



Dave Yost • Auditor of State

**PERRY COUNTY LAND REUTILIZATION CORPORATION
PERRY COUNTY
DECEMBER 31, 2017**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Perry County Land Reutilization Corporation
Perry County
P.O. Box 16
Somerset, Ohio 43783

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 Perry County Land Reutilization Corporation, Perry County, Ohio (the Corporation), a component unit of Perry County, Ohio, 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 Perry County Land Reutilization Corporation, Perry County, Ohio, as of December 31, 2017, and the respective changes in financial position thereof for the year 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 December 17, 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

December 17, 2018

Perry County Land Reutilization Corporation
Management's Discussion and Analysis
For the Year Ended December 31, 2017
(Unaudited)

The discussion and analysis of the Perry 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 basic financial statements and the notes to the basic financial statements to enhance their understanding of the Corporation's financial performance.

Financial Highlights

Key financial highlights for 2017 are as follows:

- The Corporation was created in 2016, although it did not incur any financial activity until 2017.
- Net position of governmental activities decreased by \$5,538.
- The Corporation has no program or general revenue in the fiscal year. All funding was provided through draws on the Corporation's line of credit from the Ohio Housing Finance Agency.
- The Corporation had \$5,538 in expenses related to governmental activities; none of these expenses were offset by program specific grants and contributions.
- The general fund, the Corporation's major fund, had \$42,500 in other financing sources and \$5,538 in expenditures.

Using This Annual Financial Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Corporation as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities and conditions.

The statement of net position and statement of activities provide information about the activities of the whole agency, presenting both an aggregate view of the Corporation's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term, as well as what remains for future spending. The fund financial statements also look at the Corporation's most significant funds with all other nonmajor funds presented in total in one column. However, the Corporation has only one fund, the general fund.

Reporting the Corporation as a Whole

Statement of Net Position and Statement of Activities

The statement of net position and the statement of activities include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the Corporation's net position and changes 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 has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the availability of revolving loan and line of credit funds, the condition of assets held for resale, and other factors.

Perry County Land Reutilization Corporation
Management's Discussion and Analysis
For the Year Ended December 31, 2017
(Unaudited)

Reporting the Corporation's Most Significant Fund

Fund Financial Statements

These fund financial statements focus on the Corporation's most significant funds. The Corporation's only fund is a governmental fund, the general fund. Its presentation focuses on how money flows into and out of the fund and the balance left at year end available for spending in future periods. This fund is reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be 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 financial statements help you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Corporation's programs. The relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds is reconciled in the financial statements.

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 Corporation as a Whole

Recall that the statement of net position provides the perspective of the Corporation as a whole. Table 1 provides a summary of the Corporation's net position as of December 31, 2017. Since this is the Corporation's initial year, comparisons to year-end balances of the previous year are not available. In future years, when prior year information is available, a comparative analysis of government-wide data will be presented.

Table 1
Net Position

	<u>2017</u>
Assets	
Current and Other Assets	<u>\$222,262</u>
Total Assets	222,262
Liabilities	
Current and Other Liabilities	185,300
Long-Term Liabilities	<u>42,500</u>
Total Liabilities	227,800
Net Position	
Unrestricted (Deficit)	<u>(5,538)</u>
Total Net Position	<u>(\$5,538)</u>

Table 2 shows the change in net position for the year ended December 31, 2017. Since this is the Corporation's initial year, comparisons of revenues and expenses between years are not available. In future years, when prior year information is available, a comparative analysis of government-wide data will be presented.

Perry County Land Reutilization Corporation
Management's Discussion and Analysis
For the Year Ended December 31, 2017
(Unaudited)

Table 2
Change in Net Position

	2017
Expenses	
Professional Contracts and Services	\$5,538
Total Expenses	5,538
Change in Net Position	(5,538)
Net Position, Beginning of Year	0
Net Position, End of Year	(\$5,538)

The Corporation received a total of \$42,500 in proceeds from its line of credit from the Ohio Housing Finance Agency. At December 31, 2017, \$5,538 was spent for professional contracts and services.

The Corporation's Fund

The Corporation's general fund is accounted for using the modified accrual basis of accounting. This fund had total other financing sources of \$42,500 and expenditures of \$5,538, resulting in an increase in total fund balance of \$36,962.

Capital Assets and Long-Term Debt

Capital Assets

The Corporation had no capital assets at December 31, 2017.

Long-Term Liabilities

The Corporation had an outstanding balance on its line of credit with the Ohio Housing Finance Agency of \$42,500 at December 31, 2017.

Current Financial Related Activities

The Corporation began operations in November 2016. The Corporation is Perry County, Ohio's agent to reclaim, rehabilitate, and reutilize vacant and abandoned, tax foreclosed, and other real estate in Perry County. The principal operating revenue for the Corporation going forward will be revenue from property acquisitions and disposals received from the federal government's Neighborhood Initiative Program (NIP). The immediate priority of the Corporation has been to deal with the blighted and abandoned properties of a portfolio held in court receivership. This portfolio has negatively impacted home values throughout Perry County, an economically disadvantaged county. The Corporation made significant progress in 2017, having created itself, located and acquired 21 NIP-eligible properties, and torn down 14 of them. Through this program, the Corporation has contributed to stabilizing the residential housing market, particularly in New Lexington.

Contacting the Corporation's Financial Management

This financial report is designed to provide a general overview of the Corporation's finances for all those with an interest in the Corporation's finances. Questions concerning any information provided in this report or requests for additional financial information should be addressed to David Wilson, Board Chair, PO Box 16, Somerset, Ohio 43783.

Perry County Land Reutilization Corporation
Statement of Net Position
December 31, 2017

	<u>Governmental Activities</u>
Assets	
Cash	\$1,462
Assets Held for Resale	<u>220,800</u>
Total Assets	222,262
Liabilities	
Contracts Payable	168,300
Deposit from Contractor	17,000
Long-Term Liabilities:	
Due Within One Year	<u>42,500</u>
Total Liabilities	227,800
Net Position	
Unrestricted (Deficit)	<u>(5,538)</u>
Total Net Position	<u><u>(\$5,538)</u></u>

See the accompanying notes to the basic financial statements.

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

		Program Revenues		Net Revenues (Expenses) and Changes in Net Position
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
Professional Contracts and Services	\$5,538	\$0	\$0	(\$5,538)
Total Governmental Activities	<u>\$5,538</u>	<u>\$0</u>	<u>\$0</u>	<u>(5,538)</u>
Change in Net Position				(5,538)
Net Position, Beginning of Year				<u>0</u>
Net Position, End of Year				<u><u>(\$5,538)</u></u>

See the accompanying notes to the basic financial statements.

Perry County Land Reutilization Corporation
Balance Sheet
Governmental Fund
December 31, 2017

	General
Assets	
Cash	\$1,462
Assets Held for Resale	220,800
Total Assets	\$222,262
Liabilities	
Contracts Payable	\$168,300
Deposit from Contractor	17,000
Total Liabilities	185,300
Fund Balances	
Nonspendable:	
Assets Held for Resale	220,800
Unassigned (Deficit)	(183,838)
Total Fund Balances	36,962
Total Liabilities and Fund Balances	\$222,262

See the accompanying notes to the basic financial statements.

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

Fund Balances - Total Governmental Funds	\$36,962
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Amounts reported for governmental activities in the statement of net position are different because:

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

Line of Credit	<u>(42,500)</u>
Net Position of Governmental Activities	<u><u>(\$5,538)</u></u>

See the accompanying notes to the basic financial statements.

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

	General
Expenditures	
Professional Contracts and Services	\$5,538
Total Expenditures	5,538
Revenues Under Expenditures	(5,538)
Other Financing Sources	
Proceeds from Line of Credit	42,500
Total Other Financing Sources	42,500
Net Change in Fund Balances	36,962
Fund Balances, Beginning of Year	0
Fund Balances, End of Year	\$36,962

See the accompanying notes to the basic financial statements.

Perry 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 \$36,962

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

Proceeds from line of credit are reported in the statement of revenues, expenditures, and changes in fund balances as other financing sources, but are not reported as revenues in the statement of activities. (42,500)

Change in Net Position of Governmental Activities (\$5,538)

See the accompanying notes to the basic financial statements.

Perry County Land Reutilization Corporation

Notes to the Basic Financial Statements

For the Year Ended December 31, 2017

Note 1 – Description of the Reporting Entity

The Perry County Land Reutilization Corporation (the Corporation) is a body corporate and politic authorized by the Board of County Commissioners of Perry County on August 18, 2016 and incorporated on August 31, 2016 under Chapter 1724 of the Ohio Revised Code.

The Corporation's governing body is a nine-member Board of Directors, consisting of the County Treasurer, County Auditor, two County Commissioners, one representative of the Village of New Lexington, one member representing the largest township located in Perry County, and three residents from Perry County appointed at-large.

The Corporation was established for the purposes of facilitating the reclamation, rehabilitation, and reutilization of vacant, abandoned, tax-foreclosed, or other real property within Perry County; efficiently holding and managing vacant, abandoned, or tax-foreclosed real property pending its reclamation, rehabilitation, and reutilization; assisting governmental entities and other nonprofit or for-profit persons to assemble, clear, and clear the title of property described in division (B)(2) of Section 1724.01 of the Ohio Revised Code in a coordinated manner; and promoting economic and housing development in Perry County. In furtherance thereof, the Corporation shall have and may exercise all the powers of a "county land reutilization corporation," as defined in Section 1724.01 of the Ohio Revised Code, to the extent such powers are granted to a county land reutilization corporation and are set forth in Section 1724.02 of the Ohio Revised Code, Chapter 5722 of the Ohio Revised Code, or another section of the Ohio Revised Code expressly applicable to a county land reutilization corporation, now in effect and as may hereafter be amended (and to the corresponding provisions of any similar laws subsequently enacted). The Corporation is classified as a component unit of Perry 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 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

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

Perry County Land Reutilization Corporation

Notes to the Basic Financial Statements

For the Year Ended December 31, 2017

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

Fund Financial Statements

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 as a governmental fund.

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 is the operating fund of the Corporation and accounts for all financial transactions. 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; therefore a brief reconciliation is presented for the differences between the government-wide statements and the statements for the governmental funds.

Perry County Land Reutilization Corporation

Notes to the Basic Financial Statements

For the Year Ended December 31, 2017

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 bases of accounting arise in the recognition of revenue, the recording of deferred outflows/inflows of resources, and in the presentation of expenses versus expenditures.

Revenues - Exchange and Nonexchange Transactions

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

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

Under the modified accrual basis, intergovernmental revenues are considered to be both measurable and available at year-end.

Deferred Outflows/Inflows of Resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position/fund balance that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the year ended December 31, 2017, the Corporation reported no amounts which are classified as deferred outflows of resources.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position/fund balance 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 no amounts which are classified as deferred inflows of resources.

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.

Perry County Land Reutilization Corporation

Notes to the Basic Financial Statements

For the Year Ended December 31, 2017

Budgetary Process

The Corporation is not bound by the budgetary laws prescribed by the Ohio Revised Code for purely governmental entities. However, the Board of Directors of the Corporation adopted an annual budget for the fiscal year.

Federal Income Tax

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

Cash

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.

Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. The Corporation held no restricted assets at December 31, 2017.

Assets Held for Resale

Assets held for resale represent properties purchased by or donated to the Corporation. These properties are valued based upon the fair value of each property plus any costs of maintenance, rehabilitation, or demolition of structures on the properties. The Corporation holds the properties until they are either sold or transferred to a private purchaser, non-profit, or public end-user. Properties may be merged with adjacent parcels for development or green space projects, or the Corporation may sell other lots to the owners of adjacent parcels for a nominal cost. Once the properties are sold or titled back to the community, the Corporation recognizes the accumulated expenses on the operating statements.

Accrued Liabilities

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.

Unearned Revenue

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. The Corporation had no unearned revenue at December 31, 2017.

Net Position

Net position represents the difference between assets and liabilities. 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, 2017.

Perry County Land Reutilization Corporation

Notes to the Basic Financial Statements

For the Year Ended December 31, 2017

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.

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, assets held for resale.

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.

The Corporation has not adopted a formal fund balance policy. The Corporation applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Note 3 – Deposits

At December 31, 2017, the entire amount of the Corporation’s bank balance of \$1,462 was covered by Federal Deposit Insurance Corporation (FDIC).

Perry County Land Reutilization Corporation

Notes to the Basic Financial Statements

For the Year Ended December 31, 2017

Custodial credit risk is the risk that in the event of bank failure, the Corporation will not be able to recover deposits or collateral securities that are in the possession of an outside party. The Corporation has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by:

Eligible securities pledged to the Corporation and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least one hundred five percent of the deposits being secured; or

Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

The Corporation's financial institution is in the process of joining OPCS; however, at December 31, 2017, the financial institution still maintained its own collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least 105 percent of the deposits being secured.

Note 4 – Debt

The Corporation has a line of credit available through the Ohio Housing Finance Agency (OHFA) in the amount of \$105,000. This line of credit carries a zero percent interest rate. Changes in this line of credit during 2017 were as follows:

	Balance			Balance	Amounts
	12/31/16	Additions	Repayments	12/31/17	Due Within
					One Year
OHFA Line of Credit	\$0	\$42,500	\$0	\$42,500	\$0

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; injuries to employees; and natural disasters. During 2017, the Corporation did not have liability or other insurance coverage.

Note 6 – Contingent Liabilities

Litigation

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

Grants

The Corporation will receive 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.

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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

Perry County Land Reutilization Corporation
Perry County
P.O. Box 16
Somerset, Ohio 43783

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 Perry County Land Reutilization Corporation, Perry County, Ohio (the Corporation), a component unit of Perry County, Ohio, 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 December 17, 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*.

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 "D" and "Y".

Dave Yost
Auditor of State
Columbus, Ohio

December 17, 2018

**PERRY COUNTY LAND REUTILIZATION CORPORATION
PERRY 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 § 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 § 210 paragraphs .A14 and .A16. Governmental Accounting Standards Board (GASB) Cod. 1100 paragraph .101 states a governmental accounting system must make it possible both: (a) to present fairly and with full disclosure the funds and activities of the governmental unit in conformity with generally accepted accounting principles, and (b) to determine and demonstrate compliance with finance-related legal and contractual provisions.

We noted a line of credit receivable was reported as \$62,500 when the requirements to record a receivable had not been met. Furthermore, the Corporation's outstanding balance on its line of credit was reported as Long-Term Liabilities Due Within One Year instead of being recorded as Long-Term Liabilities Due in More Than One Year as reflected by the maturity date for the line of credit. Also, Assets Held for Resale was reported as \$218,150 instead of \$220,800, as reflected from the invoices and contract, which also resulted in Contracts Payable being reported as \$165,650 instead of \$168,300.

These conditions resulted in assets, fund balance, proceeds from the line of credit, on the governmental fund financial statements, and long term liabilities, on the entity-wide financial statements, to be overstated while Assets Held for Resale and Contracts Payable were understated. Adjustments, with which management has agreed, have been made to the accompanying financial statements to correct these items.

Failure to properly report financial activity in accordance with generally accepted accounting principles could result in the financial statements becoming misleading.

The Corporation should implement and maintain the controls necessary to ensure that activity of the Land Bank is properly presented and disclosed in the basic financial statements.

Officials' Response: We did not receive a response from Officials to the above finding.

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Dave Yost • Auditor of State

PERRY COUNTY LAND REUTILIZATION CORPORATION

PERRY 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
DECEMBER 27, 2018**