



Dave Yost • Auditor of State



**LORAIN COUNTY LAND REUTILIZATION CORPORATION  
LORAIN COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Lorain County Land Reutilization Corporation  
Lorain County  
226 Middle Avenue  
Elyria, Ohio 44035

To the Board of Directors:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities and the General Fund of the Lorain County Land Reutilization Corporation, Lorain County, Ohio (the Corporation), as of and for the year ended December 31, 2013, 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 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 General Fund of the Lorain County Land Reutilization Corporation, Lorain County, Ohio, as of December 31, 2013, and the respective changes in financial position thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis* listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated June 24, 2014, on our consideration of the Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control over financial reporting and compliance.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

June 24, 2014

**LORAIN COUNTY LAND REUTILIZATION CORP  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(UNAUDITED)**

The following Management's Discussion and Analysis (MD&A) of the Lorain County Land Reutilization Corporation (the Corporation) financial performance provides an introduction to the financial statements for the year ended December 31, 2013. The information contained in this MD&A should be considered in conjunction with the information contained in the Corporation's financial statements.

**Financial Highlights**

- At December 31, 2013, the Statement of Net Position assets of the Corporation exceeded the liabilities by \$231,292.
- Total net position for 2013 increased by \$226,151 which is an increase from 2012, in which net position increased \$5,141 from May 25, 2012 through December 2012.
- The Corporation's total revenues on the Statement of Activities amounted to \$3,402,836 in 2013, of which \$3,363,550 or 98.8% were program revenues and \$39,286 or 1.2% were general revenues.
- The Corporation had \$3,176,685 in total expenses in 2013 compared to \$25,091 in 2012.

**Using this Annual Financial Report**

This annual report consists of financial statements and notes to those statements. These statements are organized so the reader can understand the Corporation as a financial whole.

The Statement of Net Position and Statement of Activities (referred collectively as the government-wide statements) provide information about the activities of the entire Corporation and present a longer-term view of the Corporation's finances. The Corporation has no long term assets or liabilities.

**Reporting the Corporation as a Whole**

***Statement of Net Position and Statement of Activities***

These government-wide statements answer the question, "How did the Corporation as a whole do financially during 2013? They are prepared on the accrual basis of accounting, including all assets and liabilities, much the same way as for a private enterprise. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the Corporation's net position and the changes in the net position. This change in net position is important as it tells the reader that, 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, nonfinancial information such as the condition of the Corporation's needs will also need to be evaluated.

*The Statement of Net Position.* This Statement (page 9) reports all assets and liabilities of the Corporation as of December 31, 2013. The difference between total assets and total liabilities is reported as net position. Increases in net position generally indicate an improvement in financial position while decreases may indicate a deterioration of financial position.

*The Statement of Activities.* This Statement (page 10) serves the purpose of the traditional income statement. It provides consolidated reporting of the results of all activities of the Corporation for the year ended December 31, 2013. Changes in net position are recorded in the period in which the underlying event takes place, which may differ from the period in which cash is received or disbursed. The Statement of Activities displays the expenses of the Corporation's various programs net of related revenues, as well as the separate presentation of revenues available for general purposes.

**LORAIN COUNTY LAND REUTILIZATION CORP  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(UNAUDITED)**

In the Statement of Net Position and the Statement of Activities, the Corporation has one kind of activity:

Governmental Activities – All of the Corporation's programs are reported here. These programs will be funded primarily by delinquent property taxes collected and intergovernmental revenue including Federal grants.

**Reporting the Corporation's Most Significant Funds**

**Fund Financial Statements**

These statements provide financial position and results of the Corporation's major funds. The Corporation's only major governmental fund is the General Fund. A fund is an accounting entity created to account for a specific activity or purpose. The creation of some funds is mandated by law and others are created by management to demonstrate financial compliance with budgetary or legal requirements. Funds are classified into three broad categories: governmental funds, proprietary funds, and fiduciary funds. The Corporation has only governmental funds.

- ***Governmental Funds.*** Governmental funds are used to account for "Government-Type" activities. However, unlike the government-wide financial statements, governmental fund statements use a "flow of financial resources" measurement focus. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Increases in spendable resources are reported in the operating statement as "revenues" or "other financing sources". Decreases in spendable resources are reported as "expenditures" or "other financing uses". State and federal grants finance most of those activities.

