



OHIO AUDITOR OF STATE  
**KEITH FABER**





**TRUMBULL COUNTY LAND REUTILIZATION CORPORATION  
TRUMBULL COUNTY  
DECEMBER 31, 2018**

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# OHIO AUDITOR OF STATE KEITH FABER



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## INDEPENDENT AUDITOR'S REPORT

Trumbull County Land Reutilization Corporation  
Trumbull County  
160 High Street NW, FL 2A  
Warren, Ohio 44481

To the Board of Directors:

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

We have audited the accompanying financial statements of the Trumbull County Land Reutilization Corporation, Trumbull County, Ohio (the Corporation), a component unit of Trumbull County, as of and for the year ended December 31, 2018, 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 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 such 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 the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Trumbull County Land Reutilization Corporation, Trumbull County, Ohio, as of December 31, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

As discussed in Note 11 to the financial statements, the Corporation restated net position beginning of year, due to an error in the December 31, 2017 inventory asset balance. We did not modify our opinion regarding this matter.

**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 November 5, 2019, 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.



Keith Faber  
Auditor of State

Columbus, Ohio

November 5, 2019

**TRUMBULL COUNTY LAND REUTILIZATION CORPORATION**  
**TRUMBULL COUNTY, OHIO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

The management's discussion and analysis of the Trumbull County Land Reutilization Corporation's (the "Corporation") financial performance provides an overall review of the Corporation's financial activities for the year ended December 31, 2018. The intent of this discussion and analysis is to look at the Corporation's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the Corporation's financial performance.

### **Financial Highlights**

Key financial highlights for 2018 are as follows:

- The total net position of the Corporation increased \$142,993 due to operating revenues of \$640,706 and non-operating revenues of \$3,603,194 exceeding expenses of \$4,100,907 during 2018.
- The Corporation had revenues of \$4,243,900 and expenses of \$4,100,907. The net increase in net position of the Corporation was \$142,993, or 4.56%.

### **Using this Annual Financial Report**

This annual report consists of a series of financial statements and notes to these statements. These statements are organized so the reader can understand the Corporation as a financial whole, an entire operating entity. The statement of net position and statement of revenues, expenses and changes in net position provide information about the activities of the Corporation as a whole, presenting both an aggregate view of the Corporation's finances and a longer-term view of those finances.

### **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Corporation's basic financial statements. The basic financial statements are comprised of the *statement of net position*, the *statement of revenues, expenses and change in net position*, the *statement of cash flows*, and the *notes to the financial statements*.

- The *statement of net position* presents information on all of the Corporation's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference between these items reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Corporation is improving or deteriorating.
- The *statement of revenues, expenses and change in net position* presents information showing how the Corporation's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.
- The *statement of cash flows* presents information showing in greater detail how the Corporation received and disbursed cash during the most recent fiscal years.

**TRUMBULL COUNTY LAND REUTILIZATION CORPORATION**  
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- The *notes to financial statements* provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

The Corporation's financial statements consist of a single enterprise fund (a proprietary fund type), as the Corporation intends to recover all or a significant portion of its costs through user fees and charges (known as "business-type activities").

**Financial Analysis**

The net position of the Corporation is summarized for the purpose of determining the overall financial position. At December 31, 2018, the Corporation's assets exceeded liabilities by \$3,273,409, while at December 31, 2017, the Corporation's assets exceeded liabilities by \$3,130,416.

A comparative analysis of the data is presented below:

	<b>Net Position</b>	
	<u>Business-Type Activities</u>	
	<u>2018</u>	<u>2017</u>
<u>Assets</u>		
Current and other assets	\$3,270,125	\$3,130,548
Capital assets, net	5,734	2,318
<b>Total assets</b>	<b>3,275,859</b>	<b>3,132,866</b>
<u>Liabilities</u>		
Current and other liabilities	2,450	2,450
<b>Total liabilities</b>	<b>2,450</b>	<b>2,450</b>
<u>Net Position</u>		
Investment in capital assets	5,734	2,318
Restricted	319,284	206,884
Unrestricted	2,948,391	2,921,214
<b>Total net position</b>	<b>\$3,273,409</b>	<b>\$3,130,416</b>



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A portion of the Corporation's net position, \$5,734, or 0.17%, at December 31, 2018, reflects its investment in capital assets. These assets are not available for future spending. Investment in capital assets at December 31, 2017, was \$2,318 which represents 0.11% of the Corporation's net position. The table below shows the comparative analysis of changes in net position.

	<b>Change in Net Position</b>	
	<u>Business-Type Activities</u>	
	<u>2018</u>	<u>2017</u>
<b>Revenues</b>		
Operating revenues:		
Parcel sales and other revenue	<u>\$ 640,706</u>	<u>\$ 704,538</u>
Total operating revenues	640,706	704,538
Non-operating revenues:		
Grants and contributions	<u>3,603,194</u>	<u>2,127,596</u>
Total non-operating revenues	<u>3,603,194</u>	<u>2,127,596</u>
Total revenues	4,243,900	2,832,134
<b>Expenses</b>		
Operating expenses	<u>4,100,907</u>	<u>1,668,963</u>
Total expenses	<u>4,100,907</u>	<u>1,668,963</u>
Change in net position	142,993	1,163,171
Net position at beginning of year	<u>3,130,416</u>	<u>1,967,245</u>
Net position at end of year	<u><u>\$3,273,409</u></u>	<u><u>\$3,130,416</u></u>

**Business-Type Activities**

Business-Type Activities net position increased by \$142,993 during 2018.

Expenses for 2018 totaled \$4,100,907. The largest expense of the Corporation consists of reimbursement payments to cities and townships of Trumbull County for demolition costs in the amount of \$1,585,285 which represents 38.65% of total expenses.

**TRUMBULL COUNTY LAND REUTILIZATION CORPORATION  
TRUMBULL COUNTY, OHIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2018**

In 2018 revenues from grants and contributions total \$3,599,577. The primary sources of this revenue consist of funds from the Ohio Neighborhood Initiative Program totaling \$3,162,231, or 87.85%, and of 5% of all collections of delinquent property taxes in Trumbull County which amounted to \$425,298, or 11.82% of total grant and contribution revenues during 2018. The remaining grant and contribution revenue of \$12,048 (0.33%) was received from donations.

In 2017 demolition costs totaled \$1,487,520 and represented 89.12% of the total expenses which were \$1,668,963. In 2017 revenues from grants and contributions total \$2,127,177. The primary sources of this revenue consist of funds from the Ohio Neighborhood Initiative Program totaling \$1,628,670, or 76.57%, and of 5% of all collections of delinquent property taxes in Trumbull County which amounted to \$483,727, or 22.74% of total grant and contribution revenues during 2017. The remaining grant and contribution revenue of \$14,780 (0.69%) was received from donations.

***Capital Assets***

Capital assets are comprised of computers and the related software, vehicles, miscellaneous furniture and equipment.

***Other Assets***

Other assets consist of the Corporation's share of delinquent tax receivable, receivables from land contract parcel sales, prepaid expenses, and a loan receivable.

***Debt Administration***

As of December 31, 2018, the Corporation does not have any debt.

***Current Financial Related Activities***

Trumbull County formed the Trumbull County Land Reutilization Corporation on November 10, 2010. The Corporation is a component unit of Trumbull County, Ohio. The purpose of the Corporation is for the reclamation, rehabilitation, and reutilization of vacant, abandoned, tax-foreclosed or other real property in the county.

**Contacting the Corporation's Financial Management**

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the Corporation's finances and to show the Corporation's accountability for the money it receives. If you have questions about this report or need additional financial information please contact: Mr. Sam Lamancusa, Treasurer, Trumbull County, 160 High Street NW, Warren, OH 44481.

**TRUMBULL COUNTY LAND REUTILIZATION CORPORATION**  
**TRUMBULL COUNTY, OHIO**

STATEMENT OF NET POSITION  
DECEMBER 31, 2018

ASSETS	2018
<b>CURRENT ASSETS</b>	
Cash and cash equivalents	\$ 1,295,776
Due from other governments	210,786
Land contracts receivable	0
Other receivable	500
Current portion of loan receivable	9,400
Inventory asset	1,609,900
Prepaid expenses	10,325
<b>TOTAL CURRENT ASSETS</b>	<b>3,136,687</b>
<b>CAPITAL ASSETS</b>	
Computers	747
Computer software	45,498
Vehicles	9,300
Furniture & equipment	953
	56,498
Less: accumulated depreciation	(50,764)
<b>NET CAPITAL ASSETS</b>	<b>5,734</b>
<b>OTHER ASSETS</b>	
Loan fees (net of amortization)	3,729
Loan receivable (net of current portion)	129,709
<b>TOTAL OTHER ASSETS</b>	<b>133,438</b>
<b>TOTAL ASSETS</b>	<b>\$ 3,275,859</b>
 <b>LIABILITIES AND NET POSITION</b>	
<b>CURRENT LIABILITIES</b>	
Escrow deposits payable	\$ 2,450
<b>TOTAL CURRENT LIABILITIES</b>	<b>2,450</b>
<b>TOTAL LIABILITIES</b>	<b>2,450</b>
<b>NET POSITION</b>	
Investment in capital assets	5,734
Restricted	319,284
Unrestricted	2,948,391
<b>TOTAL NET POSITION</b>	<b>3,273,409</b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 3,275,859</b>

**TRUMBULL COUNTY LAND REUTILIZATION CORPORATION**  
**TRUMBULL COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
FOR THE YEAR ENDED DECEMBER 31, 2018

	2018
<b>OPERATING REVENUES</b>	
Parcel sales	\$ 634,059
Fee offsets	0
Salvage income	5,988
Reimbursements	659
TOTAL OPERATING REVENUES	640,706
<b>OPERATING EXPENSES</b>	
Cost of sales	2,867,146
Asbestos inspections	124,017
Board up supplies	0
Court services	9,649
Deed preparation	9,736
Equipment expenses	0
Facilitator fees	137,500
Filing fees	(53)
Fuel	91
NIP expenses	760,170
Property inspections	0
Property maintenance	21,639
Security	1,159
Signage	0
Supplies	150
Surveying	0
Utilities	3,021
Vehicle expense	218
Advertising & marketing	68,791
Amortization	21
Automobile	4,411
Bank fees	209
Computer & internet expense	11,260
Depreciation	2,384
Donations	0
Insurance	22,961
Memberships & dues	2,500
Office supplies	280
Postage & delivery	11,809
Printing & copying	2,678
Professional fees - accounting	14,400
Professional fees - legal	11,770
Professional fees - state audit	7,093
Telephone	1,370
Travel - conference & meetings	3,474
Travel expenses	1,053
TOTAL OPERATING EXPENSES	4,100,907
OPERATING INCOME (LOSS)	(3,460,201)

**TRUMBULL COUNTY LAND REUTILIZATION CORPORATION**  
**TRUMBULL COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>2018</u>
NON-OPERATING REVENUES/(EXPENSES)	
Ohio Home Assist NIP	3,162,231
DTAC share	425,298
Donations	12,048
Royalty revenue	1,429
Interest revenue	<u>2,188</u>
 TOTAL NON-OPERATING REVENUES/(EXPENSES)	 3,603,194
 CHANGE IN NET POSITION	 142,993
 NET POSITION BEGINNING OF YEAR	 <u>3,130,416</u>
 NET POSITION END OF YEAR	 <u>\$ 3,273,409</u>

**TRUMBULL COUNTY LAND REUTILIZATION CORPORATION**  
**TRUMBULL COUNTY, OHIO**

STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2018

	2018
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from parcel sales	\$ 635,249
Other cash receipts	6,647
Cash payments for inventory	(2,318,496)
Other cash payments	(1,231,856)
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<b>(2,908,456)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Operating grants received	3,162,231
DTAC share received	750,000
Donations received	12,048
Royalty revenue	1,429
Interest revenue	2,188
<b>NET CASH PROVIDED BY (USED IN) NONCAPITAL FINANCING ACTIVITIES</b>	<b>3,927,896</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Cash used to purchase capital assets	(5,800)
Cash used for prepaid recording fees	(510)
<b>NET CASH PROVIDED BY (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>(6,310)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Principal received on loaned amounts	9,331
Cash used on loan fees	(3,750)
<b>NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES</b>	<b>5,581</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>1,018,711</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>277,065</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>1,295,776</b>

**TRUMBULL COUNTY LAND REUTILIZATION CORPORATION**  
**TRUMBULL COUNTY, OHIO**

STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>2018</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	
Operating income (loss)	\$ (3,460,201)
Adjustments	
Depreciation	2,384
Amortization	21
(Increase) decrease in assets	
Land contracts receivable	1,190
Vendor receivable	(500)
Inventory asset	<u>548,650</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u><u>(2,908,456)</u></u>

**TRUMBULL COUNTY LAND REUTILIZATION CORPORATION**  
**TRUMBULL COUNTY, OHIO**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2018**

**NOTE 1 – DESCRIPTION OF THE REPORTING ENTITY**

The Trumbull County Land Reutilization Corporation (the “Corporation”) is a county land reutilization corporation that was formed on November 10, 2010, when the Trumbull County Board of Commissioners authorized the incorporation of the Corporation under Chapter 1724 of the Ohio Revised Code to exercise the powers and perform the duties of a county with respect to land reutilization under Chapter 5722 of the Ohio Revised Code. The purpose of the Corporation is for the reclamation, rehabilitation, and reutilization of vacant, abandoned, tax-foreclosed or other real property in the county. The Corporation is a component unit of Trumbull County, Ohio.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements of the Corporation have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The Corporation’s significant accounting policies are described below.

***Measurement Focus, Basis of Accounting, and Financial Statement Presentation***

The Corporation uses a single proprietary or enterprise fund to account for and report its financial activities, which are limited to *business-type activities* – i.e., activities that are financed in whole or in part by fees charged to external parties and are operated in a manner similar to private business where the determination of revenues earned, costs incurred and/or net income is necessary for management accountability. The financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

Property sales associated with the current fiscal period are all considered to be susceptible to accrual and as such have been recognized as revenues of the current fiscal period.

***Estimates***

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

***Operating and Non-operating Revenues and Expenses***

As a business-type activity, the Corporation distinguishes operating revenues and expenses from non-operating items. Operating revenues are mostly comprised of revenues from the sales of property. Operating expenses generally result from the acquisition, demolition and renovation of properties, and general and administrative expenses in accordance with the Corporation’s mission. All revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses.



**TRUMBULL COUNTY LAND REUTILIZATION CORPORATION**  
**TRUMBULL COUNTY, OHIO**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2018**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Assets, Liabilities, and Net Position*

*Cash and cash equivalents*

All monies received by the Corporation are deposited in a demand deposit account, with the exception of some deposits being made for the purchase of real estate which are placed into an interest on trust accounts (IOTA) escrow account to be held until the completion of certain objectives. The balance in the IOTA account was \$319,284 at December 31, 2018. Investments with an original maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents. The Corporation had no investments during the years of or at the end of the year 2018.

*Restricted assets*

Certain amounts of cash are classified as restricted because their use is restricted by grant agreements or requirements for the purchase of real estate. Restricted cash balance at December 31, 2018, is \$319,284.

*Due from other governments*

Amounts due from other governments are receivables stated at their outstanding balance. The Corporation considers all amounts to be fully collectible. If collection becomes doubtful, the Corporation will either set up an allowance for doubtful accounts, or if deemed completely uncollectible, the amounts will be charged against income in the current period. Management does not believe a reserve for uncollectible receivables is necessary at December 31, 2018.

*Land contracts receivable*

Land contracts receivable are receivables from parcel sales and are stated at their outstanding balance. The Corporation considers all amounts to be fully collectible. If amounts become uncollectible, the Corporation will identify them and record them as bad debt in the period that they become uncollectible. There was no bad debt in 2018.

*Inventory asset*

The Corporation's inventory consists of any unsold parcels that have been transferred into the name of the Corporation. The values placed on these parcels are based solely on the expense incurred by the Corporation that directly pertains to said parcels not to exceed the expected net realizable value. Inventory value was \$1,609,900 at December 31, 2018.

*Capital Assets*

The Corporation follows the practice of capitalizing expenses for property and equipment whose cost is in excess of \$250. The costs of additions and improvements which substantially extend the useful life of a particular asset are capitalized. Routine repair and maintenance costs are expensed in the period they are incurred.

**TRUMBULL COUNTY LAND REUTILIZATION CORPORATION**  
**TRUMBULL COUNTY, OHIO**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2018**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The Corporation's equipment and vehicles are depreciated primarily using the straight-line method. Estimated useful lives of assets are as follows:

Computer software	3 years
Computer equipment	5 years
Vehicles	5 years
Furniture & equipment	7 years

Depreciation expense was \$2,384 for the year ended December 31, 2018.

*Net Position*

Equity is classified as net position and displayed in three components:

- a. Net investment in capital assets - capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. The Corporation has no borrowings as of December 31, 2018.
- b. Restricted net position - net position with constraints placed on their use either by (1) external groups such as creditors or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation. Restricted net position is \$319,284 at December 31, 2018.
- c. Unrestricted net position - all other assets that do not meet the definition of net investment in capital assets or restricted net position.

*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 and that are either unusual in nature or infrequent in occurrence. The Corporation had no extraordinary or special items during 2018.

**NOTE 3 – DEPOSITS AND INVESTMENTS**

*Deposits with Financial Institutions*

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

**TRUMBULL COUNTY LAND REUTILIZATION CORPORATION**  
**TRUMBULL COUNTY, OHIO**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2018**

**NOTE 3 – DEPOSITS AND INVESTMENTS (Continued)**

The Corporation maintains cash balances at Huntington National Bank, located in the Northeastern Ohio area. Accounts at the institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2018, the Corporation's uninsured cash balances totaled \$1,045,776.

**NOTE 4 – RECEIVABLES**

Amounts due from other governments at December 31, 2018, consist of the Corporation's share of Trumbull County's Delinquent Tax Assessment and Collection (DTAC) fund. At December 31, 2018, amounts due from other governments are \$210,786.

As of December 31, 2018, there were no land contract agreements receivable.

Other receivable represents an NSF check that was received and is expected to be redeposited. The Other receivable at December 31, 2018, was \$500.

**NOTE 5 – PREPAID EXPENSES**

Prepaid expenses consist of payments made to the county recorder in advance for future recording fees and for a software maintenance contract. The prepaid recording fees are reimbursed to the Corporation at the time of closing of parcel sales. This practice began in August 2015. Prepaid recording fees at December 31, 2018, amounted to \$114.

The prepaid maintenance contract is a 12 month contract that is renewed annually and began in October 2016. The remaining balance on the prepaid maintenance contract at December 31, 2018, is \$10,211.

**NOTE 6 – CAPITAL ASSETS**

Capital assets at December 31, 2018, consisted of:

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Computers	\$ 747	\$ 747	\$ 0
Computer Software	\$ 45,498	\$ 45,498	\$ 0
Vehicles	\$ 9,300	\$ 3,790	\$ 5,510
Furniture & Equipment	\$ 953	\$ 729	\$ 224
	\$ 56,498	\$ 50,764	\$ 5,734

**TRUMBULL COUNTY LAND REUTILIZATION CORPORATION**  
**TRUMBULL COUNTY, OHIO**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2018**

**NOTE 7 – LOAN RECEIVABLE**

On October 19, 2017, the Corporation entered into a loan agreement with Trumbull Neighborhood Partnership (TNP) for the purpose of loaning money to be used to finish restoration of the donated property. The terms of the loan are as follows:

Loan amount:	\$150,000
Interest rate:	1.00% compounded monthly
Loan term:	15 years
Monthly payment:	\$897.74

The balance of the loan at December 31, 2018, is \$139,109.

**NOTE 8 – COST OF SALES**

Cost of sales for 2018 consists of:

	2018
Adjusted cost	\$ 1,079,300
Demolition	\$ 1,585,285
Parcel rehab	114,675
Title searches	87,886
	<u>\$2,867,146</u>

**NOTE 9 – TRANSACTIONS WITH TRUMBULL COUNTY**

Pursuant to and in accordance with Section 321.621 (B) of the Ohio Revised Code, the Corporation has been authorized by the Trumbull County Board of Commissioners to receive 5% of all collections of delinquent real property, personal property, and manufactured and mobile home taxes that are deposited into the County's Delinquent Tax Assessment and Collection (DTAC) fund and will be available for appropriation by the Corporation to fund operations. At December 31, 2018, the Corporation recognized revenues of \$425,298 for these fees that were collected by the County in 2018. The Corporation received \$750,000 of the DTAC amounts receivable in 2018.

**TRUMBULL COUNTY LAND REUTILIZATION CORPORATION**  
**TRUMBULL COUNTY, OHIO**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2018**

**NOTE 10 – RISK MANAGEMENT**

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

The Corporation maintains comprehensive insurance coverage with independent third parties for real property, building, vehicle, general liability, and professional liability insurance. There were no settled claims from these risks that have exceeded commercial insurance coverage for the past years, nor has insurance coverage been significantly reduced from the prior year.

**NOTE 11 – RESTATED NET POSITION BEGINNING OF YEAR**

During the year ended December 31, 2018, a certain adjustment was made that required the restatement of the net position at December 31, 2017.

Net Position December 31, 2017	\$2,043,116
Restatement	<u>1,087,300</u>
Restated Net Position December 31, 2017	<u><u>\$3,130,416</u></u>

The restatement of \$1,087,300 is the result of a correction to the inventory valuation at December 31, 2017 which affected the change in net position for the year ended December 31, 2017.

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# OHIO AUDITOR OF STATE KEITH FABER



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Canton, Ohio 44702-1509  
(330) 438-0617 or (800) 443-9272  
EastRegion@ohioauditor.gov

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

Trumbull County Land Reutilization Corporation  
Trumbull County  
160 High Street NW, FL 2A  
Warren, Ohio 44481

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 Trumbull County Land Reutilization Corporation, Trumbull County, Ohio (the Corporation), a component unit of Trumbull County, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements and have issued our report thereon dated November 5, 2019, wherein we noted the Corporation restated net position beginning of year, due to an error in the December 31, 2017 inventory asset balance.

### ***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. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2018-001 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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

***Corporation's Response to Finding***

The Corporation's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not subject the Corporation's response to the auditing procedures applied in the audit of the financial statements 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 report is not suitable for any other purpose.



Keith Faber  
Auditor of State

Columbus, Ohio

November 5, 2019



**TRUMBULL COUNTY LAND REUTILIZATION CORPORATION  
TRUMBULL COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2018**

**1. Financial Reporting and Segregation of Duties**

**FINDING NUMBER 2018-001**

MATERIAL WEAKNESS

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16. Governmental Accounting Standards Board (GASB) Cod. 1100 paragraph .101 states a governmental accounting system must make it possible both: (a) to present fairly and with full disclosure the funds and activities of the governmental unit in conformity with generally accepted accounting principles, and (b) to determine and demonstrate compliance with finance-related legal and contractual provisions.

The Corporation understated net position beginning of year by \$1,087,300, as the result of the restatement of their inventory asset balance due to errors. In addition, the notes to the financial statements did not include disclosures related to custodial credit risk and risk management.

Segregation of duties provides two significant benefits: (1) a deliberate fraud is more difficult because it requires collusion of two or more persons and (2) it is more likely an error will be detected. Proper segregation of duties is not possible when only one or two people handle all four aspects of the internal control cycle, (record keeping, authorization, custody and reconciliation.)

For the Corporation's segregation of duties over inventory assets, one person records the additions and disposals in the inventory system, reconciles inventory records to the system, and makes adjustments to the system.

This lack of segregation of duties could have contributed to the aforementioned restatement of inventory balances and might lead to fraud, theft, or other errors going undetected. Segregating every function may not be financially feasible, however, careful consideration of which functions need to be separated should be completed. The Corporation should review their procedures and, where possible, take steps to include involvement of other employees handling one of the functions, levels of approval and review of the record keeping, authorization, custody, and reconciliation of accounts.

The Corporation should review the basic financial statements and GAAP compilation to help ensure all amounts are properly classified. The Corporation should review the financial report shell for informative note disclosures on the AOS website to ensure the format and content of the basic financial statements and related note disclosures are complete and accurate.

In addition, for those cycles for which segregation of duties is not possible, the Corporation should enact additional monitoring controls, including, but not limited to, review of monthly bank reconciliations, budget versus actual reports, and review of receipt and disbursement ledgers. Implementation of these procedures may help strengthen internal control over the entire financial reporting cycle and help create a culture of accountability and assist in protecting the Corporation from unnecessary loss and errors.

**Official's Response:** I know that our very successful meeting with Shawn and Tony will eliminate this from occurring in the future.

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# OHIO AUDITOR OF STATE KEITH FABER



## TRUMBULL COUNTY LAND REUTILIZATION

### TRUMBULL 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  
NOVEMBER 26, 2019