



Dave Yost • Auditor of State

**ROSS COUNTY LAND REUTILIZATION CORPORATION
ROSS COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Ross County Land Reutilization Corporation
Ross County
35 South Paint Street
Chillicothe, Ohio 45601

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of the Ross County Land Reutilization Corporation, Ross County, Ohio (the Corporation), a component unit of Ross County, as of and for the year ended December 31, 2017, 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 Corporations 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 governmental activities and the major fund of the Ross County Land Reutilization Corporation, Ross County, Ohio, as of December 31, 2017, and the respective changes in financial position for the General fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 31, 2018, on our consideration of the Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

July 31, 2018

**ROSS COUNTY LAND REUTILIZATION CORPORATION
ROSS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017
UNAUDITED**

The management's discussion and analysis of the Ross county Land Reutilization Corporation's (the Corporation) financial performance provides an overall review of the Corporation's financial activities for the year ending December 31, 2017. The Corporation was incorporated in August 2016 and began operations in January 2017. The intent of this discussion and analysis is to look at the Corporation's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the Corporation's financial performance.

Financial Highlights

Key financial highlights for 2017 are as follows:

- In accordance with Section 1724.10(A)(2) of the ORC, the Corporation has been designated as the agency for the reclamation, rehabilitation, and reutilization of vacant, abandoned, tax-foreclosed, or other real property in the County.
- The Corporation opened a checking account and received a line of credit of \$100,000 in 2017. The Corporation borrowed the full amount against the line at December 31, 2017. The funding was used to begin acquiring property and to begin demolition. The Corporation acquired 13 properties during 2017 for the total cost of \$86,625.94. A complete listing of property held at year end is on page 6 of this report.

Using this Annual Financial Report

This annual report consists of financial statements and notes to the financial statements. These statements are prepared and organized so the reader can understand the Corporation as a financial whole or as an entire operating entity. The statements then proceed to provide a detailed look at our specific financial conditions.

The Statement of Net Position and Statement of Activities provide information about the activities of the whole Corporation, presenting both an aggregate view of the Corporation's finances and longer-term view of those assets. The Statement of Activities shows changes to net position related to each department of the Corporation. Fund financial statements tell how services were financed in the short-term as well as what dollars remain for future spending.

Reporting the Corporation as a Whole

Statement of Net Position and the Statement of Activities

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

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

**ROSS COUNTY LAND REUTILIZATION CORPORATION
ROSS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017
UNAUDITED**

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

- Asset
- Liabilities
- Net Position (Assets minus Liabilities)
- Program Expenses and Revenues
- General Revenues
- Net Position Beginning and End of the Year

Reporting on the Corporation's Most Significant fund

Governmental Fund

The presentation for the Corporation's only fund, the General or Governmental fund, focuses on how resources flow into and out of it and the balance that is left at year-end and available for spending in future periods. The General Fund is reported using the modified accrual of accounting which measures cash and all other financial assets that are expected to be readily converted to cash. The governmental fund statements provide a detailed short-term view of the Corporation's general operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future on services provided to the Corporation's government constituents.

The relationship (or difference) between governmental activities (reported on the Statement of Net Position and the Statement of Activities) and the General Fund is reconciled in the financial statements.

The Ross County Land Reutilization Corporation as a Whole

The table below provides a summary of Corporation's net position for 2017. Comparative information will be presented in future years as information becomes available.

**Table 1
Net Position**

	2017
Assets	
Cash	\$ 20,230.07
Line of Credit Receivable	50,000.00
Grant Receivable	100,000.00
Property Held for Sale	<u>86,625.94</u>
Total Assets	256,856.01
Current Liabilities	
Payables	56,709.04
Accrued Admin Fees	<u>10,000.00</u>
Total Current Liabilities	<u>66,709.04</u>

**ROSS COUNTY LAND REUTILIZATION CORPORATION
ROSS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017
UNAUDITED**

Long-Term Liabilities	
Due in More Than One Year	100,000.00
Mortgage Payable	<u>120.00</u>
Total Long-Term Liabilities	<u>100,120.00</u>
Total Liabilities	<u>166,829.04</u>
Net Position	
Restricted-Property Held for Sale	86,625.94
Unrestricted	<u>3,401.03</u>
Total Net Position	<u>\$ 90,026.97</u>

Cash collected by the Corporation is deposited into a checking account for operating purposes.

Grant Receivables at December 31, 2017, consists of funds due from the Ohio Housing Finance Agency (OHFA) Neighborhood Initiative Program (NIP).

Accounts payable consists of expenses related to the NIP Program for demolition cost.

The table below shows the changes in net position for the year ending December 31, 2017. Comparative information will be presented in future years as information becomes available.

**Table 2
Changes in Net Position**

	2017
Revenues:	
Program Revenues:	
Operating Grants	<u>\$100,000.00</u>
Total Program Revenues	100,000.00
General Revenue:	
Miscellaneous Revenue	<u>61.20</u>
Total General Revenue	<u>61.20</u>
Total Revenue	100,061.20
Expenditures:	
Administrative	10,000.00
Other	<u>34.23</u>
Total Expenditures	<u>10,034.23</u>
Increase in Net Position	90,026.97
Net Position, January 1	<u>0.00</u>
Net Position, December 31	<u>\$ 90,026.97</u>

Revenues consist primarily of the Ohio Housing Finance Agency "Neighborhood Initiative Program" grant.

Expenditures consist primarily of acquisition and demolition costs.

**ROSS COUNTY LAND REUTILIZATION CORPORATION
ROSS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017
UNAUDITED**

The Corporation's Fund

This fund is accounted for using the modified accrual basis of accounting. The Corporation had governmental revenues of \$ 100,061.20 and expenditures of \$ 10,034.23.

Property Held for Sale

As of December 31, 2017, the Corporation owns the properties listed below. Property held for resale is carried at cost.

Street	Address	Parcel	Type
2nd, East	439	305423019000	Greened lot after NIP demo
Main, East	517-519	305429019000.000	Greened lot after NIP demo
McArthur	343	305626078000.000	Greened lot after NIP demo
Washington	700	305631048000.000	Greened lot after NIP demo
Western Ave.	52	305132002000 & 305132003000	Single family home
Hickory, South	69 & 69½	305510009.000	Single family home
Walnut, South	181	305519006.000	Single family home
4th, West	25	305502019.000	Apartments over warehouse
Kensington Drive	12	305106090.000	Vacant lot
Kensington Drive	14	305106091.000	Vacant lot
Kensington Drive	16	305106092.000	Vacant lot
Kensington Drive	18	305106093.000	Vacant lot
Hickory, North	151	305510009.000	Vacant lot

Debt

The Corporation has a line of credit agreement of \$100,000. The Corporation borrowed the full amount against the line at December 31, 2017. The funding was used to begin acquiring property and to begin demolition. Under terms of the line of credit, the Company is required to repay the line upon receipt of the grant from the OHFA, which is paid through a reimbursement process.

Current Financial Related Activities

The Corporation is a Community Improvement Corporation (CIC) operating in Ross County, Ohio for reclamation, rehabilitation and reutilization of vacant, abandoned, tax-foreclosed and other real property in the County. The principal operating revenue of the Corporation is a Neighborhood Initiative Program grant administered through the office of the Ohio Housing Finance Agency to assist communities with demolishing abandoned, vacant and blighted residential properties. Revenue for the Neighborhood Initiative Program comes from the Federal Hardest Hit Fund.

**ROSS COUNTY LAND REUTILIZATION CORPORATION
ROSS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017
UNAUDITED**

Request for Information

This financial report is designed to provide users of the financial statements with a general overview of the Corporation's finances and show the Corporation's accountability for the money it receives. If you have questions about this report or need additional financial information contact Corporation Treasurer, Kristal Spetnagel, at Kristal.spetnagel@chillicotheoh.gov or 740-775-3955.

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Ross County Land Reutilization Corporation
 Ross County
 (A Component Unit of Ross County)
 Statement of Net Position
 December 31, 2017

	<u>Governmental Activities</u>
Assets	
Cash	\$ 20,230.07
Line of Credit Receivable	50,000.00
Grant Receivable	100,000.00
Total Current Assets	170,230.07
Property Held for Sale	86,625.94
Total Assets	256,856.01
Liabilities	
Payables	56,709.04
Accrued Admin Fees	10,000.00
Total Current Liabilities	66,709.04
Due in More Than 1 year Mortgage Payable	100,000.00 120.00
Total Long-Term Liabilities	100,120.00
Total Liabilities	166,829.04
Net Position	
Restricted -Property Held for Sale	86,625.94
Unrestricted	3,401.03
Net Position	\$ 90,026.97

See accompanying notes to the basic financial statements.

Ross County Land Reutilization Corporation
 Ross County
 (A Component Unit of Ross County)
 Statement of Activities
 For the Year Ended December 31, 2017

	Expenditures	Operating Grants	Net (Expense) Revenue and Changes in Net Position
Governmental Activities			
Administration	\$ 10,000.00	\$ 100,000.00	\$ 90,000.00
Other	34.23		\$ (34.23)
Total	\$ 10,034.23	\$ 100,000.00	\$ 89,965.77
General Revenue:			
Miscellaneous Revenue			61.2
Total General Revenue			61.2
Change in Net Position			\$ 90,026.97
Net Position Beginning of Year			0
Net Position End of Year			\$ 90,026.97

See accompanying notes to the basic financial statements.

Ross County Land Reutilization Corporation
 Ross County
 (A Component Unit of Ross County)
 Balance Sheet
 December 31, 2017

Assets	<u>General Fund</u>
Cash	\$ 20,230.07
Line of Credit Receivable	50,000.00
Grant Receivable	100,000.00
Property Held for Sale	86,625.94
Total Assets	<u>\$ 256,856.01</u>
Liabilities	
Payables	\$ 56,709.04
Accrued Admin Fees	10,000.00
Mortgage Payable	120.00
Total Liabilities	<u>66,829.04</u>
Deferred Inflows	
Unavailable Revenue	100,000.00
Total Deferred Inflows	<u>100,000.00</u>
Total Liabilities and Deferred Inflows	<u>166,829.04</u>
Fund Balance:	
Nonspendable	86,625.94
Unrestricted	3,401.03
Total Fund Balance	<u>90,026.97</u>
Total Liabilities, Deferred Inflows and Fund Balance	<u>\$ 256,856.01</u>

See accompanying notes to the basic financial statements.

Ross County Land Reutilization Corporation
Ross County
(A Component Unit of Ross County)
Reconciliation of Total Governmental Fund Balance to
Net Position of Governmental Activities
December 31, 2017

Total Governmental Fund Balance	\$ 90,026.97
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds	100,000.00
Long-term liabilities are not due and payable in the current period and therefore are not reported in the fund:	(100,000.00)
Net Position of Governmental Activities	<u>\$ 90,026.97</u>

See accompanying notes to the basic financial statements.

Ross County Land Reutilization Corporation
 Ross County
 (A Component Unit of Ross County)
 Statement of Revenues, Expenditures and Changes in Fund Balance
 For the Year Ended December 31, 2017

	Genera Fund
Revenues	
Miscellaneous	\$ 61.20
Total Revenues	61.20
Expenditures	
Admin fees	10,000.00
Bank fees	6.00
Supplies	28.23
Total Expenditures	10,034.23
Excess of Revenues (Under) Expenditures	(9,973.03)
Other Financing Sources:	
Proceeds of Debt	100,000.00
Total Other Financing Sources	100,000.00
Net Change in Fund Balance	90,026.97
Fund Balance Beginning of Year	-
Fund Balance End of Year	\$ 90,026.97

See accompanying notes to the basic financial statements.

**ROSS COUNTY LAND REUTILIZATION CORPORATION
ROSS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

Note 1 – Description of the Reporting Entity

The Ross County Land Reutilization Corporation (the Corporation) is a body corporate and politic authorized by the Board of County Commissioners of Ross County on August 10, 2016 and incorporated under Chapters 1724 and 1702 of the Ohio Revised Code.

The Corporation's governing body is a five member Board of Directors, consisting of the County Treasurer, two County Commissioners, the Mayor of the City of Chillicothe and the remaining member selected by the Mayor of the City of Chillicothe.

The Corporation has been designated as the County's agent to further its mission to reclaim, rehabilitate, and reutilize vacant, abandoned, tax foreclosed and other real property in the County by exercising the powers of the County under Chapter 5722 of the Ohio Revised Code. The Corporation is classified as a component unit of Ross County for reporting purposes, in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14 as amended by GASB Statements No. 39 and 61.

The financial statements include all agencies, divisions, and operations for which the Corporation is financially accountable. Financial accountability exists if a primary government / component unit appoints a majority of an organization's governing board and is able to impose its will on that organization. Financial accountability may also be deemed to exist if there is a potential for the organization to provide financial benefits to, or impose financial burdens on, the primary government / component unit. On this basis, no governmental organization other than the Corporation itself is included in the financial reporting entity.

Note 2 -Summary of Significant Accounting Policies

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 the fiduciary funds. These statements usually distinguish between those activities of the Corporation that are governmental and those that are business-type. The Corporation, however, does not have any business-type activities.

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

**ROSS COUNTY LAND REUTILIZATION CORPORATION
ROSS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)**

Note 2 -Summary of Significant Accounting Policies (Continued)

Fund Financial Statements

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

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 liabilities 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 Neighborhood Initiative Program and related activities. 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 all liabilities associated with the operation of the Corporation are included on the Statement of Net Position. The Statement of Activities presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position.

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 current liabilities generally are included on the Balance Sheet. The Statement of Revenues, Expenditures and Changes in Fund Balance reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore may include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for the general fund.

**ROSS COUNTY LAND REUTILIZATION CORPORATION
ROSS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)**

Note 2 -Summary of Significant Accounting Policies (Continued)

Basis of Accounting

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

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.

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

Budgetary Process

The Corporation is not bound by the budgetary laws prescribed by the Ohio Revised Code for purely governmental entities. The Board of Directors of the Corporation did, however, adopt an annual budget for the fiscal year and program appropriations were approved by the Board of Directors during the year as required.

Federal Income Tax

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

**ROSS COUNTY LAND REUTILIZATION CORPORATION
ROSS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)**

Note 2 -Summary of Significant Accounting Policies (Continued)

Cash and Investments

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

Accrued Liabilities and Long-Term Obligations

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

Governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the fund.

Net Position

Net position represents the difference between assets and liabilities. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

Property Held for Sale

Assets held for resale represent properties purchased by or donated to the Corporation. These properties are valued based upon acquisition cost plus any costs of maintenance, rehabilitation, or demolition costs. The Corporation holds the properties until they are either sold to individuals who rehabilitate them, or the structure on the properties is demolished and the property is transferred to a new owner.

Grant Revenue

Grant revenue consists of funds due from the Ohio Housing Finance Agency (OHFA) Neighborhood Initiative Program (NIP).

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.

Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Corporation Administration and that are either unusual in nature or infrequent in occurrence. The Corporation had no extraordinary or special items during 2017.

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:

**ROSS COUNTY LAND REUTILIZATION CORPORATION
ROSS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)**

Note 2 -Summary of Significant Accounting Policies (Continued)

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

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

Committed The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the Corporation’s Board. Those committed amounts cannot be used for any other purpose unless the Board remove 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.

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 has not adopted a formal fund balance policy.

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

Note 3 - Litigation

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

Note 4 – 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; injuries; and natural disasters. During 2017, the Corporation contracted with West Bend Insurance for the various types of Insurance. Since being incorporated there have not been any claims.

**ROSS COUNTY LAND REUTILIZATION CORPORATION
ROSS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)**

Note 5 – Subsequent Events

The Corporation has acquired two additional properties since January 1, 2018.

Note 6 – Deposits

At December 31, 2017, the carrying amount of the Corporation’s deposits was \$20,230.07. The Corporation’s bank balance was \$20,230.07. Protection of the Corporation’s cash and deposits is provided by the Federal Deposit Insurance Corporation (FDIC).

Note 7 – Long-Term Obligations

The Corporation signed a Promissory Note with Ohio Housing Finance Agency in 2017 for the Neighborhood Initiative Program that extends to the Corporation a loan on a revolving basis provided the aggregate principal amount borrowed does not exceed \$100,000. The debt is associated with the demolition of properties. The Promissory Note is secured by the Neighborhood Initiative Program OHFA Line of Credit Agreement.

The summarized terms are in the following table:

Debt Issue	Interest Rate	Original Issue Amount	Date of Maturity
Ohio Housing Finance Agency Promissory Note	0.00%	\$100,000	June 1, 2019

Note 8 – Fund Balance

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the Corporation is bound to observe constraints imposed upon the use of the resources in the governmental fund. The constraints placed on fund balance for the general fund is presented below:

Fund Balances	General Fund
Nonspendable	
Assets Held For Sale	\$86,625.94
<i>Total Nonspendable</i>	<u>86,625.94</u>
Unassigned (Deficit)	3,401.03
<i>Total Fund Balances</i>	<u><u>\$90,026.97</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

Ross County Land Reutilization Corporation
Ross County
35 South Paint Street
Chillicothe, Ohio 45601

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 major fund of the Ross County Land Reutilization Corporation, Ross County, (the Corporation), a component unit of Ross County, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements and have issued our report thereon dated July 31, 2018.

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 2017-001 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*.

Corporate Centre of Blue Ash, 11117 Kenwood Road, Blue Ash, Ohio 45242
Phone: 513-361-8550 or 800-368-7419 Fax: 513-361-8577

www.ohioauditor.gov

Corporation's Response to Findings

The Corporation's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not 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.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive, flowing style.

Dave Yost
Auditor of State

Columbus, Ohio

July 31, 2018

**ROSS COUNTY LAND REUTILIZATION CORPORATION
ROSS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2017**

FINDING NUMBER 2017-001

Material Weakness

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, the Ross County Land Reutilization Corporation (Corporation) 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 did not accurately classify transactions and balances on the modified accrual Governmental Fund financial statements for grant revenue, long term debt and fund balances. This resulted in the following errors:

- Unavailable Revenue was understated and Grant Revenue was overstated by \$100,000.
- Restricted Line of Credit Liability was overstated and Proceeds of Debt was understated by \$100,000.
- Nonspendable Fund Balance of \$86,625.94 was misclassified as Unrestricted Fund Balance.

The Corporation did not accurately classify transactions and balances on the full accrual Governmental Activities financial statements for grant revenue and net position. This resulted in the following errors:

- Grant Revenue was overstated and Program Revenue – Operating Grants was understated by \$100,000.
- Unrestricted Net Position was overstated and Restricted Net Position was understated by \$86,625.94.

The Corporation corrected the financial statements.

Failure to accurately post and report transactions could result in material errors in the Corporation's financial statements and reduces the Corporation's ability to monitor financial activity and to make sound decisions which effect the overall available cash positions of the Corporation.

We recommend that the Corporation accurately present financial transactions.

Officials' Response:

The Ross County Land Reutilization Corporation is aware of Finding Number 2017-001 and has taken necessary measures to assure that transactions are accurately classified in the financial statements going forward.

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Dave Yost • Auditor of State

ROSS COUNTY LAND REUTILIZATION CORPORATION

ROSS 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
AUGUST 14, 2018**