



Dave Yost • Auditor of State

**LAND REUTILIZATION CORPORATION
FAIRFIELD COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Land Reutilization Corporation
Fairfield County
210 East Main Street
Lancaster, Ohio 43130

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of the Land Reutilization Corporation, Fairfield County, Ohio (the Corporation), a component unit of Fairfield County, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Land Reutilization Corporation, Fairfield County, Ohio, as of December 31, 2015, and the respective changes in financial position thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2016, on our consideration of the Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

September 28, 2016

Fairfield County Land Reutilization Corporation
Fairfield County
(A Component Unit of Fairfield County)
Management's Discussion and Analysis
For the Year Ended December 31, 2015
(Unaudited)

The management's discussion and analysis of Fairfield County Land Reutilization Corporation's (the Corporation's) financial performance provides an overall review of the Corporation's financial activities for the year ended December 31, 2015. The intent of this discussion and analysis is to look at the Corporation's financial performance as a whole and financial statements to enhance their understanding of the Corporation's financial performance.

Financial Highlights

Key financial highlights for 2015 are as follows:

- The Corporation is focused on returning property to productive use, returning property to the tax duplicate and accelerating economic or housing activity in Fairfield County communities. The Corporation works cooperatively with cities, other units of government and individual property owners to acquire troubled real estate and return it to productive use.
- The Corporation received \$250,000 from the Fairfield County Delinquent Tax Assessment Collection Fund to be used in the operation of the land reutilization purposes of the Corporation.
- The Corporation began acquiring properties and expending demolition costs in furtherance of its Corporate Mission.

Assets exceeded liabilities at the close of the year ended December 31, 2015 by \$232,511 (net position). This net position is unrestricted which represents the amount that can be used at the discretion of the Fairfield County Land Reutilization Corporation's Board.

At the end of the current year, the Corporation's total net position increased by 89.4% or \$109,717 from the total net position from the prior year.

At the end of the current year, fund balance for the General Fund was \$232,511 which represents an 89.4% increase from the prior year, and represents 85.9% of total General Fund expenditures.

Overview of the Financial Statements

This annual report consists of management's discussion and analysis and basic 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 whole Corporation, presenting both an aggregate view of the Corporation's finances and a longer-term view of those assets. The Statement of Activities shows changes to net position during the current year. Fund financial statements tell how services were financed in the short-term as well as what dollars remain for future spending.

Fairfield County Land Reutilization Corporation
Fairfield County
(A Component Unit of Fairfield County)
Management's Discussion and Analysis
For the Year Ended December 31, 2015
(Unaudited)

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. The accrual 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.

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

Net Position:

- Assets
- Liabilities
- Net Position

Statement of Activities:

- Program Expenses and Revenues
- General Revenues
- Net Position Beginning and End of Year

Governmental activities - The Corporation's programs and services are reported here. These services are funded primarily by intergovernmental revenues. The Corporation's statement of net position and statement of activities can be found on pages 9 and 10 of this report.

Reporting on the Corporation's Funds

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Corporation, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The fund of the Corporation can be reflected as a governmental fund.

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

Fairfield County Land Reutilization Corporation
Fairfield County
(A Component Unit of Fairfield County)
Management's Discussion and Analysis
For the Year Ended December 31, 2015
(Unaudited)

Governmental Fund

The presentation for the Corporation's general fund focuses on how resources flow through the fund and reports the year-end balance available for spending in future periods. The governmental fund is reported using the modified accrual of accounting which measures cash and all other financial assets that are expected to be readily converted to cash. The governmental fund statement provides a detailed short-term view of the Corporation's general operations and the basic services provided. The Corporation had governmental revenues of \$380,283 and expenditures of \$270,566.

Notes to the Basic Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The Notes to the Basic Financial Statements can be found on pages 13 through 20 of this report.

Government-wide Financial Analysis

During 2015, as shown in the table below, the combined net position of the Corporation increased \$109,717 or 89.4%.

