and reutilize vacant, abandoned, tax foreclosed and other real property in the County by exercising the powers of the County under Chapter 5722 of the Ohio Revised Code.

Pursuant to Section 1724.03 (B) of the Ohio Revised Code, the Board of Directors of the Corporation shall be composed of five to nine members including two County Commissioners, the County Treasurer, one representative from the municipal corporation with the largest population, one Director with private sector or nonprofit experience in rehabilitation or real estate acquisitions.

The Corporation is dedicated to strategically acquiring tax foreclosed property and other foreclosed property via the following means: adjudication of vacant and abandoned property by the Knox County Board of Revision, Sheriff's Sale, Bank Real Estate Owned, County Auditor, third parties, and through donations. The Corporation then strives to put the properties back to productive use.

The reporting entity for the Corporation is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Corporation and any other organizations that would need to be included to ensure the financial statements of the Corporation are not misleading.

Component units are legally separate organizations for which the Corporation is financially accountable. The Corporation is financially accountable for an organization if the Corporation appoints a voting majority of the organization's governing board; and 1) the Corporation is able to significantly influence the programs or services performed or provided by the organization; or 2) the Corporation is legally entitled to or can otherwise access the organization's resources; the Corporation is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Corporation is obligated for the debt of the organization. Component units may also include organizations for which the Corporation authorizes the issuance of debt, or the levying of taxes, or determines the budget. The Cooper Park Development Company (CPDC) is the only component unit included as part of this report. The Corporation has a controlling financial interest through ownership of the majority voting interest. CPDC was formed in 2020 to assist The Corporation in seeking grants and assisting with maintenance, management, and marketing of a business park located in Mount Vernon, Ohio.

KNOX COUNTY LAND REUTILIZATION CORPORATION

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2021

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Basis of Presentation

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

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

The statement of net position presents the financial condition of the governmental activities of the Corporation at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Corporation’s governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the Corporation, with certain limited exceptions. The comparison of 7direct 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 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.

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 funds are classified as governmental.

KNOX COUNTY LAND REUTILIZATION CORPORATION

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2021

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Basis of Presentation – Continued

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 governmental funds:

General Fund

The general fund accounts for all financial resources, including those that are received from the Knox County Fiscal Officer from penalties collected on delinquent property taxes and interest on those delinquencies. The general fund balance is available to the Corporation for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Fund

The special revenue fund accounts are for the proceeds of specific revenue sources, such as government grants, that are legally restricted to expenditures for specified purposes.

Measurement Focus and Basis of Accounting

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 may include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for the general fund and special revenue fund.

KNOX COUNTY LAND REUTILIZATION CORPORATION

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2021

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Basis of Accounting

Basis of accounting determines when transactions are recorded on the financial records and reported on the financial statements. Government-wide statements are prepared using the accrual basis of accounting. The general fund and special revenue fund use 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 inflows/outflows of resources and in the presentation of expenses versus expenditures.

Revenues - Exchange and Nonexchange Transactions

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

Nonexchange transactions, in which the Corporation receives value without directly giving equal value in return, include grants, entitlements and donations. Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the Corporation must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Corporation on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of assets that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. The Corporation did not have any deferred outflows of resources at December 31, 2021.

In addition to liabilities, the statements of financial position will sometimes report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of assets that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. The Corporation did not have any deferred inflows of resources at December 31, 2021.

KNOX COUNTY LAND REUTILIZATION CORPORATION

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2021

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Expenses/Expenditures

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

Budgetary Process

The Corporation is not bound by the budgetary laws prescribed by the Ohio Revised Code for governmental entities.

Federal Income Tax

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

Cash and Cash Equivalents

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

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

Prepaid Items

Payments made to vendors for services that will benefit periods beyond the current year, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount at the time of purchase and reflecting the expenditure/expense in the year in which the services are consumed.

Assets Held for Resale

Assets held for resale represent properties purchased by or donated to the Corporation. Purchased properties are valued based upon the purchase price plus any costs of significant maintenance, rehabilitation, or betterment of properties. Donated properties are valued based on the appraised value of the property. The Corporation holds the properties until it is either sold to a new owner, sold to an individual who will rehabilitate the property, the building on the property is demolished, or the Corporation may sell other lots to the owners of adjacent parcels for a nominal cost.

KNOX COUNTY LAND REUTILIZATION CORPORATION

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2021

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Capital Assets

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Capitalization thresholds (the dollar value above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the Government-wide statements are as follows:

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Furniture and Equipment	5,000	SL	5 Years

Accrued Liabilities and Long-Term Obligations

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

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

The Corporation had one long-term obligation at December 31, 2021. Loan from ADF with a balance of \$150,000.

Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The Corporation had \$0 restricted net position at December 31, 2021. The Corporation applies restricted resources first when an expense is incurred for which restricted and unrestricted amount is available.

Intergovernmental Revenue

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

Government Grants

The Corporation receives financial assistance from Area Development Foundation and Ariel Foundation in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements. Any disallowed claims resulting from such audits could become a liability of the general fund. However, the effect of any such disallowed claims on the overall financial position of the Corporation at December 31, 2021, if applicable, cannot be determined at this time.

KNOX COUNTY LAND REUTILIZATION CORPORATION

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2021

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Public Support

the Corporation receives financial support from the public through property donations and properties acquired through either the Board of Revisions or Sheriff sales. These properties are recorded at the assessed value, and later sold by the Corporation.

Estimates

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

Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Corporation Administration and that are either unusual in nature or infrequent in occurrence. The Corporation had no extraordinary or special items during 2021.

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 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 a formal action (resolution) of the Corporation’s 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 or use in satisfying those contractual requirements.

KNOX COUNTY LAND REUTILIZATION CORPORATION

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2021

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Fund Balance – Continued

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 policies of the Corporation's Board. The Board has by resolution authorized the Executive Director to assign fund balance. The Board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget.

Unassigned - Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed or assigned.

The Corporation has not adopted a formal fund balance policy. 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 2 – DEPOSITS

Custodial credit risk is the risk that, in the event of bank failure, the Corporation will not be able to recover deposits or collateral securities that are in the possession of an outside party. The Corporation has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by (1) eligible securities pledged to the Corporation and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured, or (2) participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

At December 31, 2021, \$199,113 was covered by Federal depository insurance.

NOTE 3 – TRANSACTIONS WITH KNOX COUNTY

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

KNOX COUNTY LAND REUTILIZATION CORPORATION

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2021

NOTE 4 – AGENCY AGREEMENT

The Corporation entered into an agreement in October 2020, which continues through July 31, 2023, with CPDC and Area Development Foundation, Inc. to maintain, manage and market a business park located in Mount Vernon, Ohio. The Corporation's role was to acquire the lease rights, approve the sub-lease and sale of real estate within the park, while overseeing all aspects of the compliance. The Corporation shall receive all net profits after payments of all costs and expenses.

NOTE 5 – RISK MANAGEMENT

The Corporation is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; and natural disasters.

The Corporation maintains comprehensive insurance coverage with independent third parties for real property, building, vehicle, general liability and professional liability insurance. There were no settled claims from these risks that have exceeded commercial insurance coverage.

NOTE 6 – FINANCIAL POSITION

As of the date of this report, the COVID-19 pandemic is still ongoing. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration. Therefore, while the Corporation expects this matter to impact its operating results and financial condition, the related financial impact and duration cannot be reasonably estimated at this time.

KNOX COUNTY LAND REUTILIZATION CORPORATION

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2021

NOTE 7 - CAPITAL ASSETS

Capital asset balances and activity for the year ended December 31, 2021 are as follows:

Governmental Activities

Capital Assets That Are Being Depreciated:	Beginning Balance	Additions	Retirements/ Reclassifications	Ending Balance
Furniture and Equipment	\$-	\$8,141	\$-	\$8,141
Total Depreciated Assets	-	8,141	-	8,141
Less: Accumulated Depreciation For				
Furniture and Equipment	-	(1,221)	-	(1,221)
Total Accumulated Depreciation	-	(1,221)	-	(1,221)
Total Depreciated Assets, Net	-	6,920	-	6,920
Capital Assets, Net	\$-	\$6,920	\$-	\$6,920
Depreciation expense was charged to governmental functions as follows:				
Administration Expense				\$ 1,221
Total Depreciation Expense				\$ 1,221

KNOX COUNTY LAND REUTILIZATION CORPORATION

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2021

NOTE 8 - LONG-TERM DEBT OBLIGATIONS

The Special Revenue fund borrows money in order to make improvements, and/or cover operational expenses. This enables the cost of these capital assets to be borne by the present and future taxpayers receiving the benefit of the capital assets. These long-term liabilities are full faith and credit debt of the local government. The note payable dated August 17, 2021 with ADF for \$150,000 does not have a set maturity and the interest is 0%.

Long-term liability balances and activity for the year are summarized below:

Governmental Activities	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
Long-Term Liabilities:					
General Obligation Debt					
Note Payable	\$-	\$ 150,000	\$-	\$ 150,000	\$-
Total Long-Term Liabilities	<u>-</u>	<u>150,000</u>	<u>-</u>	<u>150,000</u>	<u>-</u>
Total Governmental Activities	<u>\$ -</u>	<u>\$150,000</u>	<u>\$ -</u>	<u>\$ 150,000</u>	<u>\$ -</u>

NOTE 9 – Lease Receivable

Receivables at December 31, 2021, consisted of lease receivable of \$46,952. This amount will be collected over the next 3 months.

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OHIO AUDITOR OF STATE KEITH FABER



88 East Broad Street
Columbus, Ohio 43215
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(800) 282-0370

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

Knox County Land Reutilization Corporation
Knox County
PO Box 29
Mount Vernon, Ohio 43050

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 each major fund of the Knox County Land Reutilization Corporation, Knox County, (the Corporation) as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements and have issued our report thereon dated August 28, 2023.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Corporation's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control, described in the accompanying schedule of findings as item 2022-001 that we consider to be a material weakness.

Compliance and Other Matters

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

Corporation's Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on the Corporation's response to the finding identified in our audit and described in the accompanying schedule of findings. The Corporation's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

Purpose of this Report

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



Keith Faber
Auditor of State
Columbus, Ohio

August 28, 2023

**KNOX COUNTY LAND REUTILIZATION CORPORATION
KNOX COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2022 AND 2021**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2022-001

Financial Reporting - Material Weakness

In our audit engagement letter, as required by AU-C Section 210, Terms of Engagement, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16. Governmental Accounting Standards Board (GASB) Cod. 1100 paragraph .101 states a governmental accounting system must make it possible both: (a) to present fairly and with full disclosure the funds and activities of the governmental unit in conformity with generally accepted accounting principles, and (b) to determine and demonstrate compliance with finance-related legal and contractual provisions.

The Corporation did not have sufficient internal controls in place to help ensure receipts, disbursements, and fund balances were accurately reported. As a result, the following issues were noted:

- During 2022 and 2021, \$128,629 and \$100,000, respectively, of General Fund grant revenue and during 2022, \$150,000 of Special Revenue grant revenue, were reclassified from Governmental Grants to Intergovernmental Revenue due to the source of the revenue being another government. The remaining receipts in Governmental Grants are grant revenues received from non-governmental sources.
- During 2021, General Fund and Governmental Activities Assets Held for Resale and Public Support Revenue were understated by \$204,650 due to recording property acquired in 2021 as being acquired in 2022. During 2022, this overstated Public Support Revenue and understated beginning balance by the same amount for both the General Fund and Governmental Activities. Also, during 2021, Special Revenue Public Support Revenue and Inventory were overstated by \$71,630 due to recording property that was not owned by Cooper Park in the Special Revenue Fund rather than the General Fund. The \$71,630 error from 2021 understated Special Revenue Fund and Governmental Activities Property Sales Revenue and Beginning Balance during 2022.
- During 2022 and 2021, \$333 and \$7,185, respectively, of General Fund and \$50,604 and \$50,000, respectively, of Special Revenue Fund Accrued Liabilities were reclassified to Accounts Payable. In addition, during 2022 and 2021, \$50,937 and \$57,185, respectively, of Governmental Activities Accrued Liabilities were reclassified to Accounts Payable. These reclassifications were made due to the activity in both line items being similar in nature.
- During 2022 and 2021, General Fund and Governmental Activities Property Sales were understated \$871,874 and \$190,446, respectively, Loss on Sale of Assets was understated \$670,624 and \$149,282, respectively, and Public Support Revenue was overstated \$201,250 and \$41,164, respectively, due to not properly reflecting the loss on sale Assets Held for Resale.
- During 2022 and 2021, General Fund and Governmental Activities Assets Held for Resale were understated and Impairment Cost overstated by \$65,603 and \$304,703, respectively, due to not properly recognizing impairment loss. The 2021 adjustment caused 2022 Assets Held for Resale and Beginning Balance to be understated by \$304,703.
- During 2022 and 2021, \$3,355,840 and \$766,604, respectively, were reclassified from General Fund and Governmental Activities Inventory to Assets Held for Resale to properly classify the asset.

**KNOX COUNTY LAND REUTILIZATION CORPORATION
KNOX COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2022 AND 2021
(CONTINUED)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (CONTINUED)
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FINDING NUMBER 2022-001 (CONTINUED)

Financial Reporting - Material Weakness (Continued)

- During 2021, \$21,921 of Special Revenue Fund and Governmental Activities Rental Income was recorded as a liability of Prepaid Rental Income rather than Rental Income. During 2022, this resulted in Rental Income and Governmental Activities Charges for Services being overstated and the Beginning Balance being understated.
- During 2022, Special Revenue Fund and Governmental Activities Administrative Expenses and Property Sales Revenue were understated by \$21,426 due to not including closing costs and the actual sale price of property.
- During 2022, \$591,685 was adjusted from Special Revenue Fund and Governmental Activities Property Sales Revenue to Deferred Inflow – Unavailable Revenue to properly account for the Mortgage Receivable.
- During 2022, Special Revenue Note Proceeds were overstated by \$150,000 and Beginning Balance was understated due to recording the Note Proceeds received during 2021 again in 2022.
- During 2021, Special Revenue and Governmental Activities Lease Receivable and Deferred Revenue were understated by \$46,942 due to not recognizing the short term lease receivable.
- During 2022, Special Revenue Fund Beginning Balance did not agree to the 2021 Ending Fund balance by \$5,970, as expenditures from 2021 were applied to the Beginning Balance for 2022.
- During 2022 and 2021, \$338,443 and \$69,994, respectively, of program revenue Operating Grants and Contributions were reclassified to program revenue Charges for Services for \$81,905 and \$33,561, respectively, and general revenue Miscellaneous Revenue for \$256,538 and \$36,433, respectively, to correct the presentation.

The Corporation has recorded these reclassifications and adjustments to the financial statements. By not ensuring proper financial statement presentation, the Corporation cannot report accurate financial activity to its constituents.

We recommend the Corporation implement additional procedures to provide assurance over the completeness and accuracy of information recorded in their accounting records and reported within the financial statements. Such procedures may include additional reviews of the financial statements including the notes to the financial statements by a member of management and an analytical comparison of the current year annual report to the prior year annual report for obvious errors or omissions.

Officials' Response: After carefully considering the Auditor of the State of Ohio's recommendations, the Land Bank has accepted the suggested adjustments and understands the reasoning behind them. Going forward, we will collaborate further with the Knox County Auditor's Office by conducting regular joint reviews of our financial statements and reports to ensure that our accounting adheres to all applicable standards and guidelines. We communicate any recommendations to our accounting firm, Bowers & Co. to ensure that all reports comply with GASB standards. Our goal is to provide transparent and thorough financial reporting. We will address the issues identified in the audit and make necessary improvements.

OHIO AUDITOR OF STATE KEITH FABER



KNOX COUNTY LAND REUTILIZATION CORPORATION

KNOX COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 8/31/2023

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov