



OHIO AUDITOR OF STATE
KEITH FABER



**ALLEN COUNTY LAND REUTILIZATION CORPORATION
ALLEN COUNTY
FOR THE YEAR ENDED DECEMBER 31, 2022**

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

Allen County Land Reutilization Corporation
Allen County
301 North Main Street, Suite 203
Lima, Ohio 45801

To the Board of Directors:

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities and the major fund of the Allen County Land Reutilization Corporation, Allen County, Ohio (the Corporation), as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund, of the Allen County Land Reutilization Corporation, Allen County, Ohio as of December 31, 2022, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Corporation, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note 10 to the financial statements, the financial impact of COVID-19 and the continuing recovery measures may impact subsequent periods of the Corporation. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *management's discussion and analysis* be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Corporation's basic financial statements. The Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual General Fund is presented for purposes of additional analysis and is not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual General Fund is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 10, 2023, 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. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Corporation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control over financial reporting and compliance.



Keith Faber
Auditor of State
Columbus, Ohio

August 10, 2023

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ALLEN COUNTY LAND REUTILIZATION CORPORATION
Management's Discussion and Analysis
For the Year Ended December 31, 2022
(Unaudited)

The following Management's Discussion and Analysis (MD&A) of the Allen County Land Reutilization Corporation's (the Corporation) financial performance provides an introduction to the financial statements for the year ended December 31, 2022. The information contained in this MD&A should be considered in conjunction with the information contained in the Corporation's financial statements.

Financial Highlights

- Total net position for 2022 decreased by \$191,510, a significantly smaller decrease than the decrease 2021 observed of \$493,557.
- On December 31, 2022, assets of the Corporation exceeded the liabilities by \$2,452,136.
- The Corporation's total revenues on the Statement of Activities amounted to \$180,289 in 2022, of which, all were general revenues.
- The Corporation had \$371,799 in total expenses in 2022 compared to \$685,032 in 2021.

Using this Annual Financial Report

The 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. Please reference the Capital Assets section on page 9 for information regarding long-term assets. Please reference the Debt section on page 9 for information regarding long-term 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 2022?" 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.

ALLEN COUNTY LAND REUTILIZATION CORPORATION
Management's Discussion and Analysis (Continued)
December 31, 2022
(Unaudited)

The Statement of Net Position. This statement (page 11) reports all assets and liabilities of the Corporation as of December 31, 2022. The difference between total assets and total liabilities is reported as net position. Increases in net position generally indicate an improvement in financial positions while decreases may indicate a deterioration of financial position.

The Statement of Activities. This statement (page 12) 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, 2022. 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.

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 penalties and interest on delinquent property taxes collected and intergovernmental revenue which includes grants and sales and donations of properties.

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 (and only 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 Corporation's general operations and the basic services it provides. Increases in spendable resources are reported in the operating statements as "revenues" or "other financing sources." Decreases in spendable resources are reported "expenditures" or "other financing uses." State grants have financed most of those activities to date.

ALLEN COUNTY LAND REUTILIZATION CORPORATION
Management's Discussion and Analysis (Continued)
December 31, 2022
(Unaudited)

The Basic Governmental Fund Financial Statements can be found on pages 13 and 15 of this report. Due to the difference between the flow of economic resources measurement focus for the Governmental Activities and the current financial resources measurement focus for the Fund Activities reconciliation statements are provided on pages 14 and 16.

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 17 of this report. See notes to the basic financial statements for additional information on 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 2022 and 2021.

Table 1
Net Position

	2022	2021
Assets:		
Cash and Cash Equivalents	\$ 641,560	\$ 492,932
Capital Assets	7,381	-
Property Held for Resale	1,953,195	2,150,914
Total assets	2,602,136	2,643,846
Liabilities:		
Deferred Revenue	-	200
Due Within One Year - Note Payable	150,000	-
Total liabilities	150,000	200
Net Position:		
Net Investment in Capital Assets	\$ 7,381	\$ -
Unrestricted	2,444,755	2,643,646
Total net position	\$ 2,452,136	\$ 2,643,646

ALLEN COUNTY LAND REUTILIZATION CORPORATION
Management's Discussion and Analysis (Continued)
December 31, 2022
(Unaudited)

2022 was the seventh full year of operations for the Corporation. During 2022, the Corporation's overall financial position decreased by \$191,510. Cash and cash equivalents increased due to loan proceeds. The biggest factor in the overall decrease in financial position was the sales and related write offs of inventoried properties.

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

Table 2
Changes in Net Position

	2022	2021
Program Revenues		
Operating Grants & Contributions	\$ -	\$ -
General Revenues		
Property Sale Income	19,575	28,800
Operating County Contracts	160,714	162,675
Total Revenues	<u>180,289</u>	<u>191,475</u>
Program Expenses:		
Professional and Contract Services	361,460	683,100
Program Administration	10,339	1,932
Total Program Expenses	<u>371,799</u>	<u>685,032</u>
Increase(Decrease) in Net Position	(191,510)	(493,557)
Net Position, Beginning of Year	<u>\$ 2,643,646</u>	<u>\$ 3,137,203</u>
Total Net Position	<u>\$ 2,452,136</u>	<u>\$ 2,643,646</u>

The Corporation's revenues were \$180,289 and its expenses were \$371,799 for 2022. The revenue sources include funds from county contracts, as well as the sales of reclaimed properties.

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

- Total Revenues decreased \$11,186 from 2021, due mainly to a decrease in property sale revenue.
- Total Expenses decreased \$313,233 from 2021, mainly due to decreases in the costs of property sold.

ALLEN COUNTY LAND REUTILIZATION CORPORATION
Management's Discussion and Analysis (Continued)
December 31, 2022
(Unaudited)

Capital Assets

The Corporation purchased a Hawkeye Camera on 9-17-2022 for \$7,750.

Capital Assets as of December 31, 2022

	1/1/2022	12/31/2022	Net Change
Hawkeye Camera	\$ -	\$ 7,750	\$ 7,750
Less Accum Depr	-	(369)	(369)
Totals	\$ -	\$ 7,381	\$ 7,381

Debt

The Corporation had one short term note payable on the books as of 12-31-2022. Below are the values and the beginning and end of the year.

Debt as of December 31, 2022

	1/1/2022	12/31/2022	Net Change
D'arcy Loan	\$ -	\$ 150,000	\$ 150,000
Totals	\$ -	\$ 150,000	\$ 150,000

Request for Information

This financial report is designed to provide a general overview of the Allen 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 Board of Directors, Allen County Land Reutilization Corporation, 301 N. Main St., Room 203, Lima, OH 45801.

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ALLEN COUNTY LAND REUTILIZATION CORPORATION
Statement of Net Position
December 31, 2022

	Governmental Activites
Assets	
Cash and Cash Equivalents	\$ 641,560
Capital Assets, Net of Depreciation	7,381
Property Held for Resale	1,953,195
Total assets	2,602,136
 Liabilities	
Due Within One year - Note Payable	150,000
Total liabilities	150,000
 Net Position	
Net Investment in Capital Assets	7,381
Unrestricted	2,444,755
Total net position	\$ 2,452,136

The Notes to the Basic Financial Statements are an Integral Part of This Statement.

ALLEN COUNTY LAND REUTILIZATION CORPORATION
Statement of Activities
For the Year Ended December 31, 2022

	Expenses	Program Revenues Operating Grants & Contributions	Net Revenue (Expense) & Changes in Net Position Governmental Activities
Governmental Activities:			
Professional and Contract Services	\$ 361,460	\$ -	\$ (361,460)
Program Administration	10,339	-	(10,339)
Total Governmental Activities	\$ 371,799	\$ -	(371,799)
 General Revenues:			
Property Sale Income			19,575
Operating County Contracts			160,714
Total General Revenues			180,289
Change in Net Position			(191,510)
Net Position Beginning of Year			2,643,646
Net Position End of Year			\$ 2,452,136

ALLEN COUNTY LAND REUTILIZATION CORPORATION
Balance Sheet
Governmental Fund
December 31, 2022

	General Fund
Assets	
Cash and Cash Equivalents	\$ 641,560
Property Held for Resale	1,953,195
Total Assets	\$ 2,594,755
 Liabilities & Fund Balance	
Current Liabilities - Note Payable	150,000
Total Liabilities	150,000
Fund Balance	
Nonspendable	1,953,195
Unassigned	491,560
Total Fund Balance	2,444,755
Total Liabilities & Fund Balance	\$ 2,594,755

ALLEN COUNTY LAND REUTILIZATION CORPORATION
Reconciliation of Total Governmental Fund Balance to
Net Position of Governmental Activities
December 31, 2022

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

Total Governmental Fund Balance	\$ 2,444,755
Capital assets used in governmental activities are not financial resources and therefore the underlying resources are not recognized currently in the funds.	<u>7,381</u>
Total Net Position of Governmental Activities	<u><u>\$ 2,452,136</u></u>

ALLEN COUNTY LAND REUTILIZATION CORPORATION
Statement of Revenues, Expenditures & Changes in Fund Balance
Governmental Fund
For the Year Ended December 31, 2022

	General Fund
Revenues:	
Intergovernmental	\$ 160,714
Property Sale Income	19,575
Total Revenues	180,289
 Expenditures	
Professional and Contract Services	361,460
Program Administration	10,339
Capital Outlay	7,381
Total Expenditures	379,180
Net Change in Fund Balance	(198,891)
Fund Balance Beginning of Year	2,643,646
Fund Balance End of Year	\$ 2,444,755

ALLEN COUNTY LAND REUTILIZATION CORPORATION
Reconciliation of the Statement of Revenues, Expenditures & Changes in Fund Balance
of Governmental Fund to the Statement of Activities
For the Year Ended December 31, 2022

Net Change in Fund Balance - Total Governmental Fund \$ (198,891)

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$7,750) exceeded depreciation (\$369) in the current period.

7,381

Change in Net Position of Governmental Activities in the Statement of Activities \$ (191,510)

ALLEN COUNTY LAND REUTILIZATION CORPORATION

Notes to the Basic Financial Statements For the Year Ended December 31, 2022

1. DESCRIPTION OF THE ORGANIZATION

Nature of Activities

Allen County Land Reutilization Corporation (the Corporation) was organized in January 2016 by the Allen County Treasurer's and Commissioner's office as a land reutilization corporation to provide a land bank for acquisitions of abandoned, blighted structures and returning them as productive community assets to neighborhoods in Allen County, established under chapters 1724 and 1702 of the Ohio Revised Code. The organization is a nonprofit organization exempt from federal income taxes under Code Section 115 (1). The Corporation has been designated as the County's agent to further its mission to reclaim, rehabilitate, and reutilize vacant, abandoned, tax-foreclosed, or other real property in the County by exercising the powers of the County under chapter 5722 of the Ohio Revised Code.

The corporations' governing body consists of a county treasurer, county commissioners and appointees from the largest municipality and township in Allen County. The Corporation is classified as a component unit of Allen County for reporting purposes, in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14 as amended by GASB Statement No. 39 and as amended by GASB Statement No. 61.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies is presented to assist the reader in understanding and evaluating the financial statements of Allen County Land Reutilization Corporation.

Basis of Presentation

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

Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the Corporation as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. 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 or fiduciary funds.

The statement of net position presents the financial condition of the governmental activities of the Corporation at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Corporation's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the Corporation, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental program is self-financing or draws from the general revenues of the Corporation.

Fund Financial Statements

During the year, the Corporation segregates transactions related to certain Corporation functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Corporation at this more detailed level. The Corporation's general fund is its only governmental fund.

ALLEN COUNTY LAND REUTILIZATION CORPORATION
Notes to the Basic Financial Statements (Continued)
For the Year Ended December 31, 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 County Treasurer from penalties and interests on delinquent taxes, governmental grants and revenues, sales of assets and donations. The general fund balance is available to the Corporation for any purpose provided it is expended or transferred according to the general laws of Ohio.

Measurement Focus

Government-Wide Financial Statements

The government-wide financial statements are prepared using a flow of economic resources measurement focus. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of the Corporation are included on the statement of net position. The statement of activities presents increases (i.e. revenues) and decreases (i.e. expenses) in total net position.

Fund Financial Statements

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

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. The financial statements of the organization have been prepared on the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred inflow of resources and in the presentation of expenses versus expenditures.

Cash

For purposes of reporting cash flows, the organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

ALLEN COUNTY LAND REUTILIZATION CORPORATION
Notes to the Basic Financial Statements (Continued)
For the Year Ended December 31, 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgetary Process

The Corporation is not bound by the budgetary laws prescribed by the Ohio Revised Code for purely governmental entities. The Board of Directors of the Corporation adopts an annual budget prior to the beginning of the year. Appropriations and subsequent amendments are approved by the Board of Directors during the year as required.

Revenues – Exchange and Nonexchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis of when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available. Available means that the resources will be collected within the current year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. For the Corporation, available means expected to be received within 90 days of the year-end.

Receivables

The Corporation had no receivables outstanding as of 12-31-2022.

Capitalization and Depreciation

Capital assets are reported at actual cost. The Corporation capitalizes furniture and equipment with cost of greater than \$1,000 and depreciates those assets on a straight-line basis generally over 5 years. Expenditures for normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life would be charged to an expense as incurred.

Capital Assets

Capital asset activity for the year ending December 31, 2022 is as follows:

	Beginning Balance	Additions	Transfers and Retirements	Ending Balance
Governmental Activities				
Equipment	\$ -	\$ 7,750	\$ -	\$ 7,750
Less Accum Depr	-	(369)	-	(369)
Governmental Depreciable Capital Assets, net	\$ -	\$ 7,381	\$ -	\$ 7,381

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.

Revenue Recognition

The organization receives operating income through Allen County which represent collection of penalties assessed on delinquent property taxes that are deposited into the county's delinquent tax and assessment collection fund and Ohio Unclaimed Funds. These monies are then paid to the organization by the county treasurer and county auditor and reflected on the Statement of Activities as Operating County Contracts.

Property Sale Income is proceeds from actual inventory property sales. Grant awards are recorded as revenue when expenditures have been incurred in compliance with grant compliance requirements.

Income Taxes

The organization is exempt from income taxes under Code Section 115 (1) of the United States Internal Revenue Code. Therefore, no provision for income taxes is reflected in the financial statements.

ALLEN COUNTY LAND REUTILIZATION CORPORATION
Notes to the Basic Financial Statements (Continued)
For the Year Ended December 31, 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance

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

Nonspendable

The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of 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

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.

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.

Net Position

Net position represents the difference between all other elements in a statement of financial position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The Corporation applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

ALLEN COUNTY LAND REUTILIZATION CORPORATION
Notes to the Basic Financial Statements (Continued)
For the Year Ended December 31, 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intergovernmental Revenue

The Corporation historically has received a portion of its operating income through Allen County. This money represents a portion of the total delinquent taxes, penalties and interest collected by the County when received. The five percent is then distributed to the Corporation, upon the Corporation's request.

In certain instances, the Corporation receives grant subsidy revenue from the Ohio Housing Finance Agency prior to meeting the definition of earned. Such amounts are reflected as a liability, Deferred Revenue, until amounts are deemed earned and then recognized as revenue.

The Corporation was awarded \$4.5 million for the Neighborhood Initiative Program, which is designed to stabilize property values by removing and greening vacant and blighted properties in an effort to prevent future foreclosures for existing homeowners. As of January 1, 2021, all awarded funds had been spent, so no additional funds were received in 2022.

The Corporation also receives a portion of the County's unclaimed money proceeds after the required time period has elapsed for which the money is to be held by the County.

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.

Analysis of Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the Corporation's deposits may not be returned to it. The Corporation maintains its cash balances in accounts at three separate financial institutions. The Federal Deposit Insurance Corporation ("FDIC") provides insurance coverage up to \$250,000.

Current Cash Balance

Cash balances in banks as of December 31, 2022 was \$641,560.

3. PROPERTY HELD FOR RESALE

Properties held for resale are recorded by the organization at cost, which totaled \$1,953,195 as of December 31, 2022. The property held is mostly vacant and abandoned properties in primarily distressed neighborhoods. All significant costs incurred to acquire and improve or rehabilitate the property are capitalized into the Property Held for Resale.

Generally Accepted Accounting Principles require that inventory be reported at the "lower of cost or market". Management has indicated that the value of lot inventory in aggregate is in all probability below the sales price that could be obtained in an arm's length transaction. Management has also indicated the following:

- Lots are subject to donation to third parties as a part of the organization's non-profit purpose
- Lot sales are subject to discount sales as low as \$200 as part of the organization's non-profit purpose
- If sold to an unrelated party in the normal course of activity where donation or discount sale transaction rules do not apply, the lots are under a state grant restriction as to minimum sales pricing based on age of reimbursement date. That formula is that the sales price must be at least 2/3 of cost for lots held from one year to two years, and 1/3 of cost after two years.

ALLEN COUNTY LAND REUTILIZATION CORPORATION
Notes to the Basic Financial Statements (Continued)
For the Year Ended December 31, 2022

3. PROPERTY HELD FOR RESALE (Continued)

Lots are often held in depressed areas and obtaining appraisals is not reasonably possible. Consequently, lots are carried at cost, no current charge is posted as an expense. This handling is a departure from GAAP. The impact on earnings and equity would equal a difference between lot costs and what they could be sold for, modified for an estimated impact of probable donation. This difference could not be reasonably determined.

4. UNAPPLIED PROPERTY ACQUISITION COSTS

Initial costs incurred for pending inventory acquisitions are reflected as Unapplied Property Acquisition Costs. When the purchase is finalized, these pending costs will then be applied to the specific inventory item as Property Held for Resale. There were no unapplied property acquisition costs as of December 31, 2022.

5. ACCOUNTS PAYABLE

The Corporation had no accounts payable as of December 31, 2022.

6. CURRENT NOTES PAYABLE

The Corporation had the following balance on notes payable as of December 31, 2022.

Superior Credit Union, Inc., \$500,000 credit line, variable interest rate, collateralized by all business assets and the Ohio Housing Finance Agency Neighborhood Initiative Program Grant, renewed annually, interest paid monthly.

Balance as of 12-31-2022 \$0.00

Ohio Housing Finance Agency, \$200,000 line of credit, "Deferred Revenue" see Note 2. Return payment of advanced funds is approved when the property reimbursement requests are approved. All reimbursement requests were to be submitted by December 1, 2022.

Balance as of 12-31-2022 \$0.00

D'Arcy Fund, Inc., \$150,000 note payable, fixed interest rate 5%, collateralized by all business assets and the Ohio Housing Finance Agency Neighborhood Initiative Program Grant, matures December 2023, monthly loan repayments of \$12,841.12 including interest.

Balance as of 12-31-2022 \$150,000

7. AVAILABILITY AND LIQUIDITY

Allen County Land Reutilization Corporation has \$641,560 of financial assets as of December 31, 2022, consisting of Cash, to meet the needs for general expenditures. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the financial statement date. As part of its liquidity plan, there is also two lines of credit, see Note 6, which it could draw upon in the event of an unanticipated liquidity need.

8. RISK MANAGEMENT

The Corporation is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the Corporation carries insurance.

9. CONTINGENCIES

The Corporation is not a named defendant in any pending lawsuits. For the period January 1, 2022 to December 31, 2022, the Corporation received state grants for specific purposes that are subject to review and audit by the grantor agencies or their designees. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the Corporation believes such disallowances, if any, would be immaterial.

ALLEN COUNTY LAND REUTILIZATION CORPORATION
Notes to the Basic Financial Statements (Continued)
For the Year Ended December 31, 2022

10. COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio's state of emergency ended in June, 2021 while the national state of emergency continues and is set to expire on April 2, 2023. The financial impact of COVID-19 and the continuing recovery measures may impact subsequent periods of the Corporation. The impact on the Corporation's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

11. SUBSEQUENT EVENTS

At the end of March 2023, the Corporation transferred 60 properties located within the municipality of Lima to the City of Lima. The total associated cost of the transferred properties was \$989,637.54. It is anticipated that by June 1, 2023, all properties owned by the Corporation located within the municipality of Lima will be transferred to the City of Lima.

A new Home Improvement Program was initiated in March 2023. It was primarily funded by a distribution from Allen County in the amount of \$500,000, with an additional amount of up to \$200,000 contributed by the Land Bank's existing funds. It will be used to complete home repairs up to \$20,000 per property for qualifying applicants, to the extent funds allow.

In 2022, the Corporation was approved for a \$500,000 reimbursable grant from the Ohio Department of Development Demolition and Site Revitalization Program. The funds will be used to demolish residential and commercial properties per the guidelines of the program. The grant is required to be completed by end of Summer 2024.

