



Dave Yost • Auditor of State

**OTTAWA COUNTY LAND REUTILIZATION CORPORATION
OTTAWA COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Prepared by Management:	
Statement of Receipts, Disbursements, and Changes in Fund Balance (Regulatory Cash Basis) - General Fund - For the Year Ended December 31, 2017	3
Notes to the Financial Statement for the Year Ended December 31, 2017	4
Statement of Receipts, Disbursements, and Changes in Fund Balance (Regulatory Cash Basis) - General Fund - For the Year Ended December 31, 2016	7
Notes to the Financial Statement for the Year Ended December 31, 2016	8
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	11
Schedule of Findings.....	13

This page intentionally left blank.



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Ottawa County Land Reutilization Corporation
Ottawa County
315 Madison Street, Room 201
Port Clinton, Ohio 43452

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of Ottawa County Land Reutilization Corporation, Ottawa County, Ohio (the Corporation), as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements 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 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 that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse audit opinion.

Basis for Adverse Opinion

As described in Note 2 of the financial statements, the Corporation prepared these financial statements 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 statements of the variances between the regulatory basis of accounting described in Note 2 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 significance of the matter discussed in the *Basis for Adverse Opinion* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Ottawa County Land Reutilization Corporation as of December 31, 2017 and 2016, and the respective changes in financial position thereof for the years then ended.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 2018, on our consideration of the Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

June 26, 2018

Ottawa County Land Reutilization Corporation

Ottawa County

*Statement of Receipts, Disbursements, and
Changes in Fund Balance (Regulatory Cash Basis)*

General Fund

For the Year Ended December 31, 2017

Cash Receipts

Intergovernmental	\$185,127
Earnings on Investments	22
Donations	19,000
Other	2,616

Total Cash Receipts 206,765

Cash Disbursements

Current:

Insurance	6,262
Legal and Title	2,512
Administration	2,000
Property	242,389
Consultanting Fees	12,500
Other	1,163

Debt Service:

Principal Retirement	52,576
----------------------	--------

Total Cash Disbursements 319,402

Excess of Disbursements Over Receipts (112,637)

Other Financing Receipts

Proceeds of Debt	149,570
------------------	---------

Net Change in Fund Cash Balance 36,933

Fund Cash Balance, January 1 1,114

Fund Cash Balance, December 31

Unassigned	38,047
------------	--------

Fund Cash Balance, December 31 \$38,047

See accompanying notes to the financial statement

Ottawa County Land Reutilization Corporation

Ottawa County

Notes to the Financial Statement

For the Year Ended December 31, 2017

Note 1 – Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Ottawa County Land Reutilization Corporation, Ottawa 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 Ottawa County March 31, 2016, 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 Ottawa 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 Ottawa County residents.

The Corporation's governing board is a nine member Board of Directors (the Board) consisting of the County Treasurer, two members of the Board of County Commissioners of Ottawa County, a representative of the largest municipality in Ottawa County, a representative of a Township, and four 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.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The Corporation's financial statement consists of a statement of receipts, disbursements and changes in fund balance (cash basis) for the General Fund.

Fund Accounting

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

Basis of Accounting

Although required by Ohio Rev. 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.

Ottawa County Land Reutilization Corporation

Ottawa County

Notes to the Financial Statement

For the Year Ended December 31, 2017

Capital Assets

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

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:

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

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.

Committed The Board of Directors can *commit* amounts via formal action (resolution). The Corporation must adhere to these commitments unless the Board of Directors 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.

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 Corporation Board of Directors or a Corporation official delegated that authority by resolution, or by State Statute.

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.

Note 3 – 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.

Ottawa County Land Reutilization Corporation

Ottawa County

Notes to the Financial Statement

For the Year Ended December 31, 2017

Note 4 – Deposits

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

	2017
Demand deposits	<u>\$38,047</u>

Deposits are insured by the Federal Deposit Insurance Corporation.

Note 5 – 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.

Note 6 – Debt

Debt outstanding at December 31, 2017, was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Housing Finance Agency Line of Credit	\$22,424	0%
Ottawa County Line of Credit	74,750	0%
Total	<u>\$97,174</u>	

The Line of Credit with the Ohio Housing Finance Agency is evidenced by a note dated February 27, 2017. The interest rate is zero and the maturity is October 1, 2021. Repayment is made based on Neighborhood Initiative Program (NIP) reimbursement requests as they are approved and applied directly to the outstanding line of credit balance.

The Line of Credit with Ottawa County is evidenced by a note dated June 29, 2017. The interest rate is zero and the maturity is June 29, 2018 with renewal options to be approved by the Ottawa County Commissioners. Amounts will be repaid as funds become available.

Note 7 – Contingent Liabilities

Amounts grantor agencies pay to the Corporation are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, management believes any refunds would be immaterial.

Ottawa County Land Reutilization Corporation

Ottawa County

*Statement of Receipts, Disbursements, and
Changes in Fund Balance (Regulatory Cash Basis)*

General Fund

For the Year Ended December 31, 2016

Cash Receipts	
Intergovernmental	<u>\$6,167</u>
Cash Disbursements	
Current:	
Consultanting Fees	5,000
Other	<u>53</u>
<i>Total Cash Disbursements</i>	<u>5,053</u>
<i>Net Change in Fund Cash Balance</i>	1,114
<i>Fund Cash Balance, January 1</i>	<u> </u>
Fund Cash Balance, December 31	
Unassigned	<u>1,114</u>
<i>Fund Cash Balance, December 31</i>	<u><u>\$1,114</u></u>

See accompanying notes to the financial statement

Ottawa County Land Reutilization Corporation

Ottawa County

Notes to the Financial Statement

For the Year Ended December 31, 2016

Note 1 – Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Ottawa County Land Reutilization Corporation, Ottawa 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 Ottawa County March 31, 2016, 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 Ottawa 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 Ottawa County residents.

The Corporation's governing board is a nine member Board of Directors (the Board) consisting of the County Treasurer, two members of the Board of County Commissioners of Ottawa County, a representative of the largest municipality in Ottawa County, a representative of a Township, and four 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.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The Corporation's financial statement consists of a statement of receipts, disbursements and changes in fund balance (cash basis) for the General Fund.

Fund Accounting

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

Basis of Accounting

Although required by Ohio Rev. 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.

Ottawa County Land Reutilization Corporation

Ottawa County

Notes to the Financial Statement

For the Year Ended December 31, 2016

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:

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

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.

Committed The Board of Directors can *commit* amounts via formal action (resolution). The Corporation must adhere to these commitments unless the Board of Directors 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.

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 Corporation Board of Directors or a Corporation official delegated that authority by resolution, or by State Statute.

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.

Note 3 – 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.

Ottawa County Land Reutilization Corporation

Ottawa County

Notes to the Financial Statement

For the Year Ended December 31, 2016

Note 4 – Deposits

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

	2016
Demand deposits	<u>\$1,114</u>

Deposits are insured by the Federal Deposit Insurance Corporation.

Note 5 – Risk Management

The Corporation was uninsured at December 31, 2016.



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

Ottawa County Land Reutilization Corporation
Ottawa County
315 Madison Street, Room 201
Port Clinton, Ohio 43452

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 Ottawa County Land Reutilization Corporation, Ottawa County, Ohio (the Corporation) as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements and have issued our report thereon dated June 26, 2018, wherein we issued an adverse opinion as the Corporation followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

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 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 2017-001.

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 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.



Dave Yost
Auditor of State

Columbus, Ohio

June 26, 2018

**OTTAWA COUNTY LAND REUTILIZATION CORPORATION
OTTAWA COUNTY**

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

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

FINDING NUMBER 2017-001

Noncompliance and Material Weakness

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

For 2017 and 2016, 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 as a cost savings measure. This presentation differs from generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while presumably material, cannot be determined at this time. The Corporation can be fined, and various other administrative remedies may be taken against the Corporation.

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

Officials' Response:

We are aware we are not filing a GAAP statement for the Corporation but at this time we will continue to file as cash due to there being no benefit to file on the GAAP basis due to cost. If activity increases in the future we will readdress the issue at this time.

This page intentionally left blank.



Dave Yost • Auditor of State

OTTAWA COUNTY LAND REUTILIZATION CORPORATION

OTTAWA 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 12, 2018