



Dave Yost • Auditor of State



**LAKE COUNTY LAND REUTILIZATION CORPORATION  
LAKE COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Lake County Land Reutilization Corporation  
Lake County  
Administration Center, 5<sup>th</sup> Fl  
105 Main Street  
Painesville, Ohio 44077

To the Board of Directors:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the Lake County Land Reutilization Corporation, Lake County, Ohio (the Corporation), as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the Government'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 the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Government'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 Government'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 Lake County Land Reutilization Corporation, Lake County as of December 31, 2014 and 2013, 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 and Required budgetary comparison schedule*, 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 August 27, 2015, on our consideration of the Government'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 Government's internal control over financial reporting and compliance.

**Dave Yost**  
Auditor of State  
Columbus, Ohio

August 27, 2015

**LAKE COUNTY LAND REUTILIZATION CORPORATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013  
(UNAUDITED)**

The following Management's Discussion and Analysis (MD&A) of the Lake County Land Reutilization Corporation's (the Corporation) financial performance provides an introduction to the financial statements for the years ended December 31, 2014 and 2013. 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, 2014, the Statement of Net Position assets of the Corporation exceeded the liabilities by \$ 2,905,423. At December 31, 2013, the Statement of Net Position assets of the Corporation exceeded the liabilities by \$ 541,219.
- Total net position for 2014 increased by \$ 2,364,204 which is an increase from 2013, in which net position increased \$ 541,199.
- The Corporation's total revenues on the Statement of Activities amounted to \$ 3,883,268 in 2014, of which \$ 3,882,340 or 99% were program revenues and \$ 928 or 1% were general revenues.
- The Corporation had \$ 1,519,064 in total expenses in 2014 compared to \$ 86,606 in 2013.

**Using this Annual Financial Report**

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

The Statement of Net Position and Statement of Activities (referred collectively as the government-wide statements) provide information about the activities of the entire Corporation and present a longer-term view of the Corporation's finances. 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 2014 and 2013?" 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 (pages 8 and 14) reports all assets and liabilities of the Corporation as of December 31, 2014 and 2013, respectively. The difference between total assets and total liabilities is reported as net position. Increases in net position generally indicate an improvement in financial positions while decreases may indicate a deterioration of financial position.

**LAKE COUNTY LAND REUTILIZATION CORPORATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013  
(UNAUDITED)**

*The Statement of Activities.* This statement (pages 9 and 15) serves the purpose of the traditional income statement. It provides consolidated reporting of the results of all activities of the Corporation for the years ended December 31, 2014 and 2013. 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:

*Government 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.

### **Reporting the Corporation's Most Significant Funds**

#### ***Fund Financial Statements***

These statements provide financial position and results of the Corporation's major funds. The Corporation's only major governmental fund is the General Fund. A fund is an accounting entity created to account for a specific activity or purpose. The creation of some funds is mandated by law and others are created by management to demonstrate financial compliance with budgetary or legal requirements. Funds are classified into three broad categories: governmental funds, proprietary funds, and fiduciary funds. The Corporation has only governmental funds.

*Governmental Funds.* Governmental funds are used to account for "Government Type" activities. However, unlike the government-wide financial statements, governmental fund statements use a "flow of financial resources" measurement focus. The governmental fund statements provide a detailed short-term view of the Corporation's general government operations and the basic services it provides. Increases in spendable resources are reported in the operating statements as "revenues" or "other financing sources". Decreases in spendable resources are reported "expenditures" or "other financing uses". State and federal grants finance most of those activities.

The Basic Governmental Fund Financial Statements start on pages 10 and 16 of this report.

#### **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 21 of this report. As of December 31, 2014 and 2013, the Corporation had no 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 2014 and 2013. 2012 is not presented, since 2013 was the first year of operation for the Corporation.



**LAKE COUNTY LAND REUTILIZATION CORPORATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013  
(UNAUDITED)**

**Table 1  
Net Position**

	<u>2014</u>	<u>2013</u>
<b>Assets:</b>		
Cash and cash equivalents	\$ 515,979	\$ 534,100
Lien receivable	727,281	0
Assets held for resale	1,655,248	0
Depreciable capital assets, net	<u>7,922</u>	<u>8,499</u>
Total assets	<u>2,906,430</u>	<u>542,599</u>
<b>Liabilities:</b>		
Accrued wages	<u>1,007</u>	<u>1,380</u>
<b>Net Position:</b>		
Net investment in capital assets	1,663,170	8,499
Unrestricted	<u>1,242,253</u>	<u>532,720</u>
Total net position	<u>\$ 2,905,423</u>	<u>\$ 541,219</u>

2014 was the second full year of operations for the Corporation. During 2014 and 2013, the Corporation's overall financial position increased by \$ 2,364,204 and \$ 541,199, respectively. Cash and cash equivalents decreased in 2014, due to receiving less delinquent property taxes and grant dollars after increasing in 2013. The biggest factor in the overall increase in financial position was the purchase of assets held for resale and the increase of lien receivable.

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

**Table 2  
Changes in Net Position**

	<u>2014</u>	<u>2013</u>
<b>Program Revenues:</b>		
Capital grants & contributions	\$ 3,068,909	\$ 627,333
Operating grants & contributions	813,431	0
<b>General Revenues:</b>		
Interest	<u>928</u>	<u>472</u>
Total revenues	<u>3,883,268</u>	<u>627,805</u>
<b>Program Expenses:</b>		
Professional and contract services	1,473,271	57,783
Program Administration	<u>45,793</u>	<u>28,823</u>
Total program expenses	<u>1,519,064</u>	<u>86,606</u>
Increase in net position	2,364,204	541,199
Net position, beginning of year	<u>541,219</u>	<u>20</u>
Net position, end of year	<u>\$ 2,905,423</u>	<u>\$ 541,219</u>

The Corporation's revenues were \$ 3,883,268 and its expenses were \$ 1,519,064 for 2014 and revenues were \$ 627,805 and its expenses were \$ 86,606 for 2013. The main revenue sources are from the County Treasurer authorized by the Lake County Board of Commissioners from a percentage of delinquent property taxes collected. 2012 is not presented, since 2013 was the first year of operation for the Corporation.

**LAKE COUNTY LAND REUTILIZATION CORPORATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013  
(UNAUDITED)**

**Capital Assets**

The Corporation's investment in capital assets as of December 31, 2014 and 2013, amounted to \$ 7,922 and \$ 8,499 (net of accumulated depreciation). This investment in capital assets consist of computer and office equipment.

**Table 3  
Capital Assets  
(Net of Depreciation)**

	<u>2014</u>	<u>2013</u>
Computer equipment	\$ 2,778	\$ 2,778
Office equipment	7,869	6,671
Accumulated depreciation	<u>(2,725)</u>	<u>(950)</u>
Total capital assets, net of depreciation	<u>\$ 7,922</u>	<u>\$ 8,499</u>

**Debt**

As of December 31, 2014 and 2013, the Corporation did not have any debt.

**Request for Information**

This financial report is designed to provide a general overview of the Lake County Land Reutilization Corporation finances for all those with an interest in the Corporation's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Board of Trustees, Lake County Land Reutilization Corporation, 105 Main Street, Painesville, OH 44077.

## **Basic Financial Statements**

**LAKE COUNTY LAND REUTILIZATION CORPORATION**  
**STATEMENT OF NET POSITION**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

	Governmental Activities
<b>Assets</b>	
Cash and Cash Equivalents	\$ 515,979
Lien Receivable	727,281
Assets Held for Resale	1,655,248
Depreciable Capital Assets, Net	7,922
Total Assets	2,906,430
 <b>Liabilities</b>	
Accrued Wages	1,007
Total Liabilities	1,007
 <b>Net Position</b>	
Net Investment in Capital Assets	1,663,170
Unrestricted	1,242,253
Total Net Position	\$ 2,905,423

See accompanying notes to the basic financial statements

**LAKE COUNTY LAND REUTILIZATION CORPORATION  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2014**

		Program Revenues			Net Revenue & Changes in Net Position
	Expenses	Charges for Services and Sales	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities
<b>Governmental Activities:</b>					
Professional and Contract Services	\$ 1,473,271	\$ -	\$ 813,431	\$ 3,068,909	\$ 2,409,069
Program Administration	45,793	-	-	-	(45,793)
Total Governmental Activities	1,519,064	-	813,431	3,068,909	2,363,276
<b>General Revenues:</b>					
Interest					928
Total General Revenues					928
Change in Net Position					2,364,204
<b>Net Position Beginning of Year</b>					<b>541,219</b>
<b>Net Position End of Year</b>					<b>\$ 2,905,423</b>

See accompanying notes to the basic financial statements

**LAKE COUNTY LAND REUTILIZATION CORPORATION**  
**BALANCE SHEET**  
**GOVERNMENTAL FUND**  
**DECEMBER 31, 2014**

	<u>General Fund</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$ 515,979
Lien Receivable	727,281
Assets Held for Resale	<u>1,655,248</u>
Total Assets	<u><u>\$ 2,898,508</u></u>
 <b>Liabilities and Fund Balance</b>	
<b>Liabilities</b>	
Accrued Wages	<u>\$ 1,007</u>
Total Liabilities	<u>1,007</u>
 <b>Fund Balance</b>	
Nonspendable	1,655,248
Unassigned	<u>1,242,253</u>
Total Fund Balance	<u>2,897,501</u>
Total Liabilities and Fund Balance	<u><u>\$ 2,898,508</u></u>

See accompanying notes to the basic financial statements

**LAKE COUNTY LAND REUTILIZATION CORPORATION  
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO  
NET POSITION OF GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2014**

**Total Governmental Fund Balances** \$ 2,897,501

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.

7,922

Net Position of Governmental Activities

\$ 2,905,423

See accompanying notes to the basic financial statements

**LAKE COUNTY LAND REUTILIZATION CORPORATION  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - GOVERNMENTAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>General Fund</u>
<b>Revenues:</b>	
Intergovernmental	\$ 3,068,909
Operating Grants	813,431
Interest	<u>928</u>
Total Revenues	<u>3,883,268</u>
 <b>Expenditures:</b>	
Professional and Contract Services	1,472,694
Program Administration	<u>45,793</u>
Total Expenditures	<u>1,518,487</u>
Net Change in Fund Balances	2,364,781
 <b>Fund Balance Beginning of Year</b>	 <u>532,720</u>
 <b>Fund Balance End of Year</b>	 <u><u>\$ 2,897,501</u></u>

See accompanying notes to the basic financial statements



**LAKE COUNTY LAND REUTILIZATION CORPORATION**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE OF GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

**Net Change in Fund Balance - Total Governmental Fund** \$ 2,364,781

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 activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceed capital outlay in the current period.

Capital Asset Additions	1,197	
Current Year Depreciation	(1,774)	<u>          </u>
 Total		 <u>          </u> (577)
 Change in Net Position of governmental Activities		 <u>          </u> \$ 2,364,204

See accompanying notes to the basic financial statements

**LAKE COUNTY LAND REUTILIZATION CORPORATION**  
**STATEMENT OF NET POSITION**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

	Governmental Activities
<b>Assets</b>	
Cash and Cash Equivalents	\$ 534,100
Depreciable Capital Assets, Net	8,499
Total Assets	542,599
 <b>Liabilities</b>	
Accounts Payable	913
Accrued Wages	467
Total Liabilities	1,380
 <b>Net Position</b>	
Net Investment in Capital Assets	8,499
Unrestricted	532,720
Total Net Position	\$ 541,219

See accompanying notes to the basic financial statements

**LAKE COUNTY LAND REUTILIZATION CORPORATION  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2013**

		Program Revenues			Net Revenue & Changes in Net Position
Expenses	Charges for Services and Sales	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	
<b>Governmental Activities:</b>					
Professional and Contract Services	\$ 57,783	\$ -	\$ -	\$ 627,333	\$ 569,550
Program Administration	<u>28,823</u>	-	-	-	<u>(28,823)</u>
Total Governmental Activities	<u>86,606</u>	-	-	<u>627,333</u>	<u>540,727</u>
<b>General Revenues:</b>					
Interest					<u>472</u>
Total General Revenues					<u>472</u>
Change in Net Position					541,199
<b>Net Position Beginning of Year</b>					<u>20</u>
<b>Net Position End of Year</b>					<u><u>\$ 541,219</u></u>

See accompanying notes to the basic financial statements

**LAKE COUNTY LAND REUTILIZATION CORPORATION  
BALANCE SHEET  
GOVERNMENTAL FUND  
DECEMBER 31, 2013**

	General Fund
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$ 534,100
Total Assets	\$ 534,100
 <b>Liabilities and Fund Balance</b>	
<b>Liabilities</b>	
Accounts Payable	\$ 913
Accrued Wages	467
Total Liabilities	1,380
 <b>Fund Balance</b>	
Unassigned	532,720
Total Fund Balance	532,720
Total Liabilities and Fund Balance	\$ 534,100

See accompanying notes to the basic financial statements

**LAKE COUNTY LAND REUTILIZATION CORPORATION  
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO  
NET POSITION OF GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2013**

**Total Governmental Fund Balances** \$ 532,720

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.

8,499

Net Position of Governmental Activities

\$ 541,219

See accompanying notes to the basic financial statements

**LAKE COUNTY LAND REUTILIZATION CORPORATION  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - GOVERNMENTAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>General Fund</u>
<b>Revenues:</b>	
Intergovernmental	\$ 627,333
Interest	<u>472</u>
Total Revenues	<u>627,805</u>
<b>Expenditures:</b>	
Professional and Contract Services	66,282
Program Administration	<u>28,823</u>
Total Expenditures	<u>95,105</u>
Net Change in Fund Balances	532,700
<b>Fund Balance Beginning of Year</b>	<u>20</u>
<b>Fund Balance End of Year</b>	<u><u>\$ 532,720</u></u>

See accompanying notes to the basic financial statements

**LAKE COUNTY LAND REUTILIZATION CORPORATION  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE OF GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2013**

**Net Change in Fund Balance - Total Governmental Fund** \$ 532,700

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 activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.

Capital Asset Additions	9,449	
Current Year Depreciation	(950)	
Total		8,499
Change in Net Position of Governmental Activities		\$ 541,199

See accompanying notes to the basic financial statements

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**LAKE COUNTY LAND REUTILIZATION CORPORATION  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

**ORGANIZATION**

Lake County Land Reutilization Corporation located in Painesville, Ohio efficiently holds and manages vacant, abandoned or tax-foreclosed real property pending its reclamation, rehabilitation and reutilization. The Corporation also assists governmental entities and other non-profit and/or for-profit persons to assemble and clear the title of the previously described property.

The Corporation's governing body is a nine member Board of Directors, consisting of two County Commissioners, the County Treasurer, a representative from the City of Mentor, the largest city within the County and a township representative selected by the Lake County Township Association. The four remaining members were unanimously selected by the County Treasurer and the two County Commissioners. The Corporation is classified as a related organization of Lake County for reporting purposes, in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14 as amended by GASB Statement No. 39.

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

***Basis of Presentation***

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

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

**LAKE COUNTY LAND REUTILIZATION CORPORATION  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Fund Accounting***

The Corporation uses fund accounting to segregate cash and investments that are restricted as to use. A fund is a separate accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and attaining certain objectives in accordance with special regulations, restrictions or limitations. For financial statement presentation purposes, the Corporation's fund is classified as governmental.

Governmental Funds

Governmental funds focus on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be repaid. The difference between governmental fund assets and deferred outflows of resources and liabilities and deferred inflows of resources is reported as fund balance. The following is the Corporation's only governmental fund:

***General Fund*** The general fund accounts for all financial resources that are received from the County Fiscal Officer from delinquent tax and assessment collection. The general fund balance is available to the Corporation for any purpose provided it is expended or transferred according to the general laws of Ohio.

***Measurement Focus***

Government-Wide Financial Statements

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

Fund Financial Statements

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

***Basis of Accounting***

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

**LAKE COUNTY LAND REUTILIZATION CORPORATION**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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, interest and 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, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time.

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.

**LAKE COUNTY LAND REUTILIZATION CORPORATION  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Cash and Cash Equivalents***

For purposes of the statements of cash flows, the Corporation considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

***Assets Held for Resale***

Assets held for resale represent properties obtained as a result of forfeiture, purchased by or donated to the Corporation. These properties are valued based upon the County Auditor's Evaluation, the purchase price plus any costs of maintenance, rehabilitation, or demolition of homes on the properties. The Corporation holds the properties until the home is either sold to a new homeowner, sold to an individual who will rehabilitate the home, or the home on the property is demolished. Some properties that have had the residential structures demolished have subsequently been transferred to the Corporation. These vacant parcels may be aggregated with contiguous parcels for green space projects, future residential or commercial development or sold to new or adjacent property owners.

***Capital Assets***

The Corporation's only capital assets are general capital assets. General capital assets are capital assets which are associated with and generally arise from governmental activities. General capital assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the financial statements of the general fund.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received.

***Uncertainty in Income Taxes***

The Corporation has adopted FASB ASC 740-10-25, *Accounting for Uncertainty in Income Taxes*. The Corporation will record a liability for uncertain tax positions when it is more likely than not that a tax position would not be sustained if examined by the taxing authority. The Corporation continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings. The Corporation's evaluation on December 31, 2013 and December, 2014 reveal no uncertain tax positions that would have a material impact on the financial statements.

**LAKE COUNTY LAND REUTILIZATION CORPORATION  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Fund Balance***

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

***Nonspendable*** The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans, loans receivable, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed, or assigned.

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

***Committed*** The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (resolution) of the Board. Those committed amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

***Assigned*** Amounts in the assigned fund balance classification are intended to be used by the Corporation for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by the Board or a Corporation official delegated that authority, or by State Statute.

***Unassigned*** Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. The Corporation applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

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

**LAKE COUNTY LAND REUTILIZATION CORPORATION  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Net Position***

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

The Corporation applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

***Intergovernmental Revenue***

The Corporation historically has received operating income through Lake County. This money represents five percent of the total taxes collected including applicable penalties and interest received by the County when delinquent property taxes are collected. Pursuant to ORC 321.263, the penalties and interest collected by the County when taxes are paid and then are distributed to the Corporation upon the Corporation's written request.

***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 2014 and 2013.

***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.

***Summary***

Cash balances in banks as of December 31, 2013 and December 31, 2014 were \$ 534,100 and \$ 515,979 respectively. Federal depository insurance covers \$ 250,000 per institution and covered \$ 250,000 at December 31, 2013 and December 31, 2014 at depositor institution. The uninsured balance as of December 31, 2013 and December 31, 2014 was \$ 284,100 and \$ 265,979.

The Corporation is exempt from taxation under Section 501(c)(3) of the Internal Revenue Code and accordingly, no provision for income taxes has been recorded in the accompanying financial statements.

Advertising costs are expensed when incurred. Advertising expense was \$ 440 in 2013 and \$ 649 in 2014.

The costs of various program services have been summarized on a functional basis. Accordingly, certain costs have been allocated among the program services benefited.

**LAKE COUNTY LAND REUTILIZATION CORPORATION  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

**CAPITAL ASSETS**

A summary of changes in capital assets during 2013 follows:

	<u>12/31/12</u>	<u>Additions</u>	<u>Deletions</u>	<u>12/31/13</u>
Computer Equipment	\$ 0	\$ 2,778	\$ 0	\$ 2,778
Office Equipment	0	6,671	0	6,671
Less: Accumulated Depreciation	0	(950)	0	(950)
Governmental Activities Capital Assets, Net	<u>\$ 0</u>	<u>\$ 8,499</u>	<u>\$ 0</u>	<u>\$ 8,499</u>

A summary of changes in capital assets during 2014 follows:

	<u>12/31/13</u>	<u>Additions</u>	<u>Deletions</u>	<u>12/31/14</u>
Computer Equipment	\$ 2,778	\$ 0	\$ 0	\$ 2,778
Office Equipment	6,671	1,198	0	7,869
Less: Accumulated Depreciation	(950)	(1,775)	0	(2,725)
Governmental Activities Capital Assets, Net	<u>\$ 8,499</u>	<u>(\$ 577)</u>	<u>\$ 0</u>	<u>\$ 7,922</u>

Depreciation of equipment is provided by using the straight-line method over the following estimated useful lives of the assets:

Machinery and equipment	3 – 10 years
Office equipment	5 – 7 years
Computers and software	5 – 10 years

Total depreciation of \$ 950 was expensed as of December 31, 2013 and \$ 1,775 as of December 31, 2014.

**LEASED FACILITIES**

Effective May 1, 2013, the Corporation entered into an operating lease for its Ohio facilities which expired April 30, 2014. Monthly rent was \$ 393. Subsequent to December 31, 2013 the Corporation entered into a new operating lease beginning May 1, 2014 and continuing until 60 days after either party gives the other written notice of its intent to terminate the agreement. Monthly rent is \$ 393. Minimum future rental payments under the operating lease having a remaining term in excess of one year as of December 31, 2014 for each of the next five years and in the aggregate are:

Year ended December 31,	<u>Amount</u>
2015	\$ 4,716
2016	4,716
2017	4,716
2018	4,716
2019	<u>4,716</u>
Total minimum future rental payments	<u>\$ 23,580</u>

**RISK MANAGEMENT**

The Corporation is exposed to various risks of loss related to torts, theft of, damage to, and construction of assets, injury and natural disasters. As of December 31, 2014 and 2013, the Corporation did have adequate insurance coverage for those risks.