ALLEN COUNTY LAND REUTILIZATION CORPORATION
Supplemental Information
Schedule of Revenues, Expenditures and Changes in Fund Balance
– Budget (Non-GAAP Basis) And Actual General Fund
For the Year Ended December 31, 2022

	Budget	Actual	Variance With Budget Positive (Negative)
Revenues			
Intergovernmental	\$ 160,712	\$ 160,714	\$ 2
Sale of Property	18,000	19,375	1,375
Miscellaneous Revenue	3,000	150,000	147,000
Total Revenues	<u>181,712</u>	<u>330,089</u>	<u>148,377</u>
Expenditures			
Professional and Contract Services	682,650	163,396	519,254
Program Administration	19,200	10,315	8,885
Capital Outlay	-	7,750	(7,750)
Total Expenditures	<u>701,850</u>	<u>181,461</u>	<u>520,389</u>
Net Change in Fund Balance	(520,138)	148,628	668,766
Fund Balance Beginning of Year	492,932	492,932	-
Fund Balance End of Year	<u>\$ (27,206)</u>	<u>\$ 641,560</u>	<u>\$ 668,766</u>

The Notes to the Supplemental Information are an Integral Part of this Schedule

ALLEN COUNTY LAND REUTILIZATION CORPORATION
Notes to Supplemental Information

BUDGETARY BASIS OF ACCOUNTING

Budgetary Process

The budgetary process that is followed by the Land Reutilization Corporation is for control purposes and is set forth in its Code of Regulations. At least fifteen (15) days prior to the end of the year to the Corporation, the President shall provide to the Board of Directors the annual budget for the next fiscal year. The Board of Directors shall at the first regularly scheduled meeting or at another meeting called for the purpose, adopt the annual budget which shall govern the expenditures of the Corporation during the following fiscal year. On and after its commencement, the annual budget as adopted may be amended or supplemented by the Board of Directors as circumstances warrant. No binding monetary obligation of the Corporation shall be entered into unless there exists at the time in the applicable budget line item an unencumbered balance in an amount no less than lesser of (a) the amount of the monetary obligation to be incurred without either the amendment or supplement of such budget and line item by the Board of Directors and (b) the amount of the monetary obligation that will be due and payable in the fiscal year in which the monetary obligation is incurred. Nothing in this budgetary process shall be construed as prohibiting the President from approving the transfer of an unencumbered balance from any line item, account, or fund to a line item, account, or fund with respect to which an insufficient unencumbered balance exists when it is in the best interests of the Corporation to enter into the binding monetary obligation. In the event that due to unforeseen circumstances the annual budget has not been adopted and is not ready for adoption by the last day of the fiscal year immediately preceding the year of which such budget is to be effective, the Board of Directors may adopt a temporary budget governing fiscal matters for the next three months of the new fiscal year.

Budgetary Basis of Accounting

While the Land Reutilization Corporation is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis is based upon accounting for certain transactions on a basis of cash receipts and disbursements. The Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).

Additionally, the fund balances are classified on the cash basis rather than the GAAP basis. The reconciliation between the two methods is below.

The following table summarizes the adjustments necessary to reconcile the GAAP basis statement to the budgetary basis statement for the general fund.

Net Change in Fund Balance	
For the Year Ended December 31, 2022	
GAAP Basis	\$ (198,891)
Net Adjustment for Revenue Accruals	149,800
Net Adjustment for Expenditure Accruals	197,719
Budget Basis	<u>\$ 148,628</u>

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OHIO AUDITOR OF STATE KEITH FABER



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

Allen County Land Reutilization Corporation
Allen County
301 North Main Street, Suite 203
Lima, Ohio 45801

To the Board of Directors:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the governmental activities and the major fund of the Allen County Land Reutilization Corporation, Allen County, (the Corporation) as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements and have issued our report thereon dated August 10, 2023, wherein we noted the financial impact of COVID-19 and the continuing recovery measures may impact subsequent periods of the Corporation.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Corporation's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Corporation's financial statements will not be prevented, or detected and corrected, on a timely basis. 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 deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Corporation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Corporation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio

August 10, 2023

OHIO AUDITOR OF STATE KEITH FABER



ALLEN COUNTY LAND REUTILIZATION CORPORATION

ALLEN COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

This is a true and correct copy of the report, which is required to be filed pursuant to Section 117.26, Revised Code, and which is filed in the Office of the Ohio Auditor of State in Columbus, Ohio.



Certified for Release 9/7/2023

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov