



Dave Yost
Ohio Auditor of State

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TO: County Treasurers, County Commissioners, County Auditors, and Independent Public Accountants

**FROM: Dave Yost
Ohio Auditor of State**

SUBJECT: County Land Reutilization Corporations

Section 1724.04 of the Ohio Revised Code permits a county having a population of more than sixty thousand (60,000) as of the most recent decennial census, which has elected to adopt and implement the procedures to facilitate the effective reutilization of nonproductive land under Section 5722 of the Ohio Revised Code, the option to organize a "county land reutilization corporation" (CLRC) for the purpose of exercising the powers granted under Section 5722 (also known as a Land Bank). The county treasurer shall be the incorporator of the CLRC with the form of the articles of incorporation approved by resolution of the board of county commissioners. CLRCs are non-profit community improvement corporations and are formed to advance, encourage and promote the industrial, economic, commercial, and civic development of a community or area; or for the following purposes, as described in Section 1724.01(B)(2):

- (a) Facilitating the reclamation, rehabilitation, and reutilization of vacant, abandoned, tax-foreclosed, or other real property within the county for whose benefit the corporation is being organized, but not limited to the purposes described in this Section;
- (b) Efficiently holding and managing vacant, abandoned, or tax-foreclosed real property pending its reclamation, rehabilitation, and reutilization;
- (c) Assisting governmental entities and other nonprofit or for-profit persons to assemble, clear, and clear the title of property described in this division in a coordinated manner; or
- (d) Promoting economic and housing development in the county or region.

Recently, several counties have organized or are planning to organize CLRCs under Section 1724.04. Any CLRC organized under Section 1724, is a separate legal entity, subject to separate reporting and audit requirements. This bulletin outlines financial statement considerations and the annual reporting requirements for these entities.

Financial Statement Considerations

Potential Component Unit

Since CLRCs are separate legal entities, consideration should be given as to whether they meet the criteria to be a component unit of another governmental entity, such as the county. The criteria for determination of inclusion as a component unit are outlined in GASB Codification 2100, as modified by GASB 61.

Generally Accepted Accounting Principles

Sections 1724 and 5722 of the Ohio Revised Code potentially allow CLRCs to participate in a range of real property-related activities and transactions. Therefore, a complete listing of applicable accounting principles is beyond the scope of this bulletin. However, financial statement preparers and their auditors should be aware that GASB 62 includes potentially relevant guidance.

As just one example, paragraph 284 describes general revenue recognition guidance for a real property sale:

“Gain should be recognized in full when real estate is sold, provided (a) the gain is determinable, that is, the collectability of the sales price is reasonably assured or the amount that will not be collectible can be estimated, and (b) the earnings process is virtually complete, that is, the seller is not obliged to perform significant activities after the sale. Unless both conditions exist, recognition of all or part of the gain should be postponed.”¹

Other paragraphs of GASB 62 that potentially may apply include (but might not be limited to):

Transaction Type / Activity	GASB 62 paragraphs
Real property leases	232 – 238, 244 – 256
Real estate sales	282 – 349
Real estate projects	350 – 373

Certainly, other principles may apply as well.

Reporting Requirements

¹ Whether a CLRC should record sales as *gains* or *losses* (i.e. sales proceeds **net** of capitalized costs) or as *revenues* and *expenses* (gross) is a matter of judgment depending upon whether the CLRC views its principle business as buying and selling real property or not. Revenue and expense reporting normally applies to the principle business activities of an entity. Reporting net gains and losses normally applies to ancillary activities of an entity.

Per Section 1724.05 of the Revised Code, each community improvement corporation (CIC), including CLRCs, shall prepare an annual financial report that conforms to rules prescribed by the Auditor of State pursuant to Section 117.20 of the Revised Code, and is prepared according to generally accepted accounting principles (GAAP). The financial report is required to be filed with the Auditor of State within one hundred and twenty (120) days following the last day of the corporation's fiscal year, unless the Auditor of State extends the deadline. In addition, the financial report shall be published on the corporation's web site, or if the corporation does not have a web site, on the web site of the county in which the corporation is located.

For guidance regarding required financial statement filing with the Auditor of State's office, please refer to Auditor of State Bulletins 2001-003 and 2008-001 available at:

<http://www.ohioauditor.gov/services/lgs/bulletins/default.htm>

<http://www.ohioauditor.gov/publications/bulletins/2014.html>

Failure to File Annual Financial Report

Per Section 1724.06, if any CIC, including CLRCs, 1) fails to prepare an annual financial report as required by Section 1724.05 and fails to file that report with the Auditor of State within ninety (90) days of the time prescribed for that filing **OR** 2) if the Auditor of State determines the CIC cannot be audited and declares it unauditible and the CIC fails to then prepare and file an annual report with the Auditor of State within ninety (90) days of the time the Auditor of State declared the CIC to be unauditible, the Auditor of State shall certify that fact to the Secretary of State. The Secretary of State then shall cancel the articles of incorporation of the CIC.

Dave Yost
Ohio Auditor of State