The Basic Governmental Fund Financial Statements can be found on pages 11 through 14 of this report.

**Other Information**

***Notes to the Basic Financial Statements:***

The notes provide additional and explanatory data. They are an integral part of the basic financial statements. Notes to the Basic Financial Statements can be found starting on page 15 of this report. As of December 31, 2013, the Corporation had no Debt.

**The Corporation as a Whole**

Recall the Statement of Net Position looks at the Corporation as a whole. Table 1 provides a summary of the Corporation's net position for 2013.

**LORAIN COUNTY LAND REUTILIZATION CORP  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(UNAUDITED)**

**Table 1  
Lorain County Land Reutilization Corp  
Net Position**

	2013	2012
<b>ASSETS:</b>		
Current Assets	\$2,473,060	\$1,225,261
Capital Assets, Net	615,298	0
Total Assets	3,088,358	1,225,261
<b>LIABILITIES:</b>		
Current and Other Liabilities	2,857,066	1,220,120
<b>NET POSITION:</b>		
Net Investment in Capital Assets	615,298	0
Unrestricted (Deficit)	(384,006)	5,141
Total Net Position	\$231,292	\$5,141

2013 was the first full year of operations for the Corporation. During 2013, the Corporation's overall financial position increased by \$231,292. Cash and cash equivalents with fiscal agents increased due to receiving more delinquent property taxes and grant dollars. The Corporation also received addition cash when the 2012 bond anticipation note was rolled over and increased from \$1,200,000 to \$2,700,000. Accounts payable increased due to outstanding invoices due to vendors and contractors. Also contributing to the increase in accounts payable was an increase due to Lorain County Port Authority for the bond anticipation note rollover. The biggest factor in the overall increase in financial position was the purchase of capital assets.

**LORAIN COUNTY LAND REUTILIZATION CORP  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(UNAUDITED)**

The following represents the Corporation's summary of changes in net position:

**Table 2  
Lorain County Land Reutilization Corp  
Changes in Net Position**

	2013	2012
<b>Program Revenues</b>		
Charges for Services and Sales	\$3,850	\$0
Operating Grants and Contributions	2,739,959	0
Capital Grants and Contributions	619,741	30,232
<b>General Revenues</b>		
Gain on Sale of Asset Held for Resale	24,750	0
Miscellaneous	14,536	0
<b>Total Revenues</b>	3,402,836	30,232
<b>Program Expenses</b>		
Professional and Contract Services	3,103,364	20,303
Program Administration	50,550	0
Project Activities	15,639	0
Repairs & Maintenance	223	0
Utilities	6,909	0
Miscellaneous	0	350
Interest and Fiscal Charges	0	4,438
<b>Total Program Expenses</b>	3,176,685	25,091
Increase in Net Position	226,151	5,141
Net Position, Beginning of Year	5,141	0
Net Position, End of Year	\$231,292	\$5,141

The Corporation's revenues were \$3,402,836 and its expenses were \$3,176,685 for 2013. The main revenue sources are from a Grant from the State's Attorney General and from the County Treasurer authorized by the Lorain County Board of Commissioners from a percentage of delinquent property taxes collected.

A comparative analysis of the Corporation's financial position and change in net position is as follows:

- Total Revenues increased \$3,372,604 from 2012 due mainly to receiving delinquent property taxes and grant dollars
- Total Expenses increased \$3,151,594 from 2012. Paying the contractors for rehabilitating or demolishing foreclosed or blighted homes was the main cause of the increase in expenses.

**Capital Assets**

The Corporation's investment in capital assets as of December 31, 2013, amounted to \$615,298 (net of accumulated depreciation). This investment in capital assets consists of one building and land.

**LORAIN COUNTY LAND REUTILIZATION CORP  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(UNAUDITED)**

Table 3  
Capital Assets  
(Net of Depreciation)

	Governmental Activities	
	2013	2012
Land	\$86,690	\$0
Buildings	528,608	0
Total Capital Assets, Net of Depreciation	\$615,298	\$0

**Debt**

As of December 31, 2013, the Corporation did not have any debt.

**Request for Information**

This financial report is designed to provide a general overview of the Lorain County Land Reutilization Corporation finances for all those with an interest in the Corporation's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: James Cordes, Lorain County Land Reutilization Corporation, 226 Middle Avenue 4<sup>th</sup> Floor, Elyria, OH 44035.

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**Lorain County Land Reutilization Corporation**  
**Statement of Net Position**  
**December 31, 2013**

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	Governmental Activities
<b>Assets</b>	
Cash and Cash Equivalents with Fiscal Agents	\$2,438,524
Intergovernmental Receivable	29,700
Assets Held for Resale	4,836
Non-Depreciable Capital Assets	86,690
Depreciable Capital Assets, Net	<u>528,608</u>
<i>Total Assets</i>	<u>3,088,358</u>
<b>Liabilities</b>	
Accounts Payable	<u>2,857,066</u>
<i>Total Liabilities</i>	<u>2,857,066</u>
<b>Net Position</b>	
Net Investment in Capital Assets	615,298
Unrestricted (Deficit)	<u>(384,006)</u>
<i>Total Net Position</i>	<u><u>\$231,292</u></u>

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

**Lorain County Land Reutilization Corporation**  
**Statement of Activities**  
**For the Year Ended December 31, 2013**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>Governmental Activities:</b>					
Professional and Contract Services	\$3,103,364	\$3,761	\$2,676,719	\$605,436	\$182,552
Program Administration	50,550	62	43,600	9,862	2,974
Project Activities	15,639	19	13,489	3,051	920
Repairs & Maintenance	223	0	192	44	13
Utilities	6,909	8	5,959	1,348	406
<i>Total Governmental Activities</i>	<u>3,176,685</u>	<u>3,850</u>	<u>2,739,959</u>	<u>619,741</u>	<u>186,865</u>
<b>General Revenues:</b>					
Gain on Sale of Assets Held for Resale					24,750
Miscellaneous					<u>14,536</u>
<i>Total General Revenues</i>					<u>39,286</u>
<i>Change in Net Position</i>					226,151
<i>Net Position Beginning of Year</i>					<u>5,141</u>
<i>Net Position End of Year</i>					<u><u>\$231,292</u></u>

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

**Lorain County Land Reutilization Corporation**  
**Balance Sheet**  
**Governmental Fund**  
**December 31, 2013**

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	General Fund
<b>Assets</b>	
Cash and Cash Equivalents with Fiscal Agents	\$2,438,524
Intergovernmental Receivable	29,700
Assets Held for Resale	4,836
	<hr/>
<i>Total Assets</i>	<u>\$2,473,060</u>
<b>Liabilities and Fund Balances</b>	
<b>Liabilities</b>	
Accounts Payable	\$2,857,066
	<hr/>
<i>Total Liabilities</i>	<u>2,857,066</u>
<b>Fund Balances</b>	
Nonspendable	4,836
Unassigned (Deficit)	(388,842)
	<hr/>
<i>Total Fund Balances (Deficit)</i>	<u>(384,006)</u>
<i>Total Liabilities and Fund Balance</i>	<u>\$2,473,060</u>

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

**Lorain County Land Reutilization Corporation**  
**Reconciliation of Total Governmental Fund Balances to**  
**Net Position of Governmental Activities**  
**December 31, 2013**

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**Total Governmental Funds Balances (Deficit)** (384,006)

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds

Land	86,690	
Buildings and Improvements (Net of Depreciation)	<u>528,608</u>	
Total		<u>615,298</u>

*Net Position of Governmental Activities* \$231,292

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

**Lorain County Land Reutilization Corporation**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Governmental Funds**  
**For the Year Ended December 31, 2013**

	General Fund
<b>Revenues</b>	
Intergovernmental	\$963,605
Grants	1,776,355
Rent	3,850
Miscellaneous	<u>14,536</u>
<i>Total Revenues</i>	<u>2,758,346</u>
<b>Expenditures</b>	
Professional and Contract Services	3,103,364
Program Administration	50,550
Project Activities	11,197
Repairs & Maintenance	223
Utilities	<u>6,909</u>
<i>Total Expenditures</i>	<u>3,172,243</u>
<i>(Deficiency) of Revenues</i> <i>(Under) Expenditures</i>	(413,897)
<b>Other Financing Sources</b>	
Sale of Assets Held for Resale	<u>24,750</u>
<i>Net Change in Fund Balances</i>	(389,147)
<i>Fund Balance Beginning of Year</i>	<u>5,141</u>
<i>Fund Balance (Deficit) End of Year</i>	<u><u>(\$384,006)</u></u>

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

**Lorain County Land Reutilization Corporation**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes**  
**in Fund Balances of Governmental Funds to the Statement of Activities**  
**For the Year Ended December 31, 2013**

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**Net Change in Fund Balances - Total Governmental Funds** (\$389,147)

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

Capital contributions of assets are not reported in the funds, but are additions to capital assets on the entity-wide statements. 619,740

Governmental funds do not report the depreciation of assets obtained by capital contributions. However, in the Statement of Activities, the fair market value of those assets is allocated over their useful lives as depreciation expense. (4,442)

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The notes to the financial statements are an integral part of this statement. \$226,151

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

**LORAIN COUNTY LAND REUTILIZATION CORPORATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013**

**NOTE 1 – DESCRIPTION OF THE CORPORATION AND REPORTING ENTITY**

The Lorain County Land Reutilization Corporation (the Corporation) is a body corporate and politic organized on May 25, 2012 by the Lorain County Board of Commissioners (LCBC). The Corporation is created in accordance with Section 1724 of the Ohio Revised Code.

The Corporation is governed by a seven-member Board of Directors (the Board) consisting of the County Treasurer (ex officio Director), three County Commissioners (ex officio Directors), one member who is a representative of a municipal corporation, one member who is a representative of a township, and one resident of Lorain County having private sector or nonprofit experience in rehabilitation or real estate acquisitions.

The Corporation's financial reporting entity has been defined in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14 "The Reporting Entity" as amended by Statement No. 39 and Statement No. 61. The financial statements include all agencies, divisions and operations for which the Corporation is financially accountable. Financial accountability exists if a primary government/component unit appoints a majority of an organization's governing board and is able to impose its will on that organization. Financial accountability may also be deemed to exist if there is a potential for the organization to provide financial benefits to, or impose financial burdens on, the primary government/component unit. On this basis, no governmental organization other than the Corporation itself is included in the financial reporting entity.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies followed in the preparation of these basic financial statements are summarized below. These policies conform to generally accepted accounting principles for local governmental units as prescribed in the statements issued by the Governmental Accounting Standards Board (GASB) and other recognized authoritative sources. The more significant of the Corporation's policies are described below.

**A. *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.

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 considered business-type. The Corporation, however, does not have 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 business segment or governmental function is self-financing or draws from the general revenues of the Corporation.

**LORAIN COUNTY LAND REUTILIZATION CORPORATION**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

**B. *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:

**General Fund** The general fund accounts for all financial resources that are received from the Ohio Attorney General in the form of grant monies and the County Fiscal Officer from penalties collected on delinquent property taxes and interest on those delinquencies. The general fund balance is available to the Corporation for any purpose provided it is expended or transferred according to the general laws of Ohio.

**C. *Measurement Focus***

Government-wide Financial Statements

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the Corporation are included on the Statement of Net Position.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the Corporation's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenue includes (a) charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions, including capital contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. General revenues are considered unrestricted in nature.

Fund Financial Statements

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

**LORAIN COUNTY LAND REUTILIZATION CORPORATION**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

**D. *Basis of Accounting***

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial 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, in the recording of deferred inflows/outflows of resources, and in the presentation of expenses versus expenditures.

Revenues - Exchange and Non-Exchange 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.

Non-exchange transactions, in which the Corporation receives value without directly giving equal value in return, include grants, entitlements and donations. Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the Corporation must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Corporation on a reimbursement basis.

Deferred Outflows/Inflows of Resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time.

In 2013, the Corporation had no deferred outflows/inflows of resources.

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

**E. *Budgetary Process***

The Corporation is not bound by the budgetary laws prescribed by the Ohio Revised Code. The Board of Directors of the Corporation is required by their Code of Regulations to adopt an annual budget prior to the beginning of the fiscal year. Appropriations and subsequent amendments are approved by the Board of Directors during the year as required. For 2013, the Board of Directors did not adopt an annual budget during the fiscal year.

**LORAIN COUNTY LAND REUTILIZATION CORPORATION**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

**F. *Cash, Cash Equivalents with Fiscal Agents***

The Lorain County Port Authority (the Authority) is currently holding deposits that belong to the Corporation which are represented by “Cash and cash equivalents with fiscal agents” on the Statement of Position. The Authority’s cash and investment pool holds the Corporation’s cash and investments, which are reported at the Authority’s carrying amount. Deposits and investments disclosures for the Authority as a whole may be obtained from the Authority. This information may be obtained by writing Patrick Metzger, Director, 226 Middle Avenue 4<sup>th</sup> Floor, Elyria, OH 44035.

**G. *Assets Held for Resale***

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

**H. *Capital Assets***

The Corporation’s only capital assets are general capital assets. General capital assets are capital assets which are associated with and generally arise from governmental activities. General capital assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the financial statements of the general fund.

All capital assets, are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received.

All capital assets, excluding land, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method for buildings over useful lives of fifty years.

**I. *Accrued Liabilities***

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. The Corporation did not have any accrued liabilities or long-term obligations in 2013.

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.

**J. *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:

**LORAIN COUNTY LAND REUTILIZATION CORPORATION**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

***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 interfund loans, 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 formal action (resolution) of the 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 for 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 the Board or a Corporation official delegated that authority, or by State Statute.

***Unassigned*** The unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications.

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.

**K. *Net Position***

Net position represents assets, plus deferred outflows of resources, less liabilities, less deferred inflows of resources. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the Corporation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The Corporation had no deferred outflows or inflows of resources.

**L. *Intergovernmental Revenue***

The Corporation receives operating income through Lorain 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.

**LORAIN COUNTY LAND REUTILIZATION CORPORATION**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

**M. *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. Neither type of transaction occurred during 2013.

**N. *Estimates***

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**NOTE 3 – Receivables**

Receivables at December 31, 2013 consisted of funds due from the Lorain County Treasurer, which are presented as intergovernmental receivables. Allowance for doubtful accounts were not recorded because all receivables are expected to be collected.

**NOTE 4 – Capital Assets**

Capital assets activity for the year ended December 31, 2013 was as follows:

	<u>Balance</u> <u>01/01/13</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/13</u>
<b>Governmental Activities</b>				
Capital Assets, Not Being Depreciated:				
Land	\$0	\$86,690	\$0	\$86,690
Total Capital Assets, Not Being Depreciated	<u>0</u>	<u>86,690</u>	<u>0</u>	<u>86,690</u>
Capital Assets, Being Depreciated:				
Buildings and Improvements	0	533,050	0	533,050
Total Capital Assets, Being Depreciated	<u>0</u>	<u>533,050</u>	<u>0</u>	<u>533,050</u>
Less Accumulated Depreciation:				
Buildings and Improvements	0	(4,442)	0	(4,442)
Total Accumulated Depreciation	<u>0</u>	<u>(4,442)</u>	<u>0</u>	<u>(4,442)</u>
Total Capital Assets, Being Depreciated, net	<u>0</u>	<u>528,608</u>	<u>0</u>	<u>528,608</u>
Governmental Activities Capital Assets, net	<u>\$0</u>	<u>\$615,298</u>	<u>\$0</u>	<u>\$615,298</u>

**NOTE 5 – Litigation**

The Corporation is not currently a party to any legal proceedings which would have a material impact on the financial statements.

**LORAIN COUNTY LAND REUTILIZATION CORPORATION**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

**NOTE 6 – Management Agreement and Activities**

Effective May 25, 2012, the Corporation entered into a three year Management Agreement with Lorain County Port Authority (the Authority). The Agreement's term will renew for additional, successive one (1) year periods in perpetuity upon mutual consent of the parties. The Authority shall serve as the Management Company and shall assist the Corporation in the administration and execution of the Agreement and Plan entered into with the Lorain Board of County Commissioners, Lorain County, Ohio. The Authority shall act as the executive of the Corporation and will act under the direction of the Corporation as established by the Corporation Board through its Code of Regulation, other policies, and specific direction.

In November 2013, the Authority issued a \$2,700,000 revenue bond anticipation notes to provide financial assistance to the Corporation to pay the costs of acquiring real property and interests therein for the purpose of reclamation, rehabilitation, and reutilization of vacant, abandoned, tax-foreclosed, or other such real property within Lorain County. The notes mature in November 2014. The Authority is not obligated in any manner for repayment of the notes. However, a liability equal to the conduit debt along with a corresponding receivable from the Corporation responsible for its ultimate repayment are reported in the Authority's financial statements. An accounts payable has been reported on the Corporation's financial statements.

**NOTE 7 - Risk Management**

The Corporation is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, injury and natural disasters. As of December 31, 2013, the Corporation did not have adequate insurance coverage for those risks.

**NOTE 8 – Subsequent Events**

The Corporation has evaluated subsequent events through the date of the "Independent Auditors Report," the date on which the financial statements were available to be issued. There were no events requiring disclosure.

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# Dave Yost • Auditor of State

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

Lorain County Land Reutilization Corporation  
Lorain County  
226 Middle Avenue  
Elyria, Ohio 44035

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 General Fund of the Lorain County Land Reutilization Corporation, Lorain County, (the Corporation) as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements and have issued our report thereon dated June 24, 2014.

### ***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. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

### ***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 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 2013-01.

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***Entity's Response to Findings***

The Corporation's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Corporation's response 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 communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive, flowing style.

**Dave Yost**  
Auditor of State  
Columbus, Ohio

June 24, 2014

**LORAIN COUNTY LAND REUTILIZATION CORPORATION  
LORAIN COUNTY  
SCHEDULE OF FINDINGS  
DECEMBER 31, 2013**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING 2013-01**

**Annual Budget – Material Noncompliance**

The Corporation's Code of Regulations, Section 9.2, states, "At the first meeting of the Board of Directors, the Board of Directors shall authorize and direct the Executive Director or authorized staff of the Management Company to prepare an initial interim operating budget for the fiscal period commencing on the date of the approval of such budget concluding, and including, the first December 31st thereafter occurring."

The Code of Regulations, Section 9.3, states, "Except for the first year of operation, at least thirty days prior to the end of each fiscal year of the Corporation, the Executive Director or authorized staff of the Management Company shall present to the Board of Directors the annual budget of the Corporation for the next succeeding fiscal year. The Board of Directors shall, at a regular or special meeting, conduct a public hearing on such budget and shall, at such meeting or at another meeting called for the purpose, adopt the annual budget which shall govern the expenditures of the Corporation during the fiscal year to which such budget applies."

The Corporation did not adopt an operating budget for fiscal year 2013.

The Corporation has been making program and service decisions and allocating scarce resources to programs and services throughout fiscal year 2013 without an annual budget or evidence of a clear budgeting process. By not adopting an annual budget and following a strict budgeting process, the Corporation risks spending resources that are not available, or spending funds for unallowable purposes.

We recommend the Corporation pass an annual budget in accordance with their Code of Regulations, which Corporation management and the Board should monitor regularly by comparing estimated resources with those received and appropriations with actual funds expended.

We recommend the Corporation pass an annual budget in accordance with their Code of Regulations, which Corporation management and the Board should monitor regularly by comparing estimated resources with those received and appropriations with actual funds expended.

**Officials' Response:**

It had become apparent after auditor review toward the end of year 2013 that the LCLRC was expected to develop an operating budget throughout the fiscal year and so the organization developed a draft budget – reflecting the flow of dollars awarded to the organization under the Attorney General Moving Ohio Forward Demolition Grant Program. Due to subsequent scheduling and various conflicts toward the end of the year this draft was not presented to the Board for consideration at the first meeting after audit review. The organization intends to adhere to code of regulations Section 9.2 and develop an operation budget for the fiscal year.

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**LORAIN COUNTY LAND REUTILIZATION CORPORATION  
LORAIN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2013**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2012-01	Financial Reporting – The Corporation had material unrecorded payables.	Yes	Corrected
2012-02	Annual Budget – The Corporation did not adopt an annual budget, which violates its Code of Regulations.	No	Repeat as Finding 2013-01
2012-03	Separation of Financial Activity – The Corporation’s financial activity is combined in the general ledger and bank account of the Lorain County Port Authority.	No	Procedures to separately account for activity has improved; however, the entities still share a bank account. Repeat in the Management Letter.
2012-04	Insurance Coverage – The Corporation did not obtain proper insurance coverage during the audit period.	No	Coverage obtained dated 4/23/14. Repeat in the Management Letter.

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# Dave Yost • Auditor of State

**LORAIN COUNTY LAND REUTILIZATION CORPORATION**

**LORAIN 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  
JULY 8, 2014**