



Dave Yost • Auditor of State

**LORAIN COUNTY LAND REUTILIZATION CORPORATION
LORAIN COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of the Lorain County Land Reutilization Corporation, Lorain County, Ohio (the Corporation), as of and for the initial year of operations for the period of May 25, 2012 through December 31, 2012, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing those risks of financial statement material misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Corporation's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Corporation's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Lorain County Land Reutilization Corporation, Lorain County, Ohio as of December 31, 2012, and the changes in its financial position for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 16, 2013, on our consideration of the Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

September 16, 2013

**LORAIN COUNTY LAND REUTILIZATION CORP
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE PERIOD MAY 25, 2012 THROUGH DECEMBER 31, 2012
(UNAUDITED)**

The following Management's Discussion and Analysis (MD&A) of the Lorain County Land Reutilization Corporation (the Corporation) financial performance provides an introduction to the financial statements for the period May 25, 2012 through December 31, 2012. The information contained in this MD&A should be considered in conjunction with the information contained in the Corporation's financial statements.

Financial Highlights

- At December 31, 2012, the assets of the Corporation exceeded the liabilities by \$5,141.
- Total net position for 2012 increased by \$5,141.
- The Corporation's total revenues amounted to \$30,232 in 2012.
- The Corporation had \$25,091 in total expenses in 2012.

Using this Annual Financial Report

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

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

Reporting the Corporation as a Whole

Statement of Net Position and Statement of Activities

These government-wide statements answer the question, "How did the Corporation as a whole do financially during 2012? They are prepared on the accrual basis of accounting, including all assets and liabilities, much the same way as for a private enterprise. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the Corporation's net position and the changes in the net position. This change in net position is important as it tells the reader that, for the Corporation as a whole, the financial position of the Corporation has improved or diminished. However, in evaluating the overall position of the Corporation, nonfinancial information such as the condition of the Corporation's needs will also need to be evaluated.

The Statement of Net Position. This Statement (page 7) reports all assets and liabilities of the Corporation as of December 31, 2012. The difference between total assets and total liabilities is reported as net position. Increases in net position generally indicate an improvement in financial position while decreases may indicate a deterioration of financial position.

**LORAIN COUNTY LAND REUTILIZATION CORP
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE PERIOD MAY 25, 2012 THROUGH DECEMBER 31, 2012
(UNAUDITED)**

The Statement of Activities. This Statement (page 8) serves the purpose of the traditional income statement. It provides consolidated reporting of the results of all activities of the Corporation for the period May 25, 2012 through December 31, 2012. 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 delinquent property taxes collected and intergovernmental revenue including Federal grants.

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 9 of this report. As of December 31, 2012, the Corporation had no Capital Assets or 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 2012. Comparative information will be presented in future years as information becomes available.

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

	2012
ASSETS:	
Current Assets	\$1,225,261
LIABILITIES:	
Current Liabilities	1,220,120
NET POSITION:	
Unrestricted	5,141
Total Net Position	\$5,141

2012 was the first year of operations for the Corporation. A bond anticipation note in the amount of \$1,200,000 taken out by the Lorain County Port Authority on behalf of the Corporation was deposited into a checking account.

During 2012, the Corporation's overall financial position increased by \$5,141.

**LORAIN COUNTY LAND REUTILIZATION CORP
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE PERIOD MAY 25, 2012 THROUGH DECEMBER 31, 2012
(UNAUDITED)**

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

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

	2012
Program Revenues	
Intergovernmental	\$30,232
Program Expenses	
Professional and Contract Services	20,303
Miscellaneous	350
Interest and Fiscal Charges	4,438
Total Program Expenses	25,091
Change in Net Position	5,141
Net Position, Beginning of Year	0
Net Position, End of Year	\$5,141

The Corporation's revenues were \$30,232 and its expenses were \$25,091 for 2012. Since this is the Corporation's first year of operation, there were no revenues or expenses prior to May 2012.

The main revenue sources are from a Grant from the State's Attorney General and from the County Treasurer authorized by the Lorain County Board of Commissioners from a percentage of delinquent property taxes collected.

There is little known information regarding facts, decisions, conditions expected to significantly affect equity or results of operations, based on objective information.

Capital Assets

As of December 31, 2012, the Corporation did not have any capital assets.

Debt

As of December 31, 2012, the Corporation did not have any debt.

Request for Information

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

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Lorain County Land Reutilization Corporation
Statement of Net Position
As of December 31, 2012

Assets

Current Assets:

Cash and Cash Equivalents with Fiscal Agents	\$1,195,029
Intergovernmental Receivable	<u>30,232</u>

Total Assets 1,225,261

Liabilities

Current Liabilities:

Accounts Payable	<u>1,220,120</u>
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Total Liabilities 1,220,120

Net Position

Unrestricted	<u>5,141</u>
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Total Net Position \$5,141

See accompanying notes to the basic financial statements.

