



Dave Yost • Auditor of State

**LAWRENCE COUNTY LAND REUTILIZATION CORPORATION
LAWRENCE COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Lawrence County Land Reutilization Corporation
Lawrence County
327 Vernon Street
Ironton, Ohio 45638

To the Board:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of the Lawrence County Land Reutilization Corporation, Lawrence County, Ohio (the Corporation), as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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 Lawrence County Land Reutilization Corporation, Lawrence County, Ohio, as of December 31, 2017, 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 27, 2018, 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 27, 2018

**LAWRENCE COUNTY LAND REUTILIZATION CORPORATION
LAWRENCE COUNTY**

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

The management's discussion and analysis of the Lawrence 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, 2017. The intent of this discussion and analysis is to look at the Corporation's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the Corporation's financial performance.

Financial Highlights

Key financial highlights for 2017 are as follows:

- Net position of governmental activities increased by \$924,544.
- The Corporation's general revenue accounted for \$160,502 or 15 percent of total revenue. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$927,571 or 85 percent of total revenues of \$1,088,073.
- The Corporation had \$163,529 in expenses related to governmental activities; all of these expenses were offset by program specific charges for services and sales, grants and contributions.
- The general fund, the Corporation's major fund, had \$1,071,454 in operating revenues and \$174,216 in expenditures.

Using this Annual Financial Report

This annual report consists of financial statements and notes to the financial statements. These statements are prepared and organized so the reader can understand the Corporation as a financial whole or as an entire operating entity. 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 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 as a Whole

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 change in net 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 of the Corporation will also need to be evaluated.

**LAWRENCE COUNTY LAND REUTILIZATION CORPORATION
LAWRENCE COUNTY**

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

Reporting on the Corporation's Most Significant Fund

Governmental Fund

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

The Lawrence County Land Reutilization Corporation as a Whole

The table below provides a summary of Corporation's net position for 2017. 2017 was the initial year of active operations. Comparative information will be presented in future years as information becomes available.

Table 1
Statement of Net Position
2017

Assets	
Capital Assets	\$10,687
Current and Other Assets	<u>\$1,180,697</u>
Total Assets	<u>\$1,191,384</u>
Liabilities	
Current Liabilities	\$13,112
Long Term Liabilities	<u>\$380,528</u>
Total Liabilities	<u>\$393,640</u>
Net Position	
Net Investment in Capital Assets	\$10,687
Unrestricted	<u>\$787,057</u>
Total Net Position	<u>\$797,744</u>

The table below shows the change in net position for the year ending December 31, 2017. Comparative information will be presented in future years as information becomes available.

**LAWRENCE COUNTY LAND REUTILIZATION CORPORATION
LAWRENCE COUNTY**

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

**Table 2
Changes in Net Position
2017**

Revenues	
Program Revenues	
Charges for Services	\$58,962
Operating Grants	868,609
General Revenues	
Intergovernmental	<u>160,502</u>
<i>Total Revenues</i>	1,088,073
Program Expenses	
Professional and Contract Service	32,953
Administration	<u>130,576</u>
<i>Total Program Expenses</i>	163,529
<i>Change in Net Position</i>	924,544
<i>Net Position Beginning of Year</i>	<u>(\$126,800)</u>
<i>Net Position End of Year</i>	\$797,744

The financial position has improved for the year due to increased demolition activity.

The Corporation's Fund

The Corporation's general fund is accounted for using the modified accrual basis of accounting. This fund had total revenues of \$1,325,182 and expenditures of \$174,216, resulting in an increase in total fund balance of \$1,150,966.

Capital Assets

As of December 31, 2017, the Corporation had \$10,687 in capital assets. These capital assets are reduced using the straight-line method of depreciation & separated by class.

Capital Assets

Computer Software	2,435
Accumulated Depreciation	(723)
Furniture & Fixtures	3,097
Accumulated Depreciation	(352)
Equipment	8,223
Accumulated Depreciation	(1,993)
Total Capital Assets	10,687

Debt

As of December 31, 2017, the Corporation is in debt \$380,528 to Lawrence County.

