



OHIO AUDITOR OF STATE  
**KEITH FABER**





**KNOX COUNTY LAND REUTILIZATION CORPORATION**  
**KNOX COUNTY**  
**DECEMBER 31, 2023**

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# OHIO AUDITOR OF STATE KEITH FABER



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## INDEPENDENT AUDITOR'S REPORT

Knox County Land Reutilization Corporation  
Knox County  
PO Box 29  
Mount Vernon, Ohio 43050

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 each major fund of the Knox County Land Reutilization Corporation, Knox County, Ohio (the Corporation), as of and for the year ended December 31, 2023, 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 each major fund of the Knox County Land Reutilization Corporation, Knox County, Ohio as of December 31, 2023, and the respective changes in financial position 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 8 to the financial statements, during 2023, the Corporation restated the beginning fund balance/net position of the General Fund and Governmental Activities. 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.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 20, 2024, 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

June 20, 2024

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**KNOX COUNTY LAND REUTILIZATION CORPORATION  
KNOX COUNTY, OHIO**

**MANAGEMENT DISCUSSION & ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2023**

The management's discussion and analysis of the Knox County Land Reutilization Corporation's (the Land Bank) financial performance provides an overall review of the Land Bank's financial activities for the year ended December 31, 2023. The intent of this discussion and analysis is to look at the Land Bank's financial performance, readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the Land Bank's financial performance.

**Financial Highlights**

Key financial highlights for 2023 are as follows:

- The Land Bank is focused on returning troubled real estate to productive use, strengthening neighborhoods, and accelerating economic activity in Knox County communities. The Land Bank works cooperatively with units of government and individual property owners in this mission.
- The Land Bank received \$77,821.48 from Knox County under a statutory arrangement to receive 5 percent of delinquent taxes collected. The Land Bank also recognized revenue of \$1,282,923.32 from various sources in the form of grants to support the mission of the organization. The Land Bank loan from the Area Development Foundation, Inc. to assist with the operation of the Cooper Park Development Company remains as a long-term liability until properties are sold at Heartland Commerce Park.
- The Land Bank's net position increased from \$3,098,598 in 2022 to \$4,364,793 in 2023.

**Overview of the Financial Statements**

This annual report consists of financial statements and notes to the financial statements. These statements are organized so the reader can understand the Land Bank's financial activities. The statements then proceed to provide a detailed look at our specific financial conditions. The Statement of Net Position and Statement of Activities provide information about the activities of the Land Bank, as a whole, presenting both an aggregate view of the Land Bank's finances and a longer-term view of those finances. Fund financial statements tell how services were financed in the short term as well as what dollars remain for future spending.

**Reporting the Land Bank's Financial Activities**

*Statement of Net Position and the Statement of Activities*

The Statement of Net Position and Statement of Activities include all assets and liabilities using the accrual basis of accounting similar to the accounting method used by the private sector. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash was received or paid.

These two statements report the Corporation's net position and changes in that position. This change in net position is important because it tells the reader whether, 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, non-financial information, such as the condition of the Corporation's capital assets, will also need to be evaluated.

**KNOX COUNTY LAND REUTILIZATION CORPORATION  
KNOX COUNTY, OHIO**

**MANAGEMENT DISCUSSION & ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2023**

The Statement of Net Position and the Statement of Activities are divided into the following categories:

- Assets
- Liabilities
  - Long-term Liabilities
- Net Position (Assets minus Liabilities)
- Program Expenses and Revenues
- General Revenues
- Change in Net Position
- Net Position, Beginning and End of the Year

The table below provides a summary of the Land Bank’s net position for December 31, 2023, and 2022.

	<u>Statement of New Position</u>	
	2022	2023
Assets		
Current and Other Assets	\$4,552,914	\$6,147,234
Liabilities		
Current and Other Liabilities	1,204,316	1,532,441
Long-Term Liabilities	250,000	250,000
Net Position	\$3,098,598	\$4,364,793

Ending Net Position as of December 31, 2022 was restated to remove assets sold as of December 31, 2022. Refer to Footnote 8 for further information regarding this restatement.

