ERIE COUNTY LAND REUTILIZATION CORPORATION
ERIE COUNTY

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2015-2014

Dave Yost • Auditor of State

ERIE COUNTY LAND REUTILIZATION CORPORATION
ERIE COUNTY

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INDEPENDENT AUDITOR'S REPORT

Erie County Land Reutilization Corporation
Erie County
2900 Columbus Avenue
Sandusky, Ohio 44870-5554

To the Board of Directors:

Report on the Financial Statement

We have audited the accompanying financial statement of Erie County Land Reutilization Corporation, Erie County, Ohio (the Corporation), as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statement.

Management's Responsibility for the Financial Statement

Management is responsible for preparing and fairly presenting this financial statement in accordance with the accounting principles generally accepted in the United States of America. This responsibility includes the 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 this financial statement 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 statement in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Corporation's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse audit opinion.

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Basis for Adverse Opinion

As described in Note 1 of the financial statement, the Corporation prepared this financial statement using the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. However, Ohio Revised Code Section 1724.05 requires these statements to follow accounting principles generally accepted in the United States of America. The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumably material.

Adverse Opinion

In our opinion, because of the matter described in the *Basis for Adverse Opinion* paragraph, the financial statement does not present fairly the financial position, and results of operations of Erie County Land Reutilization Corporation, Erie County, Ohio as of and for the years ended December 31, 2015 and 2014 in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 8, 2016, on our consideration of the Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control over financial reporting and compliance.

Dave Yost

Dave Yost
Auditor of State

Columbus, Ohio

June 8, 2016

ERIE COUNTY LAND REUTILIZATION CORPORATION
ERIE COUNTY

STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCE (CASH BASIS)
GENERAL FUND
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015	2014
Cash Receipts:		
Property Taxes	$5,360	
Grants	1,500	$327,963
Property Sales	277,426	10,913
Rental Income	2,175	12,538
Miscellaneous	510	1,259
Total Cash Receipts	286,971	352,673
Cash Disbursements:		
Current Disbursements:		
Accounting & Legal	8,519	6,471
Auditor Expense	779	3,321
Auditor Deed Fees	96	137
Bank Fees	62	75
Closing Costs	5,130	305
Demolition Expense		313,425
Direct Deposit Expense	46	44
General Insurance	1,044	7,869
Payroll Taxes	3,972	3,825
Postage	23	28
Property Maintenance Expense	8,629	1,901
Miscellaneouse Property Expense	469	
Seminars		100
Title Fees	650	50
Travel	56	6
Vehicle Expense	192	240
Wages	51,923	50,000
Land	5,510	
Equipment	998	
Debt Service:		
Redemption of Principal	100,000	
Total Cash Disbursements	188,098	387,797
Excess Receipts Over (Under) Disbursements	98,873	(35,124)
Other Financing Receipts:		
Other Debt Proceeds		40,000
Net Change in Fund Cash Balance	98,873	4,876
Fund Cash Balance, January 1	28,204	23,328
Fund Cash Balance, December 31		
Unassigned	127,077	28,204
Fund Cash Balance, December 31	$127,077	$28,204

The notes to the financial statement are an integral part of this statement.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Erie County Land Reutilization Corporation, Erie County, Ohio (the Corporation) as a body corporate and politic. The Corporation was organized as a not-for-profit community improvement corporation by the Board of County Commissioners of Erie County October 20, 2011, under the authority granted under Chapter 1724 of the Ohio Revised Code. The Corporation's purpose is to promote and facilitate the reclamation, rehabilitation and reutilization of vacant, abandoned, tax-foreclosed or other real property in Erie County. By strategically acquiring properties and returning them to productive use, the Corporation works to reduce blight, increase property values, strengthen neighborhoods, and improve the quality of life for all Erie County residents.

The Corporation's governing board is a seven member Board of Directors (the Board) consisting of the County Treasurer, two members of the Board of County Commissioners of Erie County, a representative of the largest municipality in Erie County, a representative of a Township with more than 10,000 residents located within Erie County, and two additional members selected by consensus of the two County Commissioners and the Treasurer.

The Corporation's management believes this financial statement presents all activities for which the Corporation is financially accountable.

B. Accounting Basis

Although required by Ohio Revised Code §1724.05 to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America, the Corporation chooses to prepare its financial statement and notes in accordance with standards established by the Auditor of State for governmental entities that are not required to prepare annual financial reports in accordance with generally accepted accounting principles. This basis of accounting is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in this financial statement.

C. Fund Accounting

The Corporation uses one fund and classifies it as the General Fund. It presents all financial resources of the Corporation.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Balance

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

1. Nonspendable

The Corporation classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

2. Restricted

Fund balance is *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.

3. Committed

The Board can *commit* amounts via formal action (resolution). The Corporation must adhere to these commitments unless the Board amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by the Board or a Corporation official delegated that authority by resolution, or by State Statute.

5. Unassigned

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Property, Plant, and Equipment

The Corporation records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statement does not report these items as assets.

2. COMPLIANCE

Ohio Rev. Code, Section 1724.05, requires the Corporation to file annual financial reports which are prepared using generally accepted accounting principles (GAAP). However, the Corporation prepared its financial statement on the regulatory basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statement omits assets, liabilities, net assets/fund balances, and disclosures that, while material, cannot be determined at this time. The Corporation can be fined and various other administrative remedies may be taken against the Corporation.

3. EQUITY IN POOLED DEPOSITS

The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits at December 31 was as follows:

	2015	2014
Demand deposits	$127,077	$28,204

Deposits are insured by the Federal Depository Insurance Corporation.

4. RISK MANAGEMENT

Commercial Insurance

The Corporation is subject to certain types of risk in the performance of its normal functions. The Corporation has obtained commercial insurance covering comprehensive property and general liability risks.

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

Erie County Land Reutilization Corporation
Erie County
2900 Columbus Avenue
Sandusky, Ohio 44870-5554

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 statement of Erie County Land Reutilization Corporation, Erie County, Ohio (the Corporation) as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statement, and have issued our report thereon dated June 8, 2016, wherein we issued an adverse opinion on the Corporation's financial statement because the Corporation prepared its financial statement using accounting practices the Auditor of State prescribes or permits for governmental entities not required to report in using accounting principles generally accepted in the United States of America.

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 statement, 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 statement. 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 certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2015-001 and 2015-002 to be material weaknesses.

Compliance and Other Matters

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

Entity's Response to Findings

The Corporation's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Corporation's responses and, accordingly, we express no opinion on them.

Purpose of this Report

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

Dave Yost

Dave Yost
Auditor of State

Columbus, Ohio

June 8, 2016

SCHEDULE OF FINDINGS
DECEMBER 31, 2015 AND 2014

FINDINGS RELATED TO THE FINANCIAL STATEMENT REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

FINDING NUMBER 2015-001

Noncompliance Citation / Material Weakness

Ohio Rev. Code § 1724.05 provides, in part, that the Corporation shall prepare an annual financial report that that is prepared according to generally accepted accounting principles (GAAP).

For 2015 and 2014, the Corporation prepared its financial statements in accordance with the regulatory basis of accounting prescribed or permitted by the Auditor of State for governments not required to report in accordance with GAAP. This presentation differs from generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material cannot be determined at this time. The Corporation can be fined, and various other administrative remedies may be taken against the Corporation.

We recommend the Corporation take the necessary steps to ensure the financial report is prepared in accordance with generally accepted accounting principles.

Officials' Response:

Even though the Corporation is entering its fourth full year of operation there is still no dedicated funding source to sustain our operations. We rely solely on property sales and Grant administration. Additionally, in our brief history, we do not generate a significant number of financial transactions in any given calendar year, nor do we have a large cash reserve to fall back on. In light of these factors the Corporation has determined that continuing to file on a regulatory basis for the audited time period provides the most cost effective alternative while still providing sufficient information regarding the Corporation's activities. The Corporation understands this requirement, but feels that there are no financial and/or cost benefits to converting to generally accepted accounting principles.

FINDING NUMBER 2015-002

Material Weakness - Financial Reporting

We identified the following errors requiring adjustment to the financial statements or notes to the financial statements for the year ending December 31, 2015:

- January 1 fund cash balance was increased $100,000 in order to account for the Erie County loan proceeds on a cash basis and agree the reported beginning balance to the prior year ending balance; and

- Debt service principal payments in the amount of $100,000 were incorrectly omitted from the cash basis annual report.

We also identified the following errors requiring adjustment to the financial statements or notes to the financial statements for the year ending December 31, 2014:

- January 1 fund cash balance was increased $60,000 in order to account for the Erie County loan proceeds on a cash basis and agree the reported beginning balance to the prior year audited financial statements; and

- Debt proceeds in the amount of $40,000 were incorrectly omitted from the cash basis annual report.

These errors were not identified and corrected prior to the audit due to deficiencies in the Corporation's internal controls over financial statement monitoring. Sound financial reporting is the responsibility of the Executive Director and the Board of Directors and is essential to ensure the information provided to the readers of the financial statements and accompanying notes is complete and accurate.

To help ensure the Corporation's financial statements and notes to the statements are complete and accurate, the Corporation should adopt policies and procedures, including a final review of the statements and notes by the Executive Director, to identify and correct errors and omissions, as well as recording correct budgetary information.

Officials' Response:

The issue of financial reporting of loan proceeds has been brought to the attention of the Corporation's contracted Accounting firm. They have made note of the Auditor of State's reporting requirement and will fully comply with the stated requirement should there be any loan activity in the future.

ERIE COUNTY LAND REUTILIZATION CORPORATION
ERIE COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2015 AND 2014

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; ***Explain***
2013-001	Ohio Rev. Code § 1724.05 for reporting on a basis other than generally accepted accounting principles.	No	Not corrected. Repeated as finding number 2015-001 in this report.

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Dave Yost • Auditor of State

ERIE COUNTY LAND REUTILIZATION CORPORATION

ERIE 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
JUNE 30, 2016

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