**LAWRENCE COUNTY LAND REUTILIZATION CORPORATION
LAWRENCE COUNTY**

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

Current Financial Related Activities

The Corporation has been designated by Lawrence County, Ohio as its agent for the reclamation, rehabilitation and reutilization of vacant, abandoned, tax-foreclosed and other real property in Lawrence County. Principal operating revenues of the Corporation include contributions from Lawrence County's delinquent tax and assessment collection fund. The Corporation is currently participating in the Ohio Housing Finance Agency Neighborhood Initiative Program, through the office of the United States Department of Treasury.

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 Stephen Burcham, CPA, Chairman of the Board of Directors, Lawrence County Land Reutilization Corporation, 327 Vernon St., Ironton, Ohio 45638.

Lawrence County Land Reutilization Corporation

Statement of Net Position

December 31, 2017

	Governmental Activities
Assets	
Cash and Cash Equivalents:	\$52,560
Intergovernmental Receivable	197,076
Assets Held for Resale	931,061
Depreciable Capital Assets, Net	<u>10,687</u>
<i>Total Assets</i>	<u>1,191,384</u>
Liabilities	
Accounts Payable	1,357
Line of Credit : Ohio Housing Finance Agency	11,755
Long-Term Liabilities:	
Due In More Than One Year	<u>380,528</u>
<i>Total Liabilities</i>	<u>393,640</u>
Net Position	
Net Investment in Capital Assets	10,687
Unrestricted (Deficit)	<u>787,057</u>
<i>Total Net Position</i>	<u><u>\$797,744</u></u>

See accompanying notes to the basic financial statements

Lawrence County Land Reutilization Corporation
Statement of Activities
For the Year Ended December 31, 2017

Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants, Contributions and Interest	
Professional Contracts and Services	\$32,953	\$58,962	\$865,954	\$891,963
Administration	<u>130,576</u>		<u>2,655</u>	<u>(127,921)</u>
Total:	163,529	58,962	868,609	764,042
General Revenues				
Grants and Entitlements not Restricted to Specific Programs				<u>160,502</u>
Total General Revenues				<u>160,502</u>
Change in Net Position				924,544
Net Position Beginning of Year - See Note 12				<u>(126,800)</u>
Net Position End of Year				<u><u>\$797,744</u></u>

See accompanying notes to the basic financial statements

Lawrence County Land Reutilization Corporation

*Balance Sheet
Governmental Fund
December 31, 2017*

	<u>General</u>
Assets	
Cash and Cash Equivalents:	\$52,560
Intergovernmental Receivable	197,076
Assets Held for Resale	<u>931,061</u>
<i>Total Assets</i>	<u>1,180,697</u>
Liabilities	
Accounts Payable	1,357
Line of Credit : Ohio Housing Finance Agency	11,755
Deferred Inflow : Deferred Revenue	<u>16,619</u>
<i>Total Liabilities</i>	<u>29,731</u>
Fund Balance	
Nonspendable	931,061
Unassigned	<u>219,905</u>
<i>Total Fund Balance</i>	<u><u>\$1,150,966</u></u>

See accompanying notes to the basic financial statements

Lawrence County Land Reutilization Corporation
*Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
December 31, 2017*

Total Governmental Funds Balances	\$1,150,966
 <i>Amounts reported for governmental activities in the statement of net assets are different because</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	10,687
Other long-term assets are not available to pay for current- period expenditures and therefore are deferred in the funds: Grants	16,619
Long-term liabilities, including bonds payable and accrued interest payable, are not due and payable in the current period and therefore are not reported in the funds: Loan from Lawrence County	(380,528)
 <i>Net Position of Governmental Activities</i>	 <u><u>\$797,744</u></u>

See accompanying notes to the basic financial statements

Lawrence County Land Reutilization Corporation
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Fund
For the Year Ended December 31, 2017