Over time, the net position can serve as a useful indicator of a government’s financial position. On December 31, 2023, the Land Bank’s assets exceeded liabilities by \$4,364,793. The largest asset is property inventory which amounted to \$4,357,683 on December 31, 2023.

**KNOX COUNTY LAND REUTILIZATION CORPORATION  
KNOX COUNTY, OHIO**

**MANAGEMENT DISCUSSION & ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2023**

The table below shows the changes in net position for the years ending December 31, 2023 and 2022.

	Statement of Activity	
	2022	2023
<b>Revenues</b>		
Program Revenues		
Charges for Services and Sales	\$59,984	\$55,434
Operating Grants and Contributions	2,502,222	328,281
General Revenue		
Grants & Entitlements Not Restricted	977,965	1,592,222
Sale of Property	682,065	1,940,389
Miscellaneous	256,538	59,696
<i>Total Revenue</i>	4,478,774	3,976,022
<b>Expenditures</b>		
Professional and Contract Services	1,110,506	2,074,356
Administration	271,721	276,991
<i>Total Expenditures</i>	1,382,227	2,351,347
<b>Other Sources (Uses)</b>		
Loss on Sale of Asset	(670,624)	(358,480)
<i>Net Change in Net Position</i>	2,425,923	1,266,195
<i>Fund Balance, Beginning of Year</i>	N/A	3,098,598
<i>Fund Balance, End of Year</i>	\$3,098,598	\$4,364,793

Ending Net Position as of December 31, 2022 was restated to remove assets sold as of December 31, 2022. Refer to Footnote 8 for further information regarding this restatement.

Revenues for 2023 and 2022 consist primarily of 5% delinquent tax and assessments from Knox County to the Land Bank for the purpose of land reutilization and the acquisition of Heartland Commerce Park (formerly Cooper Progress Park). Heartland Commerce Park represents the largest expense for the Land Bank due to the size of the project and complexity of owning a vacant multi-building industrial complex. In 2023 additional grants were received from the Ohio Department of Development for brownfield remediation and site revitalization which were reimbursement grants leading to significant expenditures and subsequent revenue.

**Reporting on the Land Bank's Most Significant Funds**

The governmental fund statements provide a detailed short-term view of the Corporation's general operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future on services provided to the Corporation's government constituents. The relationship (or difference) between governmental activities (reported on the Statement of Net Position and the Statement of Activities) and the general fund is reconciled in the financial statements.

**KNOX COUNTY LAND REUTILIZATION CORPORATION  
KNOX COUNTY, OHIO**

**MANAGEMENT DISCUSSION & ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2023**

*General Fund*

The presentation for the Corporation's General Fund focuses on how resources flow into and out of it and the balance that is left at year-end available for spending in future periods. The General Fund serves as the main operating account of the Corporation. The General Fund is reported using the modified accrual of accounting, which measures cash and all other financial assets that are expected to be readily converted to cash. The General Fund had income of \$1,849,922 and expenditures of \$1,212,697.

*Special Revenue Fund*

The Special Revenue Fund shows the activity of the Cooper Park Development Company which is a component of the Knox County Land Reutilization Corporation and accounts for the activity related to the Cooper Progress Park at 105 N. Sandusky Street, Mount Vernon, Ohio. The Special Revenue Fund is reported using the modified accrual of accounting, which measures cash and all other financial assets that are expected to be readily converted to cash. The Special Revenue Fund has income of \$2,126,100 and expenditures of \$1,521,844.

**Capital Assets**

In 2023, the Land Bank had minimal capital asset purchases or sales.

**Debt**

As of December 31, 2023, the Land Bank owes the Area Development Foundation \$250,000 that was received as a 0% interest loan to be paid back as able. These funds were for the specific purpose of repositioning Heartland Commerce Park as a marketable property.

**Current Financial Related Activities**

The Land Bank, established in late 2017, has been designated by Knox County, Ohio as its agent for the reclamation, rehabilitation, and reutilization of vacant, abandoned, tax-foreclosed, and other real property in Knox County. Principal operating revenues of the Land Bank include contributions from Knox County's delinquent tax and assessment collection fund.