Condensed financial information derived from the Statement of Net Position follows:

Statement of Net Position
As of December 31, 2015, with comparatives as of December 31, 2014

	Governmental Activities	
	2015	2014
Assets:		
Current and other		
noncurrent assets.....	<u>\$ 263,870</u>	<u>\$ 122,794</u>
Liabilities:		
Current and		
other liabilities	<u>31,359</u>	<u>-</u>
Net Position		
Unrestricted	<u>\$ 232,511</u>	<u>\$ 122,794</u>

There were changes in current and other noncurrent assets from the prior year which resulted in an increase of \$141,076. The increase is primarily due to increases in cash and cash equivalents and accounts receivable. Cash and cash equivalents increased \$14,385 due to increase in intergovernmental

Fairfield County Land Reutilization Corporation
Fairfield County
(A Component Unit of Fairfield County)
Management's Discussion and Analysis
For the Year Ended December 31, 2015
(Unaudited)

revenue which was offset by an increase in expenses due to the initiation of demolition activities pursuant to the Neighborhood Initiative Program (NIP) demolition award. Accounts receivable increased \$126,718 due to the timing of the finalization of the first round of demolition and the subsequent billing for reimbursement from the Ohio Housing Finance Agency which remained outstanding as of 12/31/2015. The increase in liabilities is primarily due to an increase in accounts payable.

Unrestricted net position is \$232,511. The Corporation's net position, when viewed over time, may provide the reader with a useful indicator of the Corporation's economic condition.

The following table shows the condensed financial information derived for the Statement of Activities for the year ended December 31, 2015 with a comparative analysis for the year ended December 31, 2014.

Statement of Activities for the year ended December 31, 2015
with comparatives for the year ended December 31, 2014

	Governmental Activities	
	2015	2014
Revenues:		
Program revenues:		
Operating grants and contributions	\$ 129,414	\$ -
Total program revenue ...	<u>129,414</u>	<u>-</u>
General revenues:		
Intergovernmental	250,000	200,000
Interest	237	149
Other	632	-
Total general revenues	<u>250,869</u>	<u>200,149</u>
Total Revenues	<u>380,283</u>	<u>200,149</u>
Expenses:		
Demolition reimbursements	126,694	-
Professional & Contract Services	132,420	75,000
Insurance	6,025	-
Administration	5,427	2,355
Total Expenses	<u>270,566</u>	<u>77,355</u>
Increase (decrease) in Net Position	109,717	122,794
Net position - beginning of year	122,794	-
Net position - end of year	<u>\$ 232,511</u>	<u>\$ 122,794</u>

Fairfield County Land Reutilization Corporation
Fairfield County
(A Component Unit of Fairfield County)
Management's Discussion and Analysis
For the Year Ended December 31, 2015
(Unaudited)

Intergovernmental revenue accounted for the majority of the Corporation's total revenues for 2015. The increase in revenues is due to an outstanding account receivable in the amount of a request for reimbursement of demolition costs under the NIP demolition award, a recovery of unused matching funds under the Moving Ohio Forward program, a recovery of the Corporation's share of proceeds on a Sheriff's Sale, and an increase in the amount drawn from the Corporation's share of the delinquent tax assessment collection fund from Fairfield County. Demolition and contract services account for 46.8 percent and 48.9 percent respectively of total expenses for 2015. The increase in demolition reimbursement and contract service expenses are primarily due to the start of demolition under the NIP demolition award in the fall of 2015.

The following table presents the total expenses and net cost of each of the Corporation's governmental program activities. The net cost (total program activity expenses less revenues generated by the program) represents the financial burden that was placed on the Corporation by each of these program activities. Costs not covered by program revenues are essentially funded with the Corporation's general revenues, which are primarily composed of intergovernmental revenues and unrestricted interest earnings. The net cost of the governmental activities was \$141,152.

Program Activity Costs for MD&A 2015

Program Activity	Program Activity Expense	Net Cost (Gain) of Program Activity	Net Cost (Gain) as Percentage of Total Expenses	
			Program Activity	All Program Activities
Demolition Reimbursement	126,694	-	0%	0%
Contract Services	132,420	129,700	100.0%	47.9%
Insurance	6,025	6,025	100.0%	2.2%
Administration	5,427	5,427	100.0%	2.0%
Total Expenses	270,566	141,152	100.0%	52.1%

The fund balance of the Corporation's General Fund increased by \$109,717 from the prior year. Key factors in the increase in fund balance are as follows:

General Fund revenues increased approximately \$180,134 from the prior year while General fund expenditures increased \$193,211. The largest increase in revenue was intergovernmental revenue. This increase is due to an increase in the amount drawn from available delinquent tax assessment funds from Fairfield County and the initiation of demolition activity and the subsequent reimbursement for all costs incurred under the NIP demolition award. The largest increases in expenditures were professional and contract services and demolition expenses associated with the start of the NIP demolition activity.

The basic governmental fund financial statements can be found on pages 11 and 12 of this report.

Fairfield County Land Reutilization Corporation
Fairfield County
(A Component Unit of Fairfield County)
Management's Discussion and Analysis
For the Year Ended December 31, 2015
(Unaudited)

Budgeting

The Corporation is not required to follow the budgetary provisions set forth in Ohio Revised Code Section 5705.

Current Financial Related Activities

The County formed the Fairfield County Land Reutilization Corporation in September 2013. The Corporation has been designated as the County's agent for the reclamation and reutilization of vacant, abandoned and non-productive properties throughout Fairfield County. The Corporation can potentially address parcels that have fair market values exceeded by the delinquent tax and assessments due. The purpose of the Corporation is to strengthen neighborhoods throughout Fairfield County by returning these vacant, abandoned and economically unattractive properties to productive use. The principal operating revenues of the Corporation are derived from contributions from the Fairfield County delinquent tax and assessment collection fund.

In 2014 the Corporation was the recipient of a Neighborhood Initiative Program (NIP) award, a reimbursement program intended for the demolition and greening of vacant and abandoned properties. The acquisition process under the NIP award began in late 2014 and will continue throughout 2016. As of the date of the financial statements no draws have been made from the NIP award. A request for reimbursement under the NIP program was submitted prior to yearend 2015 but not received as of December 31, 2015 as reflected on the balance sheet under Accounts Receivable. The award and the associated increase in Corporation activity did necessitate the hiring of an Executive Director in December 2014. The Executive Director position is filled by an employee of the Fairfield County Treasurer (a Senior Chief Deputy Treasurer) with the Corporation contracting with the County to cover a portion of the employee costs. Based upon the terms of the award, the disposition of the cleared housing lots will result in additional expense over any proceeds. Therefore the properties owned at year end do not have any future economic value and are not recorded on the balance sheet. (See Note 2 for further details).

The 2016 General Fund budget was adopted at \$716,600 allowing for mainly increases in Intergovernmental receipts and program awards.

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 Fairfield County Land Reutilization Corporation, 210 E. Main Street Room 206, Lancaster, Ohio 43130.

Fairfield County Land Reutilization Corporation
Fairfield County
(A Component Unit of Fairfield County)
Statement of Net Position
December 31, 2015

		<u>Governmental Activities</u>
Assets		
Cash and Cash Equivalents	\$	137,152
Accounts Receivable		<u>126,718</u>
Total Assets		263,870
 Liabilities		
Accounts Payable		31,335
Mortgages Payable		<u>24</u>
Total Liabilities		31,359
 Net Position		
Unrestricted		<u>232,511</u>
Total Net Position	\$	<u><u>232,511</u></u>

Fairfield County Land Reutilization Corporation
Fairfield County
(A Component Unit of Fairfield County)
Statement of Activities
December 31, 2015

	<u>Expenses</u>	<u>Program Revenue Operating Grants & Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Position Governmental Activities</u>
Governmental Activities:			
Demolition reimbursements	\$ 126,694	\$ 126,694	\$ -
Professional & Contract Services	132,420	2,720	(129,700)
Insurance	6,025		(6,025)
Administration	5,427		(5,427)
Total	<u>\$ 270,566</u>	<u>\$ 129,414</u>	<u>(141,152)</u>
 General Revenue:			
Intergovernmental			250,000
Interest			237
Other			632
Total General Revenues			<u>250,869</u>
Change in Net Position			109,717
Net Position at Beginning of Year			<u>122,794</u>
Net Position at End of Year			<u>\$ 232,511</u>

Fairfield County Land Reutilization Corporation
Fairfield County
 (A Component Unit of Fairfield County)
 Balance Sheet
 Governmental Fund
 December 31, 2015

		General Fund
Assets		
Equity in Pooled Cash and Cash Equivalents	\$	137,152
Accounts Receivable		126,718
		263,870
Total Assets		263,870
Liabilities and Fund Balance		
<i>Liabilities:</i>		
Accounts Payable		31,335
Mortgage Payable		24
		31,359
Total Liabilities		31,359
Fund Balance		
Unassigned		232,511
		232,511
Total Liabilities and Fund Balance	\$	263,870

Fairfield County Land Reutilization Corporation
Fairfield County
(A Component Unit of Fairfield County)
Statement of Revenues, Expenditures and
Change in Fund Balance
Governmental Fund
For the Year Ended December 31, 2015

	General Fund
Revenues:	
Intergovernmental	\$ 250,000
Neighborhood Initiative Program Award	126,694
Moving Ohio Forward	2,720
Interest	237
Other	632
Total Revenue	380,283
Expenditures	
General government:	
Demolition Reimbursement	126,694
Professional and Contract Services	132,420
Insurance	6,025
Administration	5,427
Total Expenditures	270,566
Net Change in Fund Balance	109,717
Fund Balance at Beginning of Year	122,794
Fund Balance at End of Year	\$ 232,511

See Accompanying Notes to the Basic Financial Statements

Fairfield County Land Reutilization Corporation
Fairfield County
(A Component Unit of Fairfield County)
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

NOTE 1 - DESCRIPTION OF THE REPORTING ENTITY

The Fairfield County Land Reutilization Corporation (Corporation) is a legally separate not-for-profit organization, created under Ohio Revised Code Section 5722.02 to 5722.15 and Chapter 1724 on September 19, 2013. The purpose of the Corporation is to facilitate the effective reutilization of nonproductive land situated within the Fairfield County's (County) boundaries. The Corporation has been designated as the County's agent for reclamation, rehabilitation, and reutilization of vacant, abandoned, tax-foreclosed or other real property in the County by exercising the powers of the County under Chapter 5722 of the Ohio Revised Code. The Corporation will assist and facilitate activities of governmental entities in clearing, assembling and clearing title to land for economic development purposes.

The Corporation is governed by a seven member Board of Directors, consisting of three County Commissioners, the County Treasurer, one representative from the municipal corporation with the largest population (City of Lancaster), and one representative from a Fairfield County township with a population of ten thousand or more (Violet Township), a representative from the real estate (services or agencies). The Board of Directors has the authority to make, prescribe, and enforce all rules and regulations for the conduct of all business and affairs of the Corporation and the management and control of its properties. The Treasurer, two of the three County Commissioners, the Municipal Representative and the Township Representative are ex-officio directors. The term of office of each ex officio director runs concurrently with the term of office of that elected official. The terms of office of the two remaining appointed directors are two years apiece.

The County is a political subdivision of the State of Ohio. In accordance with the Governmental Accounting Standards Board (GASB) Statement Number 14, as amended by GASB Statement Number 39, *The Financial Reporting Entity*, the County's primary government and basic financial statements include components units, which are defined as legally separate organizations for which the County is financially accountable. The County is financially accountable for an organization if the County appoints a voting majority of the organization's governing board and (1) the County is able to significantly influence the programs or services performed or provided by the organization; or impose its will over the organization; or (2) the County is legally entitled to or can otherwise access the organization's resources; or (3) the County is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the County is obligated for the debt of organization. The Corporation is a legally separate entity and is reported by the County as a discretely presented component unit in the County's basic financial statements. The Corporation does not have any component units and does not include any organizations in its presentation. The Corporation's management believes these basic financial statements present all activities for which the Corporation is financially accountable.

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

Fairfield County Land Reutilization Corporation
Fairfield County
(A Component Unit of Fairfield County)
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the Corporation as a whole. These statements include the financial activities of the primary government. 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. The Corporation reported \$129,414 in program revenues during 2015. Revenues which are not classified as program revenues are presented as general revenues of the Corporation, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental program is self-financing or draws from the general revenues of the Corporation.

Fund Financial Statements

Fund financial statements are designed to present financial information of the Corporation at this more detailed level. The Corporation's general fund is its only governmental fund.

Fund Accounting

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

For financial statement presentation purposes, the Corporation's fund is classified a governmental.

Fairfield County Land Reutilization Corporation
Fairfield County
(A Component Unit of Fairfield County)
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES- (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 liabilities is reported as fund balance.

The following is the Corporation's only governmental fund:

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

Measurement Focus

Government-Wide Financial Statements

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

Fund Financial Statements

The general fund is accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balance reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for the general fund. However, during 2015, the Corporation did not include a reconciliation due to there were no differences between the government-wide financial statements and the fund financial statements.

Basis of Accounting

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

Fairfield County Land Reutilization Corporation
Fairfield County
(A Component Unit of Fairfield County)
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

NOTE 2 - SUMMARY OF 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, interest and grants revenue sources are considered to be both measurable and available at year-end.

The Corporation facilitates the reutilization of non-productive land situated within the County's boundaries. Most properties are acquired from the County Auditor through the tax foreclosure process.

Assets held for sale represent properties acquired by the Corporation which could be marketed for resale. All significant costs incurred to acquire and improve or rehabilitate the property are capitalized. All real estate held for sale is recorded at the lower of cost or net realizable value.

In 2015, the Corporation held title to 25 properties. The Corporation intends to dispose of the properties either through donation or through its Side-Lot Disposition Program. As a result, the net realizable value for the Corporation's properties is zero. For this reason the properties are not reported in the financial statements.

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.

Fairfield County Land Reutilization Corporation
Fairfield County
(A Component Unit of Fairfield County)
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES- (Continued)

Federal Income Tax

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

Cash and Cash Equivalents

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

Accrued Liabilities and Long-Term Obligations

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

Governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the fund. However, compensated absences are reported as a liability in the fund financial statements only to the extent payments come due each period upon the occurrence of employee resignations and retirements.

The Corporation did have accrued liabilities and no long-term obligations during 2015.

Net Position

Net position represents the difference between assets/deferred outflows of resources and liabilities/deferred inflows of resources. The Corporation did not have any deferred outflows of resources or deferred inflows of resources as of December 31, 2015. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The Corporation had no restricted net position at December 31, 2015.

Intergovernmental Revenue

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

Estimates

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

Fairfield County Land Reutilization Corporation
Fairfield County
(A Component Unit of Fairfield County)
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES- (Continued)

allows 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 2015.

Fund Balance

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

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

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

Committed Fund Balance – The committed fund balance classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Corporation’s

Board of Directors.

Assigned Fund Balance – Assigned fund balance includes amounts that are constrained by the Corporation’s intent to be used for specific purposes, but are neither restricted nor committed.

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

NOTE 3 - DEPOSITS

At December 31, 2015, the carrying amount of the Corporation’s deposits was \$137,152. Based

Fairfield County Land Reutilization Corporation
Fairfield County
(A Component Unit of Fairfield County)
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

NOTE 3 – DEPOSITS – (Continued)

on the criteria described in GASB Statement Number 40, *Deposits and Investment Risk Disclosures*, as of December 31, 2015, \$137,152 was covered by Federal Deposit Insurance Corporation (FDIC). Custodial

credit risk is the risk that in the event of bank failure, that the Corporation’s deposits may not be returned to it. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the Corporation. Protection of the Corporation’s cash and deposits is provided by the FDIC or collateralized by the financial institution.

NOTE 4 – RISK MANAGEMENT

The Corporation is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2015, the Corporation contracted with The Cincinnati Insurance Company for the following types of insurance:

<u>Type</u>	<u>Coverage</u>
Directors/Officers Liability	1,000,000
Property Liability	1,000,000 Occ./2,000,000 Agg.

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

NOTE 5 – RECEIVABLES

Receivables at December 31, 2015 consisted of Accounts Receivable (from grants and entitlements) of \$126,718. Management believes the receivable is fully collectible.

NOTE 6 - TRANSACTIONS WITH FAIRFIELD COUNTY

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

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NOTE 7 – SUBSEQUENT EVENTS

In February of 2016 the Corporation finalized the acquisition of the Clarence E. Miller Building from the Fairfield County Commissioners. There was no charge to the Corporation for the acquisition of the facility, with the ultimate goal being the reutilization of the property per the stated mission of the Corporation. The Corporation anticipates selling the property for \$60,000, and intends to record that value on the books and records of the Corporation as an asset.

Additionally, in June 2016 the Corporation was informed of an increase in the NIP Award funding from \$400,000 to \$843,000. The NIP Award funding is utilized for the demolition of vacant and abandoned residential structures in target areas throughout the county.



Dave Yost • Auditor of State

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

Land Reutilization Corporation
Fairfield County
210 East Main Street
Lancaster, Ohio 43130

To the Board of Directors:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities and the major fund of the Land Reutilization Corporation, Fairfield County, Ohio (the Corporation), a component unit of Fairfield County, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements and have issued our report thereon dated September 28, 2016.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

As part of reasonably assuring whether the Corporation's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2015-001.

Corporation's Response to Finding

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

Purpose of this Report

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



Dave Yost
Auditor of State
Columbus, Ohio

September 28, 2016

**LAND REUTILIZATION CORPORATION
FAIRFIELD COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2015**

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

FINDING NUMBER 2015-001

Finding for Recovery - Repaid Under Audit

Governmental entities, without regard to the specific nature, may not expend public monies unless they are spent for a proper public purpose. *State ex re. McClure v. Hagerman*, 155 Ohio St. 320 (1951), provides that government expenditures should serve a public purpose. In *McClure*, the Ohio Supreme Court offered the following guidelines to determine a public purchase: (1) Whether the expenditure is for or promotes the public health, safety, morals or general welfare; (2) Whether the primary objective is to promote a public purpose, although it may incidentally advance a private interest; (3) If there has been a prospective legislative determination of a proper public purchase. The use of public funds for the purchase and individual consumption of alcoholic beverages is improper and does not serve a proper public purpose.

As Executive Director, Michael Kaper attended an out of town business meeting on behalf of the Corporation and used the Corporation's debit card to pay for his expenses. One charge included a \$5.50 purchase of an alcoholic beverage.

In accordance with the foregoing facts and pursuant to Ohio Revised Code Section 117.28, a Finding for Recovery for public monies illegal expended is hereby issued against Michael Kaper, Executive Director in the amount of \$5.50 in favor of the Corporation's General fund.

On July 29, 2016, \$5.50 was repaid in full by Michael Kaper, Executive Director, and the money was deposited into Corporation's General Fund.

Official's Response:

A receipt I submitted for dinner expenses includes a reference to the purchase of an alcoholic beverage. I am aware that the purchase of alcohol using the Corporation's debit card is not permitted, and I do not recall having done so. However, I did not properly review the receipt presented to me upon the purchase of my dinner. To avoid any additional problems, I am reimbursing the Land Bank's General Fund the cost of the beverage.

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Dave Yost • Auditor of State

NORTHERN OHIO EDUCATIONAL ASSOCIATION (NOECA)

FAIRFIELD COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
OCTOBER 18, 2016**