



OHIO AUDITOR OF STATE
KEITH FABER



**SHELBY COUNTY LAND REUTILIZATION CORPORATION
SHELBY COUNTY**

DECEMBER 31, 2019 AND 2018

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Prepared by Management:	
Management's Discussion and Analysis – For the Fiscal Year Ended December 31, 2019	3
Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Position – December 31, 2019.....	9
Statement of Activities – For the Year Ended December 31, 2019	10
Fund Financial Statements:	
Balance Sheet - General Fund – For the Year Ended December 31, 2019	11
Statement of Revenues, Expenditures and Change in Fund Balance - General Fund – For the Year Ended December 31, 2019	12
Notes to the Basic Financial Statements – For the Fiscal Year Ended December 31, 2019	13
Supplemental Information:	
Schedule of Revenues, Expenditures and Changes in Fund Balance Budget (Non-GAAP) Basis and Actual – General Fund – For the Year Ended December 31, 2019	25
Notes to the Supplemental Information – For the Fiscal Year Ended December 31, 2019	26
Management's Discussion and Analysis – For the Fiscal Year Ended December 31, 2018	27
Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Position – December 31, 2018.....	33
Statement of Activities – For the Year Ended December 31, 2018	34
Fund Financial Statements:	
Balance Sheet - General Fund – For the Year Ended December 31, 2018	35
Statement of Revenues, Expenditures and Change in Fund Balance - General Fund – For the Year Ended December 31, 2018	36
Notes to the Basic Financial Statements – For the Fiscal Year Ended December 31, 2018	37

**SHELBY COUNTY LAND REUTILIZATION CORPORATION
SHELBY COUNTY**

DECEMBER 31, 2019 AND 2018

**TABLE OF CONTENTS
(Continued)**

TITLE	PAGE
Supplemental Information:	
Schedule of Revenues, Expenditures and Changes in Fund Balance Budget (Non-GAAP) Basis and Actual – General Fund – For the Year Ended December 31, 2018	49
Notes to the Supplemental Information – For the Fiscal Year Ended December 31, 2018	50
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	51
Prepared by Management:	
Summary Schedule of Prior Audit Findings	53

OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

Shelby County Land Reutilization Corporation
Shelby County
129 East Court Street
Sidney, Ohio 45365

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 Shelby County Land Reutilization Corporation, Shelby County, Ohio (the Corporation) as of and for the years ended December 31, 2019 and 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 governmental activities and the major fund of the Shelby County Land Reutilization Corporation, Shelby County, Ohio as of December 31, 2019 and 2018, and the respective changes in financial position thereof for the years then ended in accordance with the accounting principles generally accepted in the United States of America.

Efficient • Effective • Transparent

Emphasis of Matter

As discussed in Note 10 to the financial statements, during 2020, the financial impact of COVID-19 and the ensuring emergency measures will impact subsequent periods of the Corporation. 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.

Supplementary and Other Information

Our audit was conducted to opine on the Corporation's basic financial statements taken as a whole.

The budgetary comparison schedule presents additional analysis and is not a required part of the basic financial statements.

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this information to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 28, 2020, 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
August 28, 2020

SHELBY COUNTY LAND REUTILIZATION CORPORATION
SHELBY COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019

The management's discussion and analysis of the Shelby County Land Reutilization Corporation's (the Corporation) financial performance provides an overall review of the financial activities for the period ended December 31, 2019. 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.

Highlights

Key highlights for the period since inception are as follows:

- The Corporation is focused on facilitating the transition of blighted, foreclosed and abandoned properties into viable, marketable properties by working collaboratively with public and private entities in a financially responsible, transparent manner with a long-term goal of returning these properties to the tax roll or other greater public purpose.
- The Corporation was awarded \$1,875,000 in grant funds through the Neighborhood Initiative Program (NIP) via the Ohio Housing Finance Agency (OHFA) for the acquisition, demolition, and greening of single-family residential units throughout Shelby County.
- Net position increased \$337,096 for 2019.
- The Corporation has received a loan from Shelby County and at December 31, 2019, \$200,000 was outstanding.
- The Corporation has acquired 71 properties since inception. The Corporation disposed of 4 properties during 2019.