	General
Revenues	
Intergovernmental	\$1,009,837
Interest	54
Charges for Services	58,962
Contributions and Donations	2,601
<i>Total Revenues</i>	1,071,454
Expenditures	
Professional Contracts and Services	32,953
Administration	141,263
<i>Total Expenditures</i>	174,216
<i>Excess of Revenues Over (Under) Expenditures</i>	897,238
Other Financing Sources (Uses)	
Proceeds from Loan	253,728
<i>Total Other Financing Sources (Uses)</i>	253,728
<i>Net Change in Fund Balances</i>	1,150,966
<i>Fund Balances (Deficits) Beginning</i>	0
<i>Fund Balances (Deficits) End of Year</i>	\$1,150,966

See accompanying notes to the basic financial statements

Lawrence 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, 2017*

Net Change in Fund Balances - Total Governmental Funds	\$1,150,966
 <i>Amounts reported for governmental activities in the statement of activities are different because</i>	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	10,687
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. Grants	16,619
Long-term proceeds from other Governments provide current financial resources to governmental funds, but, issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of long-term bond principal is an expenditure in the governmental funds, but, the repayment reduces long-term liabilities in the Statement of Net Position. This is the amount by which proceeds exceeded repayment.	<u>(253,728)</u>
<i>Change in Net Position of Governmental Activities</i>	<u><u>\$924,544</u></u>
See accompanying notes to the basic financial statements	

**LAWRENCE COUNTY LAND REUTILIZATION CORPORATION
LAWRENCE COUNTY**

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

Note 1- Description of the Reporting Entity

The Lawrence County Land Reutilization Corporation (the Corporation) is a county land reutilization Corporation that was formed on May 12, 2016, when the Lawrence County Commissioners authorized the incorporation of the Corporation under Chapter 1724 of the Ohio Revised Code through Resolution number 2016-001 as a not-for-profit corporation under the laws of the State of Ohio. The purpose of the Corporation is to strengthen neighborhoods in Lawrence 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 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 (City of Ironton), one representative from a township with the population over 10,000(Upper Township). The Corporation is classified as a component unit of Lawrence County for reporting purposes, in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14 as amended by GASB Statements No. 39 and 61.

The Corporation is dedicated to strategically acquiring tax foreclosed property and other foreclosed property from the Board of Revision, Sheriff's sale, Bank Real Estate Owned, County Fiscal Officer, third parties, and through donations. The Corporation then strives to put the properties back to productive use. The financial statements include all agencies, divisions, and operations for which the Corporation is financially accountable. Financial accountability exists if a primary government/component unit appoints a majority of an organization's governing board and is able to impose its will on that organization. Financial accountability may also be deemed to exist if there is a potential for the organization to provide financial benefits to, or impose financial burdens on, the primary government/component unit. On this basis, no governmental organization other than the Corporation itself is included in the financial reporting entity.

Note 2- Summary of Significant Accounting Policies

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

Basis of Presentation

The Corporation's basic financial statement 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.

**LAWRENCE COUNTY LAND REUTILIZATION CORPORATION
LAWRENCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)**

Note 2- Summary of Significant Accounting Policies (Continued)

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 require to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the Corporation, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental program is self-financing or draws from the general revenues of the Corporation.

Fund Financial Statements

During the year, the Corporation segregates transactions related to certain Corporation functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Corporation at this more detailed level. The Corporation's general fund is it 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 or limitations. For financial statement presentation purposes, the Corporation's fund is classified as governmental. There were no restricted funds at December 31, 2017.

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 the 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 Fund:

General Fund The general fund accounts for all financial resources, including those that are received from the Lawrence 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 economic resources measurement focus. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operations 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.

**LAWRENCE COUNTY LAND REUTILIZATION CORPORATION
LAWRENCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)**

Note 2- Summary of Significant Accounting Policies (Continued)

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.

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 inflows/outflows of resources and in the presentation of expenses versus expenditures.