**Request for Information**

This financial report is designed to provide users of the financial statements with a general overview of the Land Bank's finances and show the Land Bank's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Jeff Gottke, President of the Knox County Land Reutilization Corporation, PO Box 29, Mount Vernon, Ohio 43050.

**Knox County Land Reutilization Corporation**

*Statement of Net Position*

*December 31, 2023*

	<b><u>Governmental Activities</u></b>
<b><u>Assets</u></b>	
Cash	\$ 125,175
Assets Held for Resale	4,357,683
Mortgage Receivable	567,946
Ohio Department of Development Grant	144,072
Ariel Foundation- 18 Vine	13,313
Brownfield Grant	89,083
Prepaid Insurance	15,477
Net Capital Assets	30,006
Agency Investment	804,479
	<hr/>
Total Assets	6,147,234
	<hr/>
<b><u>Liabilities</u></b>	
Accounts Payable	250,763
Down Payment on Property Sale	6,990
Due to ADF	646,242
Deferred Revenue	628,446
	<hr/>
Total Current Liabilities	1,532,441
	<hr/>
Long-Term Liabilities	
Loan from ADF	250,000
	<hr/>
Total Long-Term Liabilities	250,000
	<hr/>
Total Liabilities	1,782,441
	<hr/>
<b><u>Net Position</u></b>	
Restricted	24,806
Unrestricted	4,339,987
	<hr/>
Total Net Position	\$ 4,364,793
	<hr/> <hr/>

See accompanying notes to the basic financial statements.

**Knox County Land Reutilization Corporation**

*Statement of Activity*

*For the Year Ended December 31, 2023*

	<b>Program Revenue</b>			<b>Net (Expenses) Revenue Change in Net Position</b>
	<b>Expenses</b>	<b>Charges for Services and Sales</b>	<b>Operating Grants and Contributions</b>	<b>Governmental Activities</b>
<b>Functions/Programs</b>				
Governmental Activities				
General Government Support				
Professional and Contract Services	\$ 2,074,356	\$ 55,434	\$ 328,281	\$ (1,690,641)
Administration	276,991	-	-	(276,991)
Total Functions and Programs	\$ 2,351,347	\$ 55,434	\$ 328,281	\$ (1,967,632)
<b>General Revenues</b>				
Grants and Entitlements not				
Restricted to Specific Programs				\$ 1,592,222
Sale of Property				1,940,389
Miscellaneous				59,696
Total General Revenues				3,592,307
Loss on Sale of Asset				(358,480)
Change in Net Position				1,266,195
Net Position, Beginning of Year, Restated				3,098,598
Net Position, End of Year				\$ 4,364,793

See accompanying notes to the basic financial statements.

**Knox County Land Reutilization Corporation**

*Balance Sheet*

*Governmental Funds*

*December 31, 2023*

	<b>General</b>	<b>Special Revenue</b>	<b>Total</b>
<b>Assets</b>			
Cash	\$ 79,814	\$ 45,361	\$ 125,175
Assets Held for Resale	4,357,683	-	4,357,683
Due from Cooper Park	64,787	-	64,787
Mortgage Recievable	-	567,946	567,946
Ohio Department of Development Grant	144,072	-	144,072
Ariel Foundatio- 18 Vine	13,313	-	13,313
Brownfield Grant	89,083	-	89,083
Prepaid Insurance	4,423	11,054	15,477
Agency Investment	-	804,479	804,479
Total Assets	<u>\$ 4,753,175</u>	<u>\$ 1,428,840</u>	<u>\$ 6,182,015</u>
 <b>Liabilities</b>			
Accounts Payable	\$ 143,748	\$ 107,015	\$ 250,763
Down Payment on Property Sale	-	6,990	6,990
Due to Land Bank	-	64,787	64,787
Due to ADF	-	646,242	646,242
Deferrred Revenue	60,500	567,946	628,446
Total Liabilities	<u>204,248</u>	<u>1,392,980</u>	<u>1,597,228</u>
 <b>Fund Balance</b>			
Nonspendable	4,362,106	11,054	4,373,160
Restricted	-	24,806	24,806
Unassigned	186,821	-	186,821
Total Fund Balance	<u>4,548,927</u>	<u>35,860</u>	<u>4,584,787</u>
<b>Total Liabilities and Fund Balance</b>	<u><u>\$ 4,753,175</u></u>	<u><u>\$ 1,428,840</u></u>	<u><u>\$ 6,182,015</u></u>

See accompanying notes to the basic financial statements.