Lorain County Land Reutilization Corporation
Statement of Activities
For the Period May 25, 2012 through December 31, 2012

Expenses	
Land Reutilization	
Professional and Contract Services	\$20,303
Miscellaneous	350
Interest Expense	<u>4,438</u>
Total Program Expenses	<u>25,091</u>
Program Revenue	
Intergovernmental	<u>30,232</u>
Change in Net Position	5,141
Net Position, Beginning of Year	<u>0</u>
Net Position, End of Year	<u><u>\$5,141</u></u>

See accompanying notes to the basic financial statements.

LORAIN COUNTY LAND REUTILIZATION CORPORATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE PERIOD MAY 25, 2012 THROUGH DECEMBER 31, 2012

NOTE 1 – DESCRIPTION OF THE CORPORATION AND REPORTING ENTITY

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

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. *Basis of Presentation*

The Corporation's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities.

Government-wide Financial Statements

The statement of net position and the statement of activities display information about the Corporation as a whole. These statements include the financial activities of the primary government. These statements usually distinguish between those activities of the Corporation that are governmental and those that are considered business-type. The Corporation, however, does not have business-type activities.

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

LORAIN COUNTY LAND REUTILIZATION CORPORATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE PERIOD MAY 25, 2012 THROUGH DECEMBER 31, 2012

B. *Measurement Focus*

Government-wide Financial Statements

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the Corporation are included on the Statement of Net Position. The Statement of Activities presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position.

C. *Basis of Accounting*

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting.

Revenues - Exchange and Non-Exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place.

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

Unearned Revenue

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements are met are recorded as unearned revenue. The Corporation had no unearned revenue in 2012.

Expenses/Expenditures

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

D. *Budgetary Process*

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

LORAIN COUNTY LAND REUTILIZATION CORPORATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE PERIOD MAY 25, 2012 THROUGH DECEMBER 31, 2012

E. *Cash, Cash Equivalents with Fiscal Agents*

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

F. *Net Position*

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

G. *Extraordinary and Special Items*

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Corporation Administration and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2012.

H. *Estimates*

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

NOTE 3 – Receivables

Receivables at December 31, 2012 consisted of funds due from the Lorain County Treasurer. Allowance for doubtful accounts were not recorded because all receivables are expected to be collected.

NOTE 4 – Litigation

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

NOTE 5 – Management Agreement and Activities

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

LORAIN COUNTY LAND REUTILIZATION CORPORATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE PERIOD MAY 25, 2012 THROUGH DECEMBER 31, 2012

In November 2012, the Authority issued a \$1,200,000 revenue bond anticipation notes to provide financial assistance to the Corporation to pay the costs of acquiring real property and interests therein for the purpose of reclamation, rehabilitation, and reutilization of vacant, abandoned, tax-foreclosed, or other such real property within Lorain County. The Authority is not obligated in any manner for repayment of the notes. However, a liability equal to the conduit debt along with a corresponding receivable from the Corporation responsible for its ultimate repayment are reported in the Authority's financial statements. An accounts payable has been reported on the Corporation's financial statements.

NOTE 6 - Risk Management

The Corporation is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; injury and natural disasters. As of December 31, 2012, the Corporation did not have adequate insurance coverage for those risks.

NOTE 7 – Subsequent Events

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



Dave Yost • Auditor of State

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

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

To the Board of Directors:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Lorain County Land Reutilization Corporation, Lorain County, Ohio (the Corporation) as of and for the initial year of operations from May 25, 2012 through December 31, 2012, and the related notes to the financial statements, and have issued our report thereon dated September 16, 2013.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Corporation's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Corporation's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Corporation's financial statements. We consider finding 2012-01 described in the accompanying schedule of findings to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2012-03 described in the accompanying schedule of findings to be a significant deficiency.

Compliance and Other Matters

As part of reasonably assuring whether the Corporation's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2012-02 and 2012-04.

Entity's Response to Findings

The Corporation's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Corporation's responses and, accordingly, we express no opinion on them.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Corporation's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

September 16, 2013

**LORAIN COUNTY LAND REUTILIZATION CORPORATION
LORAIN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2012**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2012-01

Financial Reporting – Material Weakness

Sound financial reporting is the responsibility of management and the Board of Directors and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

During the preparation of the Corporation's fiscal year 2012 GAAP financial statements, we noted four expenditures totaling \$4,925 that were made in fiscal year 2013 that should have been recorded as accounts payable at 12/31/12, but were not included in the Corporation's accounts payable listing. This adjustment was posted to the financial statements by the Corporation.

The lack of controls over financial reporting and the GAAP conversion process resulted in a material adjustment to the Corporation's financial statements and accounting records.

We recommend the Corporation take appropriate measures to ensure all material GAAP adjustments are made and all financial reports accurately depict the financial position of the Corporation.