**LAKE COUNTY LAND REUTILIZATION CORPORATION  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

**SUBSEQUENT EVENTS**

Management has evaluated subsequent events through April 1, 2015, which is the date the financial statements were available to be issued. No significant matters were identified for disclosure during this evaluation.



**SUPPLEMENTAL INFORMATION**  
**LAKE COUNTY LAND REUTILIZATION CORPORATION**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE - BUDGET (NON-GAAP BASIS)**  
**AND ACTUAL GENERAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

	Budget	Actual	Variance with Budget Positive (Negative)
<b>Revenues</b>			
Intergovernmental	\$ 605,000	\$ 686,379	\$ 81,379
Grants	864,102	813,431	(50,671)
Interest	600	928	328
Total Revenues	<u>1,469,702</u>	<u>1,500,738</u>	<u>31,036</u>
<b>Expenditures</b>			
Professional and Contract Services	1,919,881	1,472,691	447,190
Program Administration	46,102	45,796	306
Total Expenditures	<u>1,965,983</u>	<u>1,518,487</u>	<u>447,496</u>
Net Change in Fund Balance	(496,281)	(17,749)	(416,460)
Fund Balance Beginning of Year	534,100	534,100	-
Fund Balance End of Year	<u>\$ 37,819</u>	<u>\$ 516,351</u>	<u>\$ (416,460)</u>

See accompanying notes to the supplemental information

**SUPPLEMENTAL INFORMATION**  
**LAKE COUNTY LAND REUTILIZATION CORPORATION**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE - BUDGET (NON-GAAP BASIS)**  
**AND ACTUAL GENERAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

	Budget	Actual	Variance with Budget Positive (Negative)
<b>Revenues</b>			
Intergovernmental	\$ -	\$ 627,333	\$ 627,333
Grants	-	-	-
Interest	-	492	492
Total Revenues	<u>-</u>	<u>627,825</u>	<u>627,825</u>
<b>Expenditures</b>			
Professional and Contract Services	132,139	67,116	65,023
Program Administration	46,539	28,823	17,716
Total Expenditures	<u>178,678</u>	<u>95,939</u>	<u>82,739</u>
Net Change in Fund Balance	(178,678)	531,886	710,564
Fund Balance Beginning of Year	20	20	-
Fund Balance End of Year	<u>\$ (178,658)</u>	<u>\$ 531,906</u>	<u>\$ 710,564</u>

See accompanying notes to the supplemental information

**LAKE COUNTY LAND REUTILIZATION CORPORATION  
NOTES TO SUPPLEMENTAL INFORMATION  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

**BUDGETARY BASIS OF ACCOUNTING**

***Budgetary Process***

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

***Budgetary Basis of Accounting***

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

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

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

Net change in fund balance	
For the Year Ended December 31, 2014	
GAAP Basis	\$ 2,364,781
Net Adjustment for Revenue Accruals	(2,382,530)
Net Adjustment for Expenditure Accruals	<u>0</u>
Budget Basis	<u>(\$ 17,749)</u>

**LAKE COUNTY LAND REUTILIZATION CORPORATION  
NOTES TO SUPPLEMENTAL INFORMATION (CONTINUED)  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

***Budgetary Basis of Accounting (Continued)***

Net change in fund balance  
For the Year Ended December 31, 2013

GAAP Basis	\$ 532,700
Net Adjustment for Revenue Accruals	20
Net Adjustment for Expenditure Accruals	<u>(834)</u>
Budget Basis	<u><u>(\$ 531,886)</u></u>



# 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*

Lake County Land Reutilization Corporation  
Administration Center, 5<sup>th</sup> Fl  
105 Main Street  
Painesville, Ohio 44077

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 governmental activities and the General Fund of the Lake County Land Reutilization Corporation, Lake County (the Corporation) as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements and have issued our report thereon dated August 27, 2015.

### ***Internal Control Over Financial Reporting***

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Corporation's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

### ***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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

***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

August 27, 2015