Revenues

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 year when use is first permitted, matching requirements, in which the Corporation must provide local resources to be used for a specific 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 or resources, represents 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, 2017.

**LAWRENCE COUNTY LAND REUTILIZATION CORPORATION
LAWRENCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)**

Note 2- Summary of Significant Accounting Policies (Continued)

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. For the year ended December 31, 2017 the Corporation reported deferred inflows of resources for grants which will not be collected in the available period. The difference between deferred inflows of resources on the statement of net position and balance sheet is due to grants not received during the available period. These were reported as revenues on the statement of activities and not recorded as deferred inflows on the statement of net position.

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.

Assets Held for Resale

Assets held for resale represent properties purchased by or donated to the Corporation. These properties are valued based upon the purchase price plus any costs of maintenance, rehabilitation or demolition of homes on the properties. The Corporation holds the properties until the home is either sold to a new homeowner, sold to an individual who will rehabilitate the home, the home on the property is demolished, or the Corporation may sell other lots to the owners of adjacent parcels for a nominal cost.

Capital Assets

General capital assets are capital assets which are associated with and generally arise from governmental activities. General capital assets are reported in governmental activities column of the government-wide statement of net position but are not reported in the financial statements of the general fund. All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. All capital assets, excluding land, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives: Furniture and equipment 3-7 years.

**LAWRENCE COUNTY LAND REUTILIZATION CORPORATION
LAWRENCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)**

Note 2- Summary of 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 payable 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.

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 not restricted net position at December 31, 2017. The Corporation applies restricted resources first when an expense is incurred for which restricted and unrestricted amounts are available.

Intergovernmental Revenue

The Corporation receives operating income through Lawrence 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. Grant funding consists of funds received from the Ohio Housing Finance Agency (OHFA) Neighborhood Initiative Program (NIP).

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 2017.

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 or enabling legislation. The classifications are as follows:

**LAWRENCE COUNTY LAND REUTILIZATION CORPORATION
LAWRENCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)**

Note 2- Summary of Significant Accounting Policies (Continued)

Non-spendable

The non-spendable fund balance category includes amount that cannot be spent because they are not in spendable form, or legally or contractually required to maintain 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 or enabling legislation.

Committed

The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by 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 used in satisfying those contractual requirements.

Assigned

Amounts in the assigned fund balance classification are intended to be used by the Corporation for specific purposes but do not meet the criteria to be classified as restricted or committed.

Unassigned

Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts no contained in the other classifications.

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.

**LAWRENCE COUNTY LAND REUTILIZATION CORPORATION
LAWRENCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)**

Note 3- Deposits

Deposits

Custodial credit risk is the risk that in the event of bank failure, the Corporation's deposits may not be returned to it. Protection of the Corporation's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution, by surety company bonds or by a single collateral pool established by the financial institution. In accordance with Chapter 135 of the Ohio Revised Code, any public depository receiving deposits pursuant to an award of Corporation's fund shall be required to pledge security for repayment of all public moneys. The Corporation has no investment policy dealing with deposit custodial risk beyond the requirement in State statute that requires securities purchased pursuant to this division shall be delivered into the custody of the Treasurer or an agent designated by the Treasurer.

Deposits – At December 31, 2017 the carrying amount of the Corporation's deposits was \$52,560 and the bank balance was \$167,193. At December 31, 2017, \$167,193 was covered by Federal depository insurance.

Note 4- Transactions with Lawrence County

Pursuant to and in accordance with Section 321.261 (B) of the Ohio Revised Code, the Corporation has been authorized by the Lawrence 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. Lawrence County paid a total of \$160,502 to the Corporation in DTAC funds in 2017.

Note 5- Risk Management

The Corporation is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; 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 not settled claims from these risks that have exceeded commercial insurance coverage.

Coverages as follows:

Commercial General Liability is \$1,000,000 per occurrence and \$3,000,000 in aggregate. Public Officials Wrongful Act liability is \$1,000,000 per occurrence and \$3,000,000 in aggregate.

Note 6- Receivables

Receivables at December 31, 2017 consisted of funds due from the Ohio Housing Finance Agency Neighborhood Initiative Program grant. An allowance of doubtful accounts was not recorded because all receivables are expected to be collected in full.

The principal item of governmental activities receivable was a grant receivable for the Ohio Housing Finance Agency Neighborhood Initiative Program grant in the amount of \$197,076.

**LAWRENCE COUNTY LAND REUTILIZATION CORPORATION
LAWRENCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)**

Note 7- Contingent Liabilities

Litigation

The Corporation is not currently a party to any legal proceeding.

Grants

The Corporation received financial assistance from state agencies 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 and are subject to audit by the grantor agencies. 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, 2017, if applicable, cannot be determined at this time.

Note 8- Fund Balance

Fund balance is classified as non-spendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the Corporation is bound to observe constraints imposed upon the use of the resources in the governmental fund. The constraints placed on fund balance for the general fund is presented below:

Fund Balances- General Fund
Non-spendable- Assets Held for Resale- \$931,061
Unassigned- \$219,905

Note 9- Long Term Debt

The changes in the Corporation's long-term liabilities during year 2017 were as follows:

	Amount			Amount	Amounts
	Outstanding			Outstanding	Due in
	12/31/2016	Additions	Deletions	12/31/2017	One Year
Governmental Activities					
Lawrence County Loan (0% interest)	\$126,800	\$253,728	\$0	\$380,528	\$0
Total Governmental Activities	\$126,800	\$253,728	\$0	\$380,528	\$0

This was a loan agreement between the Corporation and Lawrence County. The agreement provided that Lawrence County would incur costs related to employees working on the land bank operations and other operational start up costs up front and those costs would be repaid to the County once the Land Bank was financially able. This was a 0% loan with no set repayment schedule established.

**LAWRENCE COUNTY LAND REUTILIZATION CORPORATION
LAWRENCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)**

Note 10- Capital Assets

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

	Balance 01/01/2017	Additions	Deductions	Balance 12/31/2017
Governmental Activities				
Capital Assets, being Depreciated:				
Furniture, Fixtures, and Equipment	\$0	\$13,754	\$0	\$13,754
Total Capital Assets, being Depreciated	\$0	\$13,754	\$0	\$13,754
Less Accumulated Depreciation:				
Furniture, Fixtures, and Equipment	\$0	(\$3,067)	\$0	(\$3,067)
Total Accumulated Depreciation	\$0	(\$3,067)	\$0	(\$3,067)
Total Capital Assets, being Depreciated, net	\$0	\$10,687	\$0	\$10,687
Governmental Activities Capital Assets, Net	\$0	\$10,687	\$0	\$10,687

Depreciation expense was charged to administration expenditure line item.

Note 11- Short Term Line of Credit

The Corporation has a line of credit available through the Ohio Housing Finance Agency (OHFA) with the maximum amount available at any time of \$200,000. This line of credit carries a zero percent interest rate.

Changes in this line of credit during 2017 were as follows:

	Amount Outstanding 12/31/2016	Additions	Deletions	Amount Outstanding 12/31/2017
Governmental Activities				
OHFA Line of Credit	\$0	\$680,634	\$668,879	\$11,755
Total Governmental Activities	\$0	\$680,634	\$668,879	\$11,755

Note 12- Beginning Fund Balance

The Corporation was created in 2016; however, it had no financial activity of its own in 2016. Due to this, the Corporation filed no financial statements or footnotes for 2016. However, after its establishment in 2016, Lawrence County did begin incurring costs on the Corporation's behalf which were expected to be repaid and as such, created a liability due to the County at the end of 2016. Due to this liability existing at the beginning of 2017, the Corporation is reporting its beginning balance as a \$126,800 deficit. This is equal to the amount due to the County at that time.

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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*

Lawrence County Land Reutilization Corporation
Lawrence County
327 Vernon Street
Ironton, Ohio 45638

To the Board:

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 Lawrence County Land Reutilization Corporation, Lawrence County, Ohio (the Corporation) as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements and have issued our report thereon dated September 27, 2018.

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. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2017-001 to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the Corporation's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Corporation's Response to Findings

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

Purpose of this Report

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "Y" and "O".

Dave Yost
Auditor of State

Columbus, Ohio

September 27, 2018

**LAWRENCE COUNTY LAND REUTILIZATION CORPORATION
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2017**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2017-001

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.

We identified the following misstatements in the Corporation's financial statements for the year ended December 31, 2017:

- The initial statements filed by the Corporation did not include all the required components of basic financial statements. The initial financial statements included only full accrual financial statements, and omitted the modified accrual governmental fund information and the related reconciliations with the full accrual statements.
- General fund balance classifications were not reported and therefore \$931,061 in nonspendable General fund balance was not reported at December 31, 2017.
- Material footnote disclosures were omitted. These included items such as a long term debt footnote, capital asset footnote, fund balance footnote, receivable footnote, and contingency footnote.
- The amount due to Lawrence County of \$380,528 was classified as a current liability which was incorrect. This amount was not due to be paid within one year, and should have been reported as a long term liability at December 31, 2017.
- The beginning balance was overstated by \$126,800 because the Corporation began 2017 with a \$126,800 deficit. This deficit was the result of Lawrence County incurring costs on behalf of the Corporation in 2016 totaling \$126,800. These costs were to be repaid by the Corporation to the County, and thus at December 31, 2016, the Corporation owed Lawrence County \$126,800.
- Net Position at December 31, 2017 was not properly classified. Net Investment In Capital Assets was understated by \$10,687.

The Corporation has corrected the financial statements.

The Corporation lacked controls to ensure complete and accurate financial reporting.

To ensure the Corporation's financial statements and notes to the financial statements are complete and accurate, the Corporation should adopt policies and procedures, including a final review of the statements and footnotes by the Fiscal Officer and Board, to identify and correct errors and omissions

**FINDING NUMBER 2017-001
(Continued)**

Officials' Response:

GASB allows for both accrual and modified accrual basis of accounting and it is our belief the full accrual method provides a more accurate reflection of activities of this entity. Simply the receipt of governmental revenues doesn't necessarily reflect a modified accrual basis as the revenues reflect activities due to reimbursement of the completion of an activity not right to receipt such as a government entity that levies taxes with no performance requirements.

Auditor of State Conclusion:

The Corporation does not have the option of presenting either the accrual or the modified accrual basis of accounting because the Governmental Accounting Standards Board (GASB) requires both full accrual and modified accrual statements.

GASB codification section 2200.102 b. sets the minimum requirements for the basic financial statements:

- (1) Government-wide financial statements. The government-wide statements should display information about the reporting government as a whole, except for its fiduciary activities. The statements should include separate columns for the governmental and business-type activities of the primary government 2 as well as for its component units. Government-wide financial statements should be prepared using the economic resources measurement focus and ***the accrual basis of accounting***.
- (2) Fund financial statements. Fund financial statements for the primary government's governmental, proprietary, and fiduciary funds should be presented after the government-wide statements. These statements display information about major funds individually and nonmajor funds in the aggregate for governmental and enterprise funds. Fiduciary statements should include financial information for fiduciary funds and similar component units. Each of the three fund categories should be reported using the measurement focus and basis of accounting required for that category. (See paragraphs .151-.179 and Section 1600.) GASB codification section 1600.105 requires that the "***modified accrual basis***" and should be applied in all governmental fund accounting and reporting.

The initial financial statements included only full accrual financial statements, and omitted the modified accrual governmental fund information and the related reconciliations with the full accrual statements.



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LAWRENCE COUNTY LAND REUTILIZATION CORPORATION

LAWRENCE 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 11, 2018**