**Knox County Land Reutilization Corporation**  
*Reconciliation of Total Governmental Fund Balances  
to Statement of Net Position of Governmental Activities  
December 31, 2023*

**Total Governmental Funds Balances** \$ 4,584,787

**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

Cost of Capital Assets	36,365	
Accumulated Depreciation	(6,359)	
Total		30,006

Long-term liabilities, including loans payable are not due in  
the current period and therefore are not reported in the funds:

Loans Payable	(250,000)	
Total		(250,000)

**Total Net Position of Governmental Activities** \$ 4,364,793

See accompanying notes to the basic financial statements.



**Knox County Land Reutilization Corporation**  
*Statement of Revenues, Expenditures and Changes in Fund Balance*  
*Governmental Funds*  
*For the Year Ended December 31, 2023*

	<b>General</b>	<b>Special Revenue</b>	<b>Total</b>
<b>Revenues</b>			
Public Support	\$ 328,281	\$ -	\$ 328,281
Property Sales	2,500	1,937,889	1,940,389
Intergovernmental	1,233,012	-	1,233,012
Government Grants	268,945	90,265	359,210
Rental Income	-	19,000	19,000
Interest Income	-	36,434	36,434
Miscellaneous Revenue	17,184	42,512	59,696
<b>Total Revenues</b>	<b>1,849,922</b>	<b>2,126,100</b>	<b>3,976,022</b>
<b>Expenditures</b>			
<b>Current</b>			
<b>General Government</b>			
Capital Outlay	-	28,224	28,224
Professional and Contract Services	831,911	1,242,445	2,074,356
Administration	22,306	251,175	273,481
<b>Total Expenditures</b>	<b>854,217</b>	<b>1,521,844</b>	<b>2,376,061</b>
<b>Excess of Revenues Over (Under)</b>			
Expenditures	995,705	604,256	1,599,961
<b>Other Financing Sources (Uses)</b>			
Loss on Sale of Assets	(358,480)	-	(358,480)
<b>Total Other Financing Sources (Uses)</b>	<b>(358,480)</b>	<b>-</b>	<b>(358,480)</b>
<b>Net Change in Fund Balance</b>	<b>637,225</b>	<b>604,256</b>	<b>1,241,481</b>
<b>Fund Balance, Beginning of Year, Restated</b>	<b>3,911,702</b>	<b>(568,396)</b>	<b>3,343,306</b>
<b>Fund Balance, End of Year</b>	<b>\$ 4,548,927</b>	<b>\$ 35,860</b>	<b>\$ 4,584,787</b>

See accompanying notes to the basic financial statements.

**Knox 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, 2023*

**Net Change in Fund Balances - Total Governmental Funds** \$ 1,241,481

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

Governmental funds report capital outlays as expenditures. However, in the Statement of net Position, assets with an initial cost of more than \$5,000 are capitalized and in the Statement of Activities the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeded capital outlays in the

Capital Outlays	28,224	
Depreciation Expense	(3,510)	
Total	24,714	24,714

**Changes in Net Position of Governmental Activities** \$ 1,266,195

See accompanying notes to the basic financial statements.

# KNOX COUNTY LAND REUTILIZATION CORPORATION

## NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2023

### NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

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#### Reporting Entity

The Knox County Land Reutilization Corporation (the Corporation) is a county land reutilization corporation that was formed on November 17, 2017, pursuant to the Board of Knox County Commissioners authorizing the establishment of the Corporation under Chapter 1724 of the Ohio Revised Code under commissioners' resolution number 1059-2017 as a not-for-profit corporation under the laws of the State of Ohio. The purpose of the Corporation is to strengthen neighborhoods in Knox County (the County) by returning vacant and abandoned properties to productive use. The Corporation has been designated as the County's agent to further its mission to reclaim, rehabilitate, and reutilize vacant, abandoned, tax foreclosed and other real property in the County by exercising the powers of the County under Chapter 5722 of the Ohio Revised Code.

Pursuant to Section 1724.03 (B) of the Ohio Revised Code, the Board of Directors of the Corporation shall be composed of five to nine members including two County Commissioners, the County Treasurer, one representative from the municipal corporation with the largest population, one Director with private sector or nonprofit experience in rehabilitation or real estate acquisitions.

The Corporation is dedicated to strategically acquiring tax foreclosed property and other foreclosed property via the following means: adjudication of vacant and abandoned property by the Knox County Board of Revision, Sheriff's Sale, Bank Real Estate Owned, County Auditor, third parties, and through donations. The Corporation then strives to put the properties back to productive use.

The reporting entity for the Corporation is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Corporation and any other organizations that would need to be included to ensure the financial statements of the Corporation are not misleading.

Component units are legally separate organizations for which the Corporation is financially accountable. The Corporation is financially accountable for an organization if the Corporation appoints a voting majority of the organization's governing board; and 1) the Corporation is able to significantly influence the programs or services performed or provided by the organization; or 2) the Corporation is legally entitled to or can otherwise access the organization's resources; the Corporation is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Corporation is obligated for the debt of the organization. Component units may also include organizations for which the Corporation authorizes the issuance of debt, or the levying of taxes, or determines the budget. The Cooper Park Development Company (CPDC) is the only component unit included as part of this report. The Corporation has a controlling financial interest through ownership of the majority voting interest. CPDC was formed in 2020 to assist The Corporation in seeking grants and assisting with maintenance, management, and marketing of a business park located in Mount Vernon, Ohio.

#### Basis of Presentation

The basic financial statements of the Corporation have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Corporation's significant accounting policies are described below.

# KNOX COUNTY LAND REUTILIZATION CORPORATION

## NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2023

### NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

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#### **Basis of Presentation (continued)**

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

#### Fund 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.

#### 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 funds are 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 governmental funds:

# KNOX COUNTY LAND REUTILIZATION CORPORATION

## NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2023

### NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

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#### **Basis of Presentation (continued)**

##### General Fund

The general fund accounts for all financial resources, including those that are received from the Knox County Auditor 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.

##### Special Revenue Fund

The special revenue fund accounts are for the proceeds of specific revenue sources, such as government grants, that are legally restricted to expenditures for specified purposes.

#### **Measurement Focus and Basis of Accounting**

##### *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 may include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for the general fund and special revenue fund.

##### *Basis of Accounting*

Basis of accounting determines when transactions are recorded on the financial records and reported on the financial statements. Government-wide statements are prepared using the accrual basis of accounting. The general fund and special revenue fund use the modified accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred inflows/outflows of resources and in the presentation of expenses versus expenditures.

# KNOX COUNTY LAND REUTILIZATION CORPORATION

## NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2023

### NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

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#### **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 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 sixty days of year-end.

Nonexchange 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. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, grants revenue sources are considered to be both measurable and available at year-end.

#### **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 represent a consumption of assets that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. The Corporation did not have any deferred outflows of resources at December 31, 2022.

In addition to liabilities, the statements of financial position will sometimes report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of assets that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. The Corporation did not have any deferred inflows of resources at December 31, 2022.

#### **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.

#### **Budgetary Process**

The Corporation is not bound by the budgetary laws prescribed by the Ohio Revised Code for governmental entities.

**KNOX COUNTY LAND REUTILIZATION CORPORATION**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

December 31, 2023

**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)**

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**Federal Income Tax**

The Corporation is exempt from federal income tax under Section 115(1) of the Internal Revenue Code.

**Cash and Cash Equivalents**

All monies received by the Corporation are deposited in demand deposit accounts. The Corporation had no investments during the year or at the end of the year.

Investments with an original maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents.

**Prepaid Items**

Payments made to vendors for services that will benefit periods beyond the current year, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount at the time of purchase and reflecting the expenditure/expense in the year in which the services are consumed.

**Assets Held for Resale**

Assets held for resale represent properties purchased by or donated to the Corporation. Purchased properties are valued based upon the purchase price plus any costs of significant maintenance, rehabilitation, or betterment of properties. Donated properties are valued based on the appraised value of the property. The Corporation holds the properties until it is either sold to a new owner, sold to an individual who will rehabilitate the property, the building on the property is demolished, or the Corporation may sell other lots to the owners of adjacent parcels for a nominal cost.

**Capital Assets**

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Capitalization thresholds (the dollar value above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the Government-wide statements are as follows:

	<b>Capitalization Threshold</b>	<b>Depreciation Method</b>	<b>Estimated Useful Life</b>
Furniture and Equipment	\$5,000	SL	5 Years

**Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements.

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.

# KNOX COUNTY LAND REUTILIZATION CORPORATION

## NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2023

### NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

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#### Accrued Liabilities and Long-Term Obligations (continued)

The Corporation had one long-term obligation at December 31, 2023. Loan from ADF with a balance of \$250,000.

#### Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The Corporation had \$24,806 restricted net position at December 31, 2023. The Corporation applies restricted resources first when an expense is incurred for which restricted and unrestricted amount is available.

#### Intergovernmental Revenue

The Corporation receives operating income through Knox 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 upon the Corporation's written request.

#### Government Grants

The Corporation receives financial assistance from Area Development Foundation and Ariel Foundation in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements. Any disallowed claims resulting from such audits could become a liability of the general fund. However, the effect of any such disallowed claims on the overall financial position of the Corporation at December 31, 2023, if applicable, cannot be determined at this time.

#### Public Support

The Corporation receives financial support from the public through property donations and properties acquired through either the Board of Revisions or Sheriff sales. These properties are recorded at the assessed value, and later sold by the Corporation.

#### Estimates

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



# KNOX COUNTY LAND REUTILIZATION CORPORATION

## NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2023

### NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 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. The Corporation had no extraordinary or special items during 2023.

#### 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 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 a formal action (resolution) of the Corporation’s 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 or 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 policies of the Corporation’s Board. The Board has by resolution authorized the Executive Director to assign fund balance. The Board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year’s appropriated budget.

*Unassigned* - Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed or assigned.

# KNOX COUNTY LAND REUTILIZATION CORPORATION

## NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2023

### NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

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#### Fund Balance (continued)

The Corporation has not adopted a formal fund balance policy. 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 2 – DEPOSITS

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Custodial credit risk is the risk that in the event of bank failure, the Corporation's deposits may not be returned to it. Protection of the Corporation's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution, by surety company bonds or by a single collateral pool established by the financial institution. In accordance with Chapter 135 of the Ohio Revised Code, any public depository receiving deposits pursuant to an award of the Corporation's fund shall be required to pledge security for repayment of all public moneys. The Corporation has no investment policy dealing with deposit custodial risk beyond the requirement in State statute that requires securities purchased pursuant to this division shall be delivered into the custody of the Treasurer or an agent designated by the Treasurer.

At December 31, 2023, the carrying amount of the Corporation's deposits was \$125,175.

### NOTE 3 – TRANSACTIONS WITH KNOX COUNTY

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Pursuant to and in accordance with Section 321.261 (B) of the Ohio Revised Code, the Corporation has been authorized by the Board of Knox County Commissioners to receive 5 percent of all collections of delinquent real property, personal property, and manufactured and mobile home taxes that are deposited into the County's Delinquent Tax Assessment Collection fund and will be available for appropriation by the Corporation to fund operations.

### NOTE 4 – AGENCY AGREEMENT

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The Corporation entered into an agreement in October 2020, which continues through May 31, 2025, with CPDC and Area Development Foundation, Inc. to maintain, manage and market a business park located in Mount Vernon, Ohio. The Corporation's role was to acquire the lease rights, approve the sub-lease and sale of real estate within the park, while overseeing all aspects of the compliance. The Corporation shall receive all net profits after payments of all costs and expenses.

### NOTE 5 – RISK MANAGEMENT

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

The Corporation maintains comprehensive insurance coverage with independent third parties for real property, building, vehicle, general liability and professional liability insurance. There were no settled claims from these risks that have exceeded commercial insurance coverage.

