



Dave Yost • Auditor of State

**ERIE COUNTY LAND REUTILIZATION CORPORATION
ERIE COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Erie County Land Reutilization Corporation
Erie County
2900 Columbus Avenue
Sandusky, Ohio 44870-5554

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of Erie County Land Reutilization Corporation, Erie County, Ohio (the Corporation), as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse audit opinion.

Basis for Adverse Opinion

As described in Note 1 of the financial statements, the Corporation prepared these financial statements using cash accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. However, Ohio Revised Code Section 1724.05 requires these statements to follow accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumably material.

Adverse Opinion

In our opinion, because of the matter described in the *Basis for Adverse Opinion* paragraph, the financial statements do not present fairly the financial position, and results of operations, where applicable, of Erie County Land Reutilization Corporation, Erie County, Ohio as of and for the years ended December 31, 2013 and 2012 in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

The Council also has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

Other Reporting Required by Government Auditing Standards

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



Dave Yost
Auditor of State

Columbus, Ohio

November 24, 2014

**ERIE COUNTY LAND REUTILIZATION CORPORATION
ERIE COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
GENERAL FUND
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

	2013	2012
Cash Receipts		
Grants	\$158,255	
Property Sales	31,669	
Miscellaneous		\$50
<i>Total Cash Receipts</i>	189,924	50
 Cash Disbursements		
Current:		
Accounting and Legal	3,396	566
Auditor Deeds	62	
Bank Fees	90	
Demolition Expense	152,454	
Direct Deposit Expense	36	
Employee Benefits	2,000	
General Insurance	2,657	
Gross Wages	51,414	7,762
Payroll Taxes	3,825	809
Postage	18	
Property Maintenance Expense	756	
Seminars	80	95
Vehicle Expense	192	209
Workers Compensation Deposit	10	
Reimbursements	50	
Office Expense		165
<i>Total Cash Disbursements</i>	217,040	9,606
 <i>Excess of Disbursements Over Receipts</i>	(27,116)	(9,556)
 Other Financing Receipts		
Other Debt Proceeds		60,000
<i>Net Change in Fund Cash Balances</i>	(27,116)	50,444
 <i>Fund Cash Balances, January 1</i>	50,444	
 Fund Cash Balances, December 31		
Unassigned	23,328	50,444
<i>Fund Cash Balances, December 31</i>	\$23,328	\$50,444

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

**ERIE COUNTY LAND REUTILIZATION CORPORATION
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Erie County Land Reutilization Corporation, Erie County, Ohio (the Corporation) as a body corporate and politic. The Corporation was organized as a not-for-profit community improvement corporation by the Board of County Commissioners of Erie County October 20, 2011, under the authority granted under Chapter 1724 of the Ohio Revised Code. The Corporation's purpose is to promote and facilitate the reclamation, rehabilitation and reutilization of vacant, abandoned, tax-foreclosed or other real property in Erie County. By strategically acquiring properties and returning them to productive use, the Corporation works to reduce blight, increase property values, strengthen neighborhoods, and improve the quality of life for all Erie County residents.

The Corporation's governing board is a seven member Board of Directors (the Board) consisting of the County Treasurer, two members of the Board of County Commissioners of Erie County, a representative of the largest municipality in Erie County, a representative of a Township with more than 10,000 residents located within Erie County, and two additional members selected by consensus of the two County Commissioners and the Treasurer.

The Corporation's management believes these financial statements present all activities for which the Corporation is financially accountable.

B. Accounting Basis

Although required by Ohio Revised Code §1724.05 to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America, the Corporation chooses to prepare its financial statements and notes in accordance with standards established by the Auditor of State for governmental entities that are not required to prepare annual financial reports in accordance with generally accepted accounting principles. This basis of accounting is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in this financial statement.

C. Fund Accounting

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

D. Fund Balance

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

**ERIE COUNTY LAND REUTILIZATION CORPORATION
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

1. Nonspendable

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

2. Restricted

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

3. Committed

The Board can *commit* amounts via formal action (resolution). The Corporation must adhere to these commitments unless the Board amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by the Board or a Corporation official delegated that authority by resolution, or by State Statute.

5. Unassigned

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Corporation applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

E. Property, Plant, and Equipment

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

2. COMPLIANCE

Ohio Rev. Code, Section 1724.05, requires the Council to file annual financial reports which are prepared using generally accepted accounting principles (GAAP). However, the Corporation

**ERIE COUNTY LAND REUTILIZATION CORPORATION
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

prepared its financial statements on the regulatory basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, net assets/fund balances, and disclosures that, while material, cannot be determined at this time. The Corporation can be fined and various other administrative remedies may be taken against the Corporation.

3. EQUITY IN POOLED DEPOSITS

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

	2013	2012
Demand deposits	\$23,328	\$50,444

Deposits are insured by the Federal Depository Insurance Corporation.

4. DEBT

Debt outstanding at December 31, 2013 was as follows:

	Principal	Interest Rate
Start-Up Loan	\$60,000	0%

The Corporation received a start-up loan from the Erie County Commissioners on September 20, 2012. These monies were issued to the Corporation to start the process of promoting economic development within Erie County. The loan is to be repaid once the Corporation has sufficient accumulation of funds in the general fund.

5. RISK MANAGEMENT

Commercial Insurance

The Corporation is subject to certain types of risk in the performance of its normal functions. The Corporation has obtained commercial insurance covering comprehensive property and general liability risks.



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

Erie County Land Reutilization Corporation
Erie County
2900 Columbus Avenue
Sandusky, Ohio 44870-5554

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 Erie County Land Reutilization Corporation, Erie County, Ohio (the Corporation) as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, and have issued our report thereon dated November 24, 2014, wherein we issued an adverse opinion on the Corporation's financial statements because the Corporation prepared its financial statements using accounting practices the Auditor of State prescribes or permits for governmental entities not required to report in accordance with GAAP rather than accounting principles generally accepted in the United States of America.

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. 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. We consider finding 2013-001 described in the accompanying schedule of findings to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the Corporation's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2013-001.

Entity's Response to Findings

The Corporation's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Corporation's response and, accordingly, we express no opinion on it.

Purpose of this Report

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



Dave Yost
Auditor of State

Columbus, Ohio

November 24, 2014

**ERIE COUNTY LAND REUTILIZATION CORPORATION
ERIE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2013-001

Noncompliance Citation / Material Weakness

Ohio Rev. Code § 1724.05 requires the Corporation to file annual financial reports which are prepared using generally accepted accounting principles (GAAP).

For 2013 and 2012, the Corporation prepared financial statements in accordance with the regulatory basis of accounting prescribed or permitted by the Auditor of State for governments not required to report in accordance with GAAP. This presentation differs from accounting principles generally accepted in the United States of America. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures, while material cannot be determined at this time. The Corporation can be fined and various other administrative remedies may be taken against the Corporation.

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

Officials' Response:

The Corporation began operations in late 2012 with 2013 being the first full year of operations. Being a newly formed organization 2013 was devoted primarily to establishing the organizational framework and further defining the role the Corporation would serve. Due to the lack of significant operations during 2013 and 2012 the Corporation determined filing on a regulatory basis for this period provided a cost effective alternative while still providing sufficient information regarding the Corporation's activities. As the level of activity has increased during 2014, the Corporation is committed to reporting in accordance with Generally Accepted Accounting Principles beginning with this period.

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ERIE COUNTY LAND REUTILIZATION CORPORATION

ERIE 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
DECEMBER 9, 2014**