Overview of the Financial Statements This annual report consists of financial statements and notes to the financial statements. These statements are organized so the reader can understand the Corporation's financial activities. The Statement of Net Position and Statement of Activities provide information about the activities of the whole Corporation and present a longer-term view of those assets. The Statement of Activities shows changes to net position of the Corporation. Fund financial statements tell how services were financed in the short-term as well as what dollars remain for future spending.

SHELBY COUNTY LAND REUTILIZATION CORPORATION
SHELBY COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019

Reporting the Corporation's Financial Activities

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. This 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 that 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 will also need to be evaluated.

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

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

Reporting on the Corporation's Most Significant Fund

General Fund

The presentation for the Corporation's only fund, the general 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

**SHELBY COUNTY LAND REUTILIZATION CORPORATION
SHELBY COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019

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, if necessary.

The table below provides a summary of Corporation's net position for 2019 and 2018:

TABLE 1 NET POSITION

	2019	2018
Assets:		
Current and Other Assets	\$ 465,290	\$ 303,154
Assets Held for Resale	956,611	795,131
Total Assets	1,421,901	1,098,285
Liabilities:		
Current and Other Liabilities	200,000	213,480
Total Liabilities	200,000	213,480
Net Position:		
Unrestricted	1,221,901	884,805
Total net position	\$ 1,221,901	\$ 884,805

Cash collected by the Corporation is deposited into a checking account for operating purposes. During 2019, the Corporation acquired 9 properties and disposed of 4 properties, which resulted in an increase to assets held for resale. Intergovernmental receivables that consist primarily of unreimbursed demolition expenses that are to be reimbursed from the Neighborhood Initiative Program Grant from the State of Ohio decreased \$158,253 as the Corporation did not have any reimbursements outstanding at year-end. Cash and cash equivalents increased due to the four property sales and NIP grant revenues.

**SHELBY COUNTY LAND REUTILIZATION CORPORATION
SHELBY COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019

The table below shows the change in net position for 2019 and 2018:

TABLE 2 CHANGES IN NET POSITION

	<u>2019</u>	<u>2018</u>
Revenues		
Program Revenues:		
Charges for Services	\$ 66,326	\$ 103,222
Operating Grants	291,068	611,272
Total Program Revenues	<u>357,394</u>	<u>714,494</u>
General Revenues:		
Grants and Entitlements Not Restricted	51,363	52,202
Other	145	12
Total General Revenues	<u>51,508</u>	<u>52,214</u>
 Total Revenues	 <u>408,902</u>	 <u>766,708</u>
 Program Expenses		
Professional and Contract Services	64,820	55,796
Administration	6,986	10,009
Total Expenses	<u>71,806</u>	<u>65,805</u>
 Change in Net Position	 337,096	 700,903
 Net Position Beginning of Period	 <u>884,805</u>	 <u>183,902</u>
Net Position End of Period	<u><u>\$1,221,901</u></u>	<u><u>\$ 884,805</u></u>

The Corporation's main revenue sources are OHFA Neighborhood Initiative Program grant (shown as program revenue operating grants) and a 5% of delinquent taxes collected and distributed to the Corporation by the County Treasurer (shown with Grants and Entitlements not Restricted). Charges for Services program revenue is from the sale of 4 properties both in 2018 and 2019.

Expenses increased for 2019. Property maintenance and administrative costs increased as the number of properties held for resale increased.

**SHELBY COUNTY LAND REUTILIZATION CORPORATION
SHELBY COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019**

The Corporation's General Fund

This fund is accounted for using the modified accrual basis of accounting. At December 31, 2019, the ending fund balance of the general fund was \$1,221,901, which was an increase of \$337,096. The increase was the result of operating grant monies from OFHA.

Capital Assets

As of December 31, 2019, the Corporation did not have any capital assets.

Debt

As of December 31, 2019, the Corporation owed \$200,000 to Shelby County.