**KNOX COUNTY LAND REUTILIZATION CORPORATION**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

December 31, 2023

**NOTE 6 - CAPITAL ASSETS**

Capital asset balances and activity for the year ended December 31, 2023 are as follows:

Governmental Activities	Beginning Balance	Additions	Ending Balance
<b>Capital Assets That Are Being Depreciated</b>			
Furniture and Equipment	\$8,141	\$28,224	\$36,365
Total Depreciated Assets	8,141	28,224	36,365
Less: Accumulated Depreciation For Furniture and Equipment	(2,849)	(3,510)	(6,359)
Total Accumulated Depreciation	(2,849)	(3,510)	(6,359)
Total Depreciated Assets, Net	5,292	(3,510)	30,006
Capital Assets, Net	\$5,292	\$(24,714)	\$30,006
Depreciation expense was charged to governmental functions as follows:			
Administration Expense			\$3,510
Total Depreciation Expense			\$3,510

**NOTE 7 - LONG-TERM DEBT OBLIGATIONS**

The Special Revenue borrows money in order to make improvements, and/or cover operational expenses. This enables the cost of these capital assets to be borne by the present and future taxpayers receiving the benefit of the capital assets. These long-term liabilities are full faith and credit debt of the local government. The note payable dated 08/17/2021 with ADF for \$250,000 does not have a set maturity and the interest is 0%.

Long-term liability balances and activity for the year are summarized below:

Governmental Activities	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
<b>Long-term Liabilities: General Obligation Debt</b>					
Note Payable	\$250,000	-	-	\$250,000	-
Total Long-term Liabilities	\$250,000	-	-	\$250,000	-
Total Governmental Activities	\$250,000	-	-	\$250,000	-

**NOTE 8 – BEGINNING FUND BALANCE/NET POSITION RESTATEMENT**

For 2023, the Corporation restated the beginning net position/fund balance with Governmental Activities and the General Fund in order to recognize Assets Held for Resale sold as of December 31, 2022.

<b>Opinion Unit</b>	<b>12/31/22 Audited Balance</b>	<b>Restatement Amount</b>	<b>12/31/22 Restated Balance</b>
General Fund	\$4,216,284	\$304,582	\$3,911,702
Governmental Activities	\$3,403,180	\$304,582	\$3,098,598

**KNOX COUNTY LAND REUTILIZATION CORPORATION**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

December 31, 2023

**NOTE 9 - SUBSEQUENT EVENTS**

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In June of 2024, the Cooper Park Development Company (a component unit of the Knox County Land Reutilization Corporation) sold Plant 4 for \$2.1 million. The proceeds from the sale were used to pay off all outstanding debts due to ADF and the Knox County Land Reutilization Corporation.

In June of 2024, the Knox County Land Reutilization Corporation was awarded a grant in the amount of \$2.4 million to construct twelve houses in collaboration with Habitat for Humanity.

# OHIO AUDITOR OF STATE KEITH FABER



65 East State Street  
Columbus, Ohio 43215  
ContactUs@ohioauditor.gov  
800-282-0370

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

Knox County Land Reutilization Corporation  
Knox County  
PO Box 29  
Mount Vernon, Ohio 43050

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 each major fund of the Knox County Land Reutilization Corporation, Knox County, (the Corporation) as of and for the year ended December 31, 2023, 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 20, 2024, wherein we noted the Corporation restated beginning fund balance/net position of the General Fund and Governmental Activities as discussed in Note 8 of the financial statements.

### ***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

June 20, 2024



Knox County Land Bank  
Post Office Box 29  
507 W. High St  
Mount Vernon, OH  
(740) 393-3806  
KnoxADF.com

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**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2023**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Status</b>	<b>Additional Information</b>
2022-001	Financial Reporting – Material Weakness	Partially Corrected	Comment was reduced to the Management Letter for 2023.

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# OHIO AUDITOR OF STATE KEITH FABER



**KNOX COUNTY LAND REUTILIZATION CORPORATION**

**KNOX 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 6/27/2024**

65 East State 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](http://www.ohioauditor.gov)