Officials' Response:

The amount of funds that should have been included under the Year 2012 accounts payable which were not were billed into the land bank after 01/01/2013 totaling \$4,925. Since these costs were incurred during 2012 and received after the turn of the year, and since these costs stemmed from the completion of the Attorney General demolition program, they were overseen by the Lorain County Port Authority under a scope of services agreement. The Corporation employs an accounting firm to track all related transactions and place them into appropriate categories. The accounting firm which entered these transactions into the financial statement clearly did not correctly list them as accounts payable for 2012. The Corporation will review the details of this finding with the accounting firm and ensure that all year end transactions are properly booked moving forward so that all GAAP adjustments are correct so that an accurate depiction of the Corporation's financials can be made.

**LORAIN COUNTY LAND REUTILIZATION CORPORATION
LORAIN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2012**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (CONTINUED)
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FINDING NUMBER 2012-02

Annual Budget – Material Noncompliance

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

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

The Corporation did not adopt an initial operating budget for the first year of operations, nor did they adopt an annual budget for fiscal year 2013.

The Corporation has been making program and service decisions and allocating scarce resources to programs and services throughout fiscal years 2012 and 2013 without an annual budget or evidence of a clear budgeting process. By not adopting an annual budget and following a strict budgeting process, the Corporation risks spending resources that are not available, or spending funds for unallowable purposes. We recommend the Corporation pass an annual budget in accordance with their Code of Regulations, which Corporation management and the Board should monitor regularly by comparing estimated resources with those received and appropriations with actual funds expended.

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

Officials' Response:

Annual budgeting will be conducted by the Corporation. An annual budget will be adopted and a strict budgeting process will be implemented in accordance with the Code of Regulations adopted by the Land Bank. Corporation management will regularly monitor estimated resources by comparing actual received resources with payouts to ensure a balance of appropriations and expenditures.

**LORAIN COUNTY LAND REUTILIZATION CORPORATION
LORAIN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2012**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (CONTINUED)
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FINDING NUMBER 2012-03

Separation of Financial Activity – Significant Deficiency

The Lorain County Port Authority (the Authority) acts as the fiscal agent for the Corporation. The financial activities of the Corporation are accounted for within the Authority's accounting system.

The Corporation and the Authority run their financial activity through the same bank account with Lorain National Bank. Also the former Executive Director of the Authority, who left his duties in April 2013, is an authorized signatory on this account. This employee had no affiliation with the Corporation.

By combining the activities of both entities, the Corporation and the Authority risk a complicated reconciliation process, as they have to determine which funds belong to which entity. They also risk the funds of one entity being improperly spent by the other entity. Also, by allowing someone with no affiliation with the Corporation to be a signatory on their bank account, the Corporation risks unauthorized access and expending of their funds.

We recommend the Corporation obtain and utilize a separate bank account and general ledger to account for the Corporation's financial activities.

Officials' Response:

The Lorain County Port Authority will segregate funds of the Corporation into separate accounts to ease the complicated reconciliation process between two entities and ensure the correct tracking.

As for the matter of the former director/ signatory, the Port Authority immediately informed the Lorain National Bank Manger upon his release that he was no longer affiliated with the Port Authority and any privileges related to the Port Authority's bank account were to cease immediately as well.

**LORAIN COUNTY LAND REUTILIZATION CORPORATION
LORAIN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2012**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (CONTINUED)
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FINDING NUMBER 2012-04

Insurance Coverage – Material Noncompliance

The Corporation's management agreement with the Lorain County Port Authority was approved by Resolution 2012-04 on May 25, 2012. Section V of the agreement states, "Consistent with Section 7.2 of the Code of Regulations, the LCLRC shall procure Directors and Officers insurance in an appropriate amount to cover the actions of the LCLRC Board, the Port Authority and Port Authority staff solely while serving as the Management Company for the LCLRC."

The Corporation's Code of Regulations, Section 7.2, states, "The Corporation may purchase and maintain insurance on behalf of any person who is or was a Director or Officer against any liability asserted against such Director or Officer and incurred by him/her in any such capacity, or arising out of his status as such, whether or not the Corporation would have the power to indemnify him against such liability under the provisions of this Article or of the Nonprofit Corporation Law."

Based on our assessment of the Corporation's insurance needs, we noted no evidence that the Corporation was properly insured during the fiscal year.

By not obtaining proper insurance, the Corporation risks significant, unsecured losses related to torts, theft of, damage to and destruction of assets, injuries, and natural disasters, among other things.

We recommend the Corporation, at least annually, assess its significant risks, and obtain insurance that adequately covers these risks.

Officials' Response:

The Land Bank was formed and began activities with the good faith belief that the Lorain County CORSA program covered the risk management/insurance obligations of the agency. There is still no absolute clarity with respect to the matter; however, the LCLRC will obtain the necessary coverage to ensure that the Corporation is protected against risks, significant or otherwise in accordance with adopted guidelines.



Dave Yost • Auditor of State

LORAIN COUNTY LAND REUTILIZATION CORPORATION

LORAIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
OCTOBER 8, 2013**