Current Financial Related Activities

The Corporation began operations on April 1, 2016. The Corporation is Shelby County, Ohio's agent to reclaim, rehabilitate, and reutilize vacant, abandoned, tax foreclosed and other real property in Shelby County. The purpose of the Corporation is to strengthen communities in Shelby County by returning vacant and abandoned properties to productive use and by supporting strategic residential and commercial demolition activities. The principal operating revenues of the Corporation are revenue from property dispositions and grants.

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 to show the Corporation's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to John Coffield, Treasurer, Shelby County Land Reutilization Corporation, 129 E. Court Street, Sidney, Ohio 45365.

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Shelby County Land Reutilization Corporation
Shelby County

Statement of Net Position
December 31, 2019

	Governmental Activities
Assets:	
Cash and Cash Equivalents	\$ 464,325
Prepaid items	965
Asset Held for Resale	<u>956,611</u>
Total Assets	<u>1,421,901</u>
Liabilities:	
Due to Other Governments	<u>200,000</u>
Total Liabilities	<u>200,000</u>
Net Position:	
Unrestricted	1,221,901
Total net position	<u><u>\$ 1,221,901</u></u>

See accompanying notes to the financial statements.

Shelby County Land Reutilization Corporation
Shelby County

Statement of Activities
For the Year Ended December 31, 2019

	Program Revenues			Net (Expense) Revenues and Changes In Net Position
	Charges For Expenses	Operating Grants and Services	Contributions	Governmental Activities
Governmental Activities				
Professional and Contract Services	\$ 64,820	\$ 66,326	\$ 291,068	\$ 292,574
Administration	6,986	-	-	(6,986)
Total Governmental Activities	\$ 71,806	\$ 66,326	\$ 291,068	285,588
General Revenues:				
Grants and Entitlements not Restricted to Specific Programs				51,363
Other				145
Total General Revenues				51,508
Net Change in Net Position				337,096
Net Position Beginning of Year				884,805
Net Position End of Year				\$ 1,221,901

See accompanying notes to the financial statements.

Shelby County Land Reutilization Corporation
Shelby County

Balance Sheet - General Fund
For the Year Ended December 31, 2019

	Governmental Activities
Assets:	
Cash and Cash Equivalents	\$ 464,325
Prepaid items	965
Asset Held for Resale	956,611
 Total Assets	 \$ 1,421,901
Liabilities:	
Due to Other Governments	\$ 200,000
Total Liabilities	200,000
Fund Balance:	
Nonspendable	
Prepaid items	965
Asset Held for Resale	956,611
Unassigned	264,325
Total Fund Balance	1,221,901
 Total Liabilities, Deferred Inflow and Fund Balance	 \$ 1,421,901

See accompanying notes to the financial statements.

Shelby County Land Reutilization Corporation
Shelby County

Statement of Revenues, Expenditures and Changes in Fund Balance - General Fund
For the Year Ended December 31, 2019

Revenues:

Operating Grants	\$ 274,568
Contributions and Donations	16,500
Intergovernmental	51,363
Property Sales	66,326
Other	<u>145</u>
Total Revenues	<u>408,902</u>

Expenditures:

Land Reutilization:	
Professional and Contract Services	64,820
Administration	<u>6,986</u>
Total Expenditures	<u>71,806</u>
Net Change in Fund Balance	337,096
Fund Balance Beginning of Period	<u>884,805</u>
Fund Balance End of Period	<u><u>\$ 1,221,901</u></u>

See accompanying notes to the financial statements.

**SHELBY COUNTY LAND REUTILIZATION CORPORATION
SHELBY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

NOTE 1 - DESCRIPTION OF THE REPORTING ENTITY

The Shelby County Land Reutilization Corporation (the “Corporation”) is a county land reutilization corporation that was formed on April 1, 2016, when the Shelby County Board of Commissioners authorized the incorporation of the Corporation under Chapter 1724 of the Ohio Revised Code through resolution as a not-for-profit corporation under the laws of the State of Ohio. The purpose of the Corporation is to strengthen neighborhoods in Shelby County (the “County”) by returning vacant and abandoned properties to productive use. 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 a legal separate entity and is classified as a blended component unit of Shelby County for reporting purposes, in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14 as amended by GASB Statement No. 39 and 61.

The Board of Directors of the Corporation is comprised of seven members including:

1. The County Treasurer
2. Two members of the County Board of Commissioners
3. The Mayor of the City of Sidney
4. Three at-large members which are residents of the County

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

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. GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Corporation’s significant accounting policies are described below.

**SHELBY COUNTY LAND REUTILIZATION CORPORATION
SHELBY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

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 or fiduciary funds.

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.

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.

**SHELBY COUNTY LAND REUTILIZATION CORPORATION
SHELBY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

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 Fund

The governmental fund focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the governmental fund 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 less 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 not required to be separately accounted for. 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

**SHELBY COUNTY LAND REUTILIZATION CORPORATION
SHELBY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared.

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 and in the presentation of expenses versus expenditures.

Revenues - Exchange and Non-exchange Transactions

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

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

Under the modified accrual basis, intergovernmental revenue and operating grant 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

**SHELBY COUNTY LAND REUTILIZATION CORPORATION
SHELBY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

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.

Federal Income Tax

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

Cash and Cash Equivalents

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.

Prepayments

Payments made to vendors for services that will benefit periods beyond the current year, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount at the time of purchase and reflecting the expenditure/expense in the year in which the services are consumed.

Assets Held for Resale

Assets held for resale represent properties purchased by or donated to the Corporation. These properties are valued based upon the purchase price plus any costs of maintenance, rehabilitation, or demolition of homes on the properties. For donated or forfeited properties, the asset is reported at fair value. 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. Properties with demolished homes could be transferred to the city or township they are in after demolition, until those parcels may be merged with adjacent parcels for development or green space projects, or the Corporation may sell other lots to the owners of adjacent parcels for a nominal cost.

Accrued Liabilities and Long-Term Obligations

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

**SHELBY COUNTY LAND REUTILIZATION CORPORATION
SHELBY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

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. The Corporation had no restricted net position at December 31, 2019.

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:

Non-spendable Fund Balance - The non-spendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) 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, for example, inventories, prepaid amounts and property acquired for resale, unless the use of the proceeds from the collection of the sale of those properties is restricted, committed or assigned.

Restricted Fund Balance - The restricted classification is used 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 imposed by law through constitutional provisions or enabling legislation.

**SHELBY COUNTY LAND REUTILIZATION CORPORATION
SHELBY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

Committed Fund Balance - The committed fund balance classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Corporation's Board of Directors. Those committed amounts cannot be used for any other purpose unless the Board of Directors 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 Fund Balance - Assigned fund balance includes amounts that are constrained by the Corporation's intent to be used for specific purposes, but are neither restricted nor committed. In the general fund, assigned amounts represent intended uses established by policies of the Board of Directors. The Board of Directors have by resolution authorized the Treasurer to assign fund balance. The Board of Directors may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget.

Unassigned Fund Balance - Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

The Corporation applies restricted resources first when expenditures are incurred for purposes for which restricted and unrestricted (committed, assigned, and unassigned) fund balance is 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.

Intergovernmental Revenues

The Corporation receives operating income through Shelby County. This money represents the penalties and interest on current unpaid and delinquent property taxes once those taxes are paid. Pursuant to ORC 321.263, these penalty and interest monies are collected by the County when taxes are paid and then are paid to the Corporation upon the Corporation's written request.

**SHELBY COUNTY LAND REUTILIZATION CORPORATION
SHELBY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

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.

NOTE 3 - DEPOSITS

At December 31, 2019, deposits were \$464,325 and the bank balance was \$464,325. \$250,000 of the Corporation's bank balance of \$464,325 was covered by Federal Deposit Insurance Corporation (FDIC). Custodial credit risk is the risk that in the event of bank failure the Corporation's deposits may not be returned to it. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the Corporation. Protection of the Corporation's cash and deposits is provided by the FDIC or collateralized by the financial institution.

NOTE 4 - RISK MANAGEMENT

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

The Corporation has obtained commercial insurance from private carriers for the following risk:

Directors/