



**RICHLAND COUNTY LAND REUTILIZATION CORPORATION  
RICHLAND COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**



**RICHLAND COUNTY LAND REUTILIZATION CORPORATION  
RICHLAND COUNTY**

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# OHIO AUDITOR OF STATE KEITH FABER



## INDEPENDENT AUDITOR'S REPORT

Richland County Land Reutilization Corporation  
Richland County  
50 Park Avenue East  
Mansfield, Ohio 44902

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 Richland County Land Reutilization Corporation, Richland County, Ohio (the Corporation), as of and for the years ended December 31, 2017 and 2016, 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 Richland County Land Reutilization Corporation, Richland County, Ohio, as of December 31, 2017 and 2016, and the respective changes in financial position thereof for the years then ended in accordance with the accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

As discussed in Note 3 to financial statements, January 1, 2016 beginning balances in the general fund and governmental activities were restated. We did not modify our opinion regarding this matter.

**Other Matter**

*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 March 28, 2019, on our consideration of the Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control over financial reporting and compliance.



Keith Faber  
Auditor of State

Columbus, Ohio

March 28, 2019

## **Richland County Land Reutilization Corporation**

### *Management's Discussion and Analysis*

*For the Year Ended December 31, 2017*

*Unaudited*

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The management's discussion and analysis of the Richland 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:

- The Corporation received \$1,194,996 from the Neighborhood Initiative Program grant.
- The Corporation received \$287,196 from Richland County under an arrangement to receive 5 percent of delinquent taxes and assessments collected.

### **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. The Statement of Activities shows changes to net position related to each department of the Corporation. 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, liabilities, and deferred inflows 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.

## **Richland County Land Reutilization Corporation**

*Management's Discussion and Analysis*

*For the Year Ended December 31, 2017*

*Unaudited*

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

Assets

Liabilities

Deferred Outflows/Inflows

Net Position (Assets plus Deferred Outflows minus Liabilities plus Deferred Inflows)

Program Expenses and Revenues

General Revenues

Net Position Beginning and End of Year

### **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 that is 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 the Statement of Activities) and the general fund is reconciled in the financial statements.

### **The Richland County Land Reutilization Corporation as a Whole**

The table below provides a summary of Corporation's net position for 2017 compared to 2016.



**Richland County Land Reutilization Corporation**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2017*  
*Unaudited*

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**Table 1**  
**Net Position**

	2017	2016
<b>Assets</b>		
Current and Other Assets	\$794,019	\$550,307
<b>Liabilities</b>		
Current and Other Liabilities	248,382	17,708
<b>Deferred Inflows of Resources</b>		
Loans	47,250	47,250
<b>Net Position</b>		
Unrestricted	\$498,387	\$485,349

During 2017, the Corporation's intergovernmental receivables increased \$309,403 over the prior year due to large portions of the Neighborhood Initiative Program grant being received and property rehabilitations being completed.

Also in 2017, the Corporation's accounts payable increased due to ongoing demolition projects at year-end.

The table below shows the changes in net position for the years ending December 31, 2017 and December 31, 2016.

**Richland County Land Reutilization Corporation**

*Management's Discussion and Analysis*

*For the Year Ended December 31, 2017*

*Unaudited*

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	<u>2017</u>	<u>2016</u>
<b>Revenues</b>		
Program Revenues		
Charges for Services	\$ 74,338	\$ 120,073
Operating Grants	1,311,489	736,815
General Revenues		
Intergovernmental	287,196	327,123
<i>Total Revenues</i>	<u>1,673,023</u>	<u>1,184,011</u>
<b>Program Expenses</b>		
Professional and Contract Services	1,633,935	1,013,345
Administration	26,050	28,998
<i>Total Program Expenses</i>	<u>1,659,985</u>	<u>1,042,343</u>
<i>Change in Net Position</i>	13,038	141,668
<i>Net Position Beginning of Year</i>	485,349	343,681
<i>Net Position End of Year</i>	<u>\$ 498,387</u>	<u>\$ 485,349</u>

Intergovernmental revenues represents the 5 percent delinquent tax and assessments from the County.

During 2017, expenses increased across the board due to the Corporation acquiring more properties and those properties being rehabilitated and held for resale.

**The Corporation's Fund**

This General Fund is accounted for using the modified accrual basis of accounting. The General Fund had revenues of \$1,578,631 and had expenditures of \$1,659,985.

**Capital Assets**

As of December 31, 2017, the Corporation does not have any capital assets.

**Debt**

As of December 31, 2017, the Corporation does not have any debt.

## **Richland County Land Reutilization Corporation**

*Management's Discussion and Analysis*

*For the Year Ended December 31, 2017*

*Unaudited*

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### **Current Financial Related Activities**

The Corporation, established on November 7, 2013, has been designated by Richland County, Ohio as its agent for the reclamation, rehabilitation and reutilization of vacant, abandoned, tax-foreclosed and other real property in Richland County. Principal operating revenues of the Corporation include contributions from Richland County's delinquent tax and assessment collection fund. The Corporation currently is participating in the Neighborhood Initiative Program, a residential demolition grant program through the Ohio Housing Finance Agency. As of December 31, 2017, the Corporation owned over 240 properties throughout the County.

### **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 Bart Hamilton, Chair of the Board of Directors, Richland County Land Reutilization Corporation, 50 Park Avenue East, Mansfield, Ohio 44906.

**Richland County Land Reutilization Corporation**

*Statement of Net Position*

*December 31, 2017*

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	Governmental Activities
<b>Assets</b>	
Equity in Cash and Cash Equivalents	\$150,192
Intergovernmental Receivable	547,225
Inventory Held for Resale	49,352
Loans Receivable	47,250
	<hr/>
<i>Total Assets</i>	794,019
	<hr/>
<b>Liabilities</b>	
Accounts Payable	248,382
	<hr/>
<b>Deferred Inflows of Resources</b>	
Loans	47,250
	<hr/>
<b>Net Position</b>	
Unrestricted	498,387
	<hr/>
<i>Total Net Position</i>	\$498,387
	<hr/> <hr/>

See accompanying notes to the basic financial statements

**Richland County Land Reutilization Corporation**

*Statement of Activities*

*For the Year Ended December 31, 2017*

		Program Revenues		Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
<b>Governmental Activities</b>				
General Government:				
Professional and Contract Services	\$1,633,935	\$74,338	\$1,311,489	(\$248,108)
Administration	26,050	0	0	(26,050)
<i>Total Governmental Activities</i>	<u>\$1,659,985</u>	<u>\$74,338</u>	<u>\$1,311,489</u>	(274,158)
		<b>General Revenues</b>		
		Grants and Entitlements not Restricted to Specific Programs		<u>287,196</u>
		Change in Net Position		13,038
		<i>Net Position Beginning of Year</i>		<u>485,349</u>
		<i>Net Position End of Year</i>		<u>\$498,387</u>

See accompanying notes to the basic financial statements

**Richland County Land Reutilization Corporation**

*Balance Sheet*

*Governmental Fund*

*December 31, 2017*

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	<u>General</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$150,192
Intergovernmental Receivable	547,225
Inventory Held for Resale	49,352
Loans Receivable	47,250
	<hr/>
<i>Total Assets</i>	<u><u>\$794,019</u></u>
<b>Liabilities</b>	
Accounts Payable	\$248,382
	<hr/>
<b>Deferred Inflows of Resources</b>	
Loans	47,250
Unavailable Revenue	326,854
	<hr/>
Total Deferred Inflows of Resources	<u>374,104</u>
<b>Fund Balance</b>	
Nonspendable	47,250
Unassigned	124,283
	<hr/>
<i>Total Fund Balance</i>	<u>171,533</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balance</i>	<u><u>\$794,019</u></u>

See accompanying notes to the basic financial statements

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

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<b>Total Governmental Fund Balance</b>	\$171,533
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*Amounts reported for governmental activities in the  
statement of net position are different because*

Other long-term assets are not available to pay for current- period  
expenditures and therefore, are deferred inflows in the fund

Intergovernmental Revenues	<u>326,854</u>
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<i>Net Position of Governmental Activities</i>	<u><u>\$498,387</u></u>
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**Richland County Land Reutilization Corporation**  
*Statement of Revenues, Expenditures and Change in Fund Balance*  
*Governmental Fund*  
*For the Year Ended December 31, 2017*

	General
<b>Revenues</b>	
Charges for Services	\$74,338
Intergovernmental (DTAC & Grants)	1,482,232
Contributions and Donations	22,061
<i>Total Revenues</i>	<i>1,578,631</i>
<b>Expenditures</b>	
Current:	
General Government:	
Professional and Contract Services	1,633,935
Administration	26,050
<i>Total Expenditures</i>	<i>1,659,985</i>
<i>Net Change in Fund Balance</i>	<i>(81,354)</i>
<i>Fund Balance Beginning of Year</i>	<i>252,887</i>
<i>Fund Balance End of Year</i>	<i>\$171,533</i>

See accompanying notes to the basic financial statements



**Richland County Land Reutilization Corporation**  
*Reconciliation of the Statement of Revenues, Expenditures and Change  
in Fund Balance of the Governmental Fund to the Statement of Activities  
For the Year Ended December 31, 2017*

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**Net Change in Fund Balance - Governmental Fund** (81,354)

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

Revenues in the statement of activities that do not provide current  
financial resources are not reported as revenues in the funds.

Grants 94,392

*Change in Net Position of Governmental Activities* \$13,038

## **Richland County Land Reutilization Corporation**

*Notes to the Basic Financial Statements*

*For the Year Ended December 31, 2017*

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### **Note 1 - Description of the Reporting Entity**

The Richland County Land Reutilization Corporation (the Corporation) is a county land reutilization corporation that was formed on November 7, 2013, when the Richland County Council authorized the incorporation of the Corporation under Chapter 1724 of the Ohio Revised Code through resolution number 2012-214 as a not-for-profit corporation under the laws of the State of Ohio. The purpose of the Corporation is to strengthen neighborhoods in Richland County (the County) by returning vacant and abandoned properties to productive use. The Corporation has been designated as the County's agent to further its mission to reclaim, rehabilitate, and reutilize vacant, abandoned, tax foreclosed and other real property in the County by exercising the powers of the County under Chapter 5722 of the Ohio Revised Code.

Pursuant to Section 1724.03 (B) of the Ohio Revised Code, the Board of Directors of the Corporation shall be composed of five to nine members including two County Commissioners, the County Treasurer, one representative from the municipal corporation with the largest population (City of Mansfield), one representative from a township with the largest population (Madison Township), one representative from the local banking industry, and one local realtor.

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

Component units are legally separate organizations for which the Corporation is financially accountable. The Corporation is financially accountable for an organization if the Corporation appoints a voting majority of the organization's governing board; and 1) the Corporation is able to significantly influence the programs or services performed or provided by the organization; or 2) the Corporation is legally entitled to or can otherwise access the organization's resources; the Corporation is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Corporation is obligated for the debt of the organization. Component units may also include organizations for which the Corporation authorizes the issuance of debt, or the levying of taxes, or determines the budget. There are no component units included as part of this report.

### **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.

## **Richland County Land Reutilization Corporation**

### *Notes to the Basic Financial Statements*

*For the Year Ended December 31, 2017*

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#### ***Basis of Presentation***

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

#### ***Government-Wide Financial Statements***

The statement of net position and the statement of activities display information about the Corporation as a whole. These statements include the financial activities of the primary government. These statements usually distinguish between those activities of the Corporation that are governmental and those that are business-type. The Corporation, however, does not have any business-type activities.

The statement of net position presents the financial condition of the governmental activities of the Corporation at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Corporation's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. 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 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 governmental.

#### ***Governmental Funds***

Governmental funds focus on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be repaid. The difference between governmental fund assets and deferred outflows of resources and liabilities and deferred inflows of resources is reported as fund balance. The following is the Corporation's only governmental fund:

## **Richland County Land Reutilization Corporation**

### *Notes to the Basic Financial Statements*

*For the Year Ended December 31, 2017*

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**General Fund** The general fund accounts for all financial resources that are received from the Richland County Fiscal Officer from penalties collected on delinquent property taxes and interest on those delinquencies, as well as grants, contributions, and various charges for services. 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 deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of the Corporation are included on the Statement of Net Position. The Statement of Activities presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position.

##### ***Fund Financial Statements***

The general fund is accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and deferred outflows of resources and current liabilities and deferred inflows of resources generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balance reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore may include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for the general fund.

##### ***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 - 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

**Richland County Land Reutilization Corporation**

*Notes to the Basic Financial Statements*

*For the Year Ended December 31, 2017*

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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 and loans revenue sources are considered to be both measurable and available at year-end.

***Deferred Outflows/Inflows of Resources***

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, 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.

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 assets that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time.

***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 purely governmental entities.

***Federal Income Tax***

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

***Cash and Cash Equivalents***

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

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

***Prepaid Items***

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

## **Richland County Land Reutilization Corporation**

*Notes to the Basic Financial Statements  
For the Year Ended December 31, 2017*

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### ***Assets Held for Resale***

Assets held for resale represent properties purchased by or donated to the Corporation. These properties are valued at the lower of the amount of the related lien or the net realizable value. 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.

### ***Accrued Liabilities and Long-Term Obligations***

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

Governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the fund. The Corporation had no long term obligations at December 31, 2017.

### ***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 no restricted net position at December 31, 2017. The Corporation applies restricted resources first when an expense is incurred for which restricted an unrestricted amounts are available.

### ***Intergovernmental Revenue***

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

### ***Estimates***

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

## Richland County Land Reutilization Corporation

### *Notes to the Basic Financial Statements*

*For the Year Ended December 31, 2017*

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#### ***Fund Balance***

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

***Nonspendable*** The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed or assigned.

***Restricted*** Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or is imposed by law through constitutional provisions.

***Committed*** The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the Corporation’s Board. Those committed amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed or use in satisfying those contractual requirements.

***Assigned*** Amounts in the assigned fund balance classification are intended to be used by the Corporation for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the Corporation’s Board. The Board has by resolution authorized the Executive Director to assign fund balance. The Board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year’s appropriated budget.

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

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

**Richland County Land Reutilization Corporation**

*Notes to the Basic Financial Statements*

*For the Year Ended December 31, 2017*

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***Note 3 - Deposits and Investments***

***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 \$150,192 and the bank balance was \$157,858. At December 31, 2017 \$157,858 was covered by Federal depository insurance, by collateral held by the Corporation, or by collateral held by the Corporation's agent in the name of the Corporation

***Note 4 - Transactions with Richland County***

Pursuant to and in accordance with Section 321.261 (B) of the Ohio Revised Code, the Corporation has been authorized by the Richland County Council 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.

Pursuant to a contract for services agreement approved by the Board of Directors, the Corporation paid the Richland County Treasurer's office \$125,331 for personnel and related costs during 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 no settled claims from these risks that have exceeded commercial insurance coverage for the past three years, nor has insurance coverage been significantly reduced from the prior year.

***Note 6 - Receivables***

Receivables at December 31, 2017, consisted of funds due from the Ohio Housing Finance Agency Neighborhood Initiative Program Grant and loans. Allowance for doubtful accounts were not recorded because all receivables are expected to be collected.

The principal item of intergovernmental receivables is an Ohio Housing Finance Agency Neighborhood Initiative Program grant in the amount of \$547,225



**Richland County Land Reutilization Corporation**

*Notes to the Basic Financial Statements*

*For the Year Ended December 31, 2017*

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Loans receivable represents loans to an individual for \$47,250 related to the demolition of a building. The loans bear a zero interest rate. The loan to the individual was used to demolish a building in Shelby and is to be repaid by October 15, 2026. No loan payments were received in 2017.

***Note 7 – Fund Balance***

Fund balance is classified as nonspendable, 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 government fund. The constraints placed on fund balance for the general fund is presented as follows:

<u>Fund Balance</u>	<u>General Fund</u>
Nonspendable:	
Loans Receivable	\$47,250
Unassigned	<u>124,283</u>
Total	<u><u>\$171,533</u></u>

## **Richland County Land Reutilization Corporation**

### *Management's Discussion and Analysis*

*For the Year Ended December 31, 2016*

*Unaudited*

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The management's discussion and analysis of the Richland 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, 2016. 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 2016 are as follows:

- The Corporation's revenues increased in 2016 over 2015 due to increases in grant monies.
- The Corporation received \$327,123 from Richland County under an arrangement to receive 5 percent of delinquent taxes and assessments collected.

### **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. The Statement of Activities shows changes to net position related to each department of the Corporation. 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, liabilities, and deferred inflows 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.

**Richland County Land Reutilization Corporation**

*Management's Discussion and Analysis*

*For the Year Ended December 31, 2016*

*Unaudited*

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

Assets

Liabilities

Deferred Inflows/Outflows

Net Position (Assets plus Deferred Outflows minus Liabilities plus Deferred Inflows)

Program Expenses and Revenues

General Revenues

Net Position Beginning and End of Year

**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 that is 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 the Statement of Activities) and the general fund is reconciled in the financial statements.

**The Richland County Land Reutilization Corporation as a Whole**

The table below provides a summary of Corporation's net position for 2016 compared to 2015.

**Richland County Land Reutilization Corporation**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2016*  
*Unaudited*

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**Table 1**  
**Net Position**

	<u>2016</u>	(Restated) <u>2015</u>
<b>Assets</b>		
Current and Other Assets	<u>\$550,307</u>	<u>\$390,931</u>
<b>Liabilities</b>		
Current and Other Liabilities	<u>17,708</u>	<u>0</u>
<b>Deferred Inflows of Resources</b>		
Loans	<u>47,250</u>	<u>47,250</u>
<b>Net Position</b>		
Unrestricted	<u><u>\$485,349</u></u>	<u><u>\$343,681</u></u>

During 2016, the Corporation's intergovernmental receivables increased \$11,687 over the prior year due to the Corporation qualifying for additional monies through the Neighborhood Initiative Program grant.

Also in 2016, the Corporation's accounts payable increased \$16,498 due to ongoing demolition projects at year-end.

The table below shows the changes in net position for the years ending December 31, 2016 and 2015.

**Richland County Land Reutilization Corporation**

*Management's Discussion and Analysis*

*For the Year Ended December 31, 2016*

*Unaudited*

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**Table 2**  
**Net Position**

		(Restated)
	2016	2015
<b>Revenues</b>		
Program Revenues		
Charges for Services	\$ 120,073	\$ 69,678
Operating Grants	736,815	347,284
General Revenues		
Intergovernmental	327,123	310,360
<i>Total Revenues</i>	<u>1,184,011</u>	<u>727,322</u>
<b>Program Expenses</b>		
Professional and Contract Services	1,013,345	601,395
Administration	28,998	30,016
<i>Total Program Expenses</i>	<u>1,042,343</u>	<u>631,411</u>
<i>Change in Net Position</i>	141,668	95,911
<i>Net Position Beginning of Year</i>	343,681	247,770
<i>Net Position End of Year</i>	<u>\$ 485,349</u>	<u>\$ 343,681</u>

Intergovernmental revenues represents the 5 percent delinquent tax and assessments from the County.

During 2016, expenses increased for professional and contract services due to the Corporation acquiring more properties and rehabilitated costs associated with the properties.

**The Corporation's Fund**

The General fund is accounted for using the modified accrual basis of accounting. The General Fund had revenues of \$1,097,946 and had expenditures of \$1,042,343.

**Capital Assets**

As of December 31, 2016, the Corporation does not have any capital assets.

**Debt**

As of December 31, 2016, the Corporation does not have any debt.

**Richland County Land Reutilization Corporation**

*Management's Discussion and Analysis*

*For the Year Ended December 31, 2016*

*Unaudited*

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**Current Financial Related Activities**

The Corporation, established on November 7, 2013, has been designated by Richland County, Ohio as its agent for the reclamation, rehabilitation and reutilization of vacant, abandoned, tax-foreclosed and other real property in Richland County. Principal operating revenues of the Corporation include contributions from Richland County's delinquent tax and assessment collection fund. The Corporation currently is participating in the Neighborhood Initiative Program, a residential demolition grant program through the Ohio Housing Finance Agency. As of December 31, 2016 the Corporation owned over 140 properties throughout the County.

**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 Bart Hamilton, Chair of the Board of Directors, Richland County Land Reutilization Corporation, 50 Park Avenue East, Mansfield, Ohio 44906.

**Richland County Land Reutilization Corporation**

*Statement of Net Position*

*December 31, 2016*

	Governmental Activities
<b>Assets</b>	
Equity in Cash and Cash Equivalents	\$236,750
Accounts Receivable	426
Intergovernmental Receivable	237,822
Inventory Held for Resale	28,059
Loans Receivable	47,250
<i>Total Assets</i>	<u>550,307</u>
<b>Liabilities</b>	
Accounts Payable	16,498
Intergovernmental Payable	1,210
<i>Total Liabilities</i>	<u>17,708</u>
<b>Deferred Inflows of Resources</b>	
Loans	47,250
<b>Net Position</b>	
Unrestricted	<u>485,349</u>
<i>Total Net Position</i>	<u><u>\$485,349</u></u>

See accompanying notes to the basic financial statements

**Richland County Land Reutilization Corporation**

*Statement of Activities*

*For the Year Ended December 31, 2016*

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense)</u> <u>Revenue and</u> <u>Change in Net</u> <u>Position</u>
		<u>Charges for</u> <u>Services and Sales</u>	<u>Operating Grants</u> <u>and Contributions</u>	<u>Governmental</u> <u>Activities</u>
<b>Governmental Activities</b>				
General Government:				
Professional and Contract Services	\$1,013,345	\$120,073	\$736,815	(\$156,457)
Administration	28,998	0	0	(28,998)
<i>Total Governmental Activities</i>	<u>\$1,042,343</u>	<u>\$120,073</u>	<u>\$736,815</u>	(185,455)
		<b>General Revenues</b>		
		Grants and Entitlements not Restricted to Specific Programs		<u>327,123</u>
		Change in Net Position		141,668
		<i>Net Position Beginning of Year - Restated (See Note 3)</i>		<u>343,681</u>
		<i>Net Position End of Year</i>		<u>\$485,349</u>

See accompanying notes to the basic financial statements



**Richland County Land Reutilization Corporation**

*Balance Sheet*

*Governmental Fund*

*December 31, 2016*

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	<u>General</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$236,750
Accounts Receivable	426
Intergovernmental Receivable	237,822
Inventory Held for Resale	28,059
Loans Receivable	47,250
	<hr/>
<i>Total Assets</i>	<u>\$550,307</u>
<b>Liabilities</b>	
Accounts Payable	\$16,498
Intergovernmental Payable	1,210
	<hr/>
<i>Total Liabilities</i>	<u>17,708</u>
<b>Deferred Inflows of Resources</b>	
Loans	47,250
Unavailable Revenue	232,462
	<hr/>
Total Deferred Inflows of Resources	<u>279,712</u>
<b>Fund Balance</b>	
Nonspendable	47,250
Unassigned	205,637
	<hr/>
<i>Total Fund Balance</i>	<u>252,887</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balance</i>	<u>\$550,307</u>

See accompanying notes to the basic financial statements

**Richland County Land Reutilization Corporation**

*Reconciliation of Total Governmental Fund Balance to*

*Net Position of Governmental Activities*

*December 31, 2016*

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<b>Total Governmental Fund Balance</b>	\$252,887
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*Amounts reported for governmental activities in the  
statement of net position are different because*

Other long-term assets are not available to pay for current- period  
expenditures and therefore, are deferred inflows in the fund

Intergovernmental Revenues	<u>232,462</u>
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<i>Net Position of Governmental Activities</i>	<u><u>\$485,349</u></u>
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**Richland County Land Reutilization Corporation**  
*Statement of Revenues, Expenditures and Change in Fund Balance*  
*Governmental Funds*  
*For the Year Ended December 31, 2016*

	General
<b>Revenues</b>	
Charges for Services	\$120,073
Intergovernmental (DTAC & Grants)	977,069
Contributions and Donations	804
<i>Total Revenues</i>	<i>1,097,946</i>
<b>Expenditures</b>	
Current:	
General Government:	
Professional and Contract Services	1,013,345
Administration	28,998
<i>Total Expenditures</i>	<i>1,042,343</i>
<i>Net Change in Fund Balance</i>	<i>55,603</i>
<i>Fund Balance Beginning of Year - Restated (See Note 3)</i>	<i>197,284</i>
<i>Fund Balance End of Year</i>	<i>\$252,887</i>

See accompanying notes to the basic financial statements

**Richland County Land Reutilization Corporation**  
*Reconciliation of the Statement of Revenues, Expenditures and Change  
in Fund Balance of the Governmental Fund to the Statement of Activities  
For the Year Ended December 31, 2016*

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**Net Change in Fund Balance - Governmental Fund** \$55,603

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

Revenues in the statement of activities that do not provide current  
financial resources are not reported as revenues in the funds.

Grants 86,065

*Change in Net Position of Governmental Activities* \$141,668

## **Richland County Land Reutilization Corporation**

*Notes to the Basic Financial Statements  
For the Year Ended December 31, 2016*

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### **Note 1 - Description of the Reporting Entity**

The Richland County Land Reutilization Corporation (the Corporation) is a county land reutilization corporation that was formed on November 7, 2013, when the Richland County Council authorized the incorporation of the Corporation under Chapter 1724 of the Ohio Revised Code through resolution number 2012-214 as a not-for-profit corporation under the laws of the State of Ohio. The purpose of the Corporation is to strengthen neighborhoods in Richland County (the County) by returning vacant and abandoned properties to productive use. The Corporation has been designated as the County's agent to further its mission to reclaim, rehabilitate, and reutilize vacant, abandoned, tax foreclosed and other real property in the County by exercising the powers of the County under Chapter 5722 of the Ohio Revised Code.

Pursuant to Section 1724.03 (B) of the Ohio Revised Code, the Board of Directors of the Corporation shall be composed of five to nine members including two County Commissioners, the County Treasurer, one representative from the municipal corporation with the largest population (City of Mansfield), one representative from a township with the largest population (Madison Township), one representative from the local banking industry, and one local realtor.

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

Component units are legally separate organizations for which the Corporation is financially accountable. The Corporation is financially accountable for an organization if the Corporation appoints a voting majority of the organization's governing board; and 1) the Corporation is able to significantly influence the programs or services performed or provided by the organization; or 2) the Corporation is legally entitled to or can otherwise access the organization's resources; the Corporation is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Corporation is obligated for the debt of the organization. Component units may also include organizations for which the Corporation authorizes the issuance of debt, or the levying of taxes, or determines the budget. There are no component units included as part of this report.

### **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.

## **Richland County Land Reutilization Corporation**

*Notes to the Basic Financial Statements*

*For the Year Ended December 31, 2016*

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### ***Basis of Presentation***

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

### ***Government-Wide Financial Statements***

The statement of net position and the statement of activities display information about the Corporation as a whole. These statements include the financial activities of the primary government. These statements usually distinguish between those activities of the Corporation that are governmental and those that are business-type. The Corporation, however, does not have any business-type activities.

The statement of net position presents the financial condition of the governmental activities of the Corporation at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Corporation's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. 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 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 governmental.

### ***Governmental Funds***

Governmental funds focus on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be repaid. The difference between governmental fund assets and deferred outflows of resources and liabilities and deferred inflows of resources is reported as fund balance. The following is the Corporation's only governmental fund:

## **Richland County Land Reutilization Corporation**

### *Notes to the Basic Financial Statements*

*For the Year Ended December 31, 2016*

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**General Fund** The general fund accounts for all financial resources that are received from the Richland County Fiscal Officer from penalties collected on delinquent property taxes and interest on those delinquencies, as well as grants, contributions, and various charges for services. 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 deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of the Corporation are included on the Statement of Net Position. The Statement of Activities presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position.

##### ***Fund Financial Statements***

The general fund is accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and deferred outflows of resources and current liabilities and deferred inflows of resources generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balance reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore may include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for the general fund.

##### ***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 - 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

**Richland County Land Reutilization Corporation**

*Notes to the Basic Financial Statements*

*For the Year Ended December 31, 2016*

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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 and loans revenue sources are considered to be both measurable and available at year-end.

***Deferred Outflows/Inflows of Resources***

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, 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, 2016.

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 assets that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time.

***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 purely governmental entities.

***Federal Income Tax***

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

***Cash and Cash Equivalents***

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

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

***Prepaid Items***

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



## **Richland County Land Reutilization Corporation**

*Notes to the Basic Financial Statements*

*For the Year Ended December 31, 2016*

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### ***Assets Held for Resale***

Assets held for resale represent properties purchased by or donated to the Corporation. These properties are valued at the lower of the amount of the related lien or the net realizable value. 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.

### ***Accrued Liabilities and Long-Term Obligations***

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

Governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the fund. The Corporation had no long term obligations at December 31, 2016.

### ***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 no restricted net position at December 31, 2016. The Corporation applies restricted resources first when an expense is incurred for which restricted an unrestricted amounts are available.

### ***Intergovernmental Revenue***

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

### ***Estimates***

The preparation of the basic financial statements in conformity with GAAP 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 2016.

## Richland County Land Reutilization Corporation

### *Notes to the Basic Financial Statements For the Year Ended December 31, 2016*

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#### ***Fund Balance***

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

***Nonspendable*** The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed or assigned.

***Restricted*** Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or is imposed by law through constitutional provisions.

***Committed*** The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the Corporation’s Board. Those committed amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed or use in satisfying those contractual requirements.

***Assigned*** Amounts in the assigned fund balance classification are intended to be used by the Corporation for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the Corporation’s Board. The Board has by resolution authorized the Executive Director to assign fund balance. The Board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year’s appropriated budget.

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

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

**Richland County Land Reutilization Corporation**

*Notes to the Basic Financial Statements*

*For the Year Ended December 31, 2016*

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**Note 3 - Restatement of Fund Balance/Net Position**

**A. Restatement of Fund Balance**

During 2016, it was determined that assets and liabilities were overstated as of December 31, 2015. These restatements had the following effect on fund balance as it was previously reported.

Fund Balance December 31, 2015	\$ 387,484
Assets:	
Intergovernmental Receivables	(763,064)
Inventory Held for Resale	<u>(319,593)</u>
Total Assets	<u>(1,082,657)</u>
Liabilities and Deferred Inflows:	
Accounts Payable	129,393
Deferred Inflows - Unavailable Revenue	<u>763,064</u>
Total Liabilities and Deferred Inflows	<u>892,457</u>
Restated Fund Balance	
December 31, 2015	<u><u>\$197,284</u></u>

**B. Restatement of Net Position**

The adjustments listed above also had the following impact on net position as it was previously reported.

Net Position December 31, 2015	\$ 1,296,945
Assets:	
Intergovernmental Receivables	(763,064)
Inventory Held for Resale	<u>(319,593)</u>
Total Assets	<u>(1,082,657)</u>
Liabilities:	
Accounts Payable	<u>129,393</u>
Restated Net Position	
December 31, 2015	<u><u>\$343,681</u></u>

**Note 4 - Deposits and Investments**

**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

**Richland County Land Reutilization Corporation**

*Notes to the Basic Financial Statements*

*For the Year Ended December 31, 2016*

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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, 2016, the carrying amount of the Corporation's deposits was \$236,750 and the bank balance was \$306,573. At December 31, 2016 \$306,573 was covered by Federal depository insurance, by collateral held by the Corporation, or by collateral held by the Corporation's agent in the name of the Corporation

***Note 5 - Transactions with Richland County***

Pursuant to and in accordance with Section 321.261 (B) of the Ohio Revised Code, the Corporation has been authorized by the Richland County Council 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.

Pursuant to a contract for services agreement approved by the Board of Directors, the Corporation paid the Richland County Treasurer's office \$77,821 for personnel and related costs during 2016.

***Note 6 - 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 no settled claims from these risks that have exceeded commercial insurance coverage for the past three years, nor has insurance coverage been significantly reduced from the prior year.

***Note 7 - Receivables***

Receivables at December 31, 2016, consisted of funds due from the City of Mansfield and funds due from the Ohio Housing Finance Agency Neighborhood Initiative Program Grant and loans. Allowance for doubtful accounts were not recorded because all receivables are expected to be collected.

The principal items intergovernmental receivables are an Ohio Housing Finance Agency Neighborhood Initiative Program grant in the amount of \$232,462 as well as a receivable from the City of Mansfield for a reimbursement for work done on a demolition project in the amount of \$5,360.

Loans receivable represents loans to an individual for \$47,250 related to the demolition of a building. The loans bear a zero interest rate. The loan to the individual was used to demolish a building in Shelby and is to be repaid by October 15, 2026. No loan payments were received in 2016.

**Richland County Land Reutilization Corporation**

*Notes to the Basic Financial Statements*

*For the Year Ended December 31, 2016*

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***Note 8 – Fund Balance***

Fund balance is classified as nonspendable, 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 government fund. The constraints placed on fund balance for the general fund is presented as follows:

<u>Fund Balance</u>	<u>General Fund</u>
Nonspendable:	
Loans Receivable	\$47,250
Unassigned	<u>205,637</u>
Total	<u><u>\$252,887</u></u>

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# OHIO AUDITOR OF STATE KEITH FABER



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

Richland County Land Reutilization Corporation  
Richland County  
50 Park Avenue East  
Mansfield, Ohio 44902

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 Richland County Land Reutilization Corporation, Richland County, Ohio, (the Corporation) as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements and have issued our report thereon dated March 28, 2019; wherein we noted January 1, 2016 beginning balances in the general fund and governmental activities were restated.

### ***Internal Control Over Financial Reporting***

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2017-001 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 Finding***

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.



Keith Faber  
Auditor of State

Columbus, Ohio

March 28, 2019



**RICHLAND COUNTY LAND REUTILIZATION CORPORATION  
RICHLAND COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2017 and 2016**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING 2017-001**

**Financial Reporting – Material Weakness**

Sound financial reporting is the responsibility of management and the Board of Directors and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

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

The Corporation did not have sufficient internal controls in place to determine the proper valuation of its assets and liabilities. As a result, the following adjustments were made to the 2017 and 2016 financial statements:

- In 2016, beginning balances in the General Fund and Governmental Activities were restated by \$197,284 and \$343,681, respectively, in order to correct overstatements of intergovernmental receivable, inventory held for resale, and accounts payable as previously reported.
- In 2017, intergovernmental receivable was decreased by \$1,449,066 in Governmental Activities and the General Fund.
- In 2016, intergovernmental receivable was decreased by \$2,722,004 in Governmental Activities and the General Fund.
- In 2017 and 2016, unavailable revenue was decreased by \$1,449,066 and \$2,722,004, respectively, in the General Fund.
- In 2017, inventory held for resale was decreased by \$2,040,065 in Governmental Activities and the General Fund.
- In 2016, inventory held for resale was decreased by \$1,055,213 in Governmental Activities and the General Fund.
- In 2017, accounts payable was increased by \$25,987 in the General Fund and Governmental Activities.
- In 2016, accounts payable was decreased by \$133,120 in Governmental Activities and the General Fund.

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

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

**Officials' Response:** The Corporation plans to implement additional review procedures to provide assurance over the completeness and accuracy of the accounting records. These procedures will include a final review of the financial statements and underlying documentation by the CPA providing regular services to the Corporation as well as an analytical comparison of the current year to the prior year by management.

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# OHIO AUDITOR OF STATE KEITH FABER



**RICHLAND COUNTY LAND REUTILIZATION CORPORATION**

**RICHLAND 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  
APRIL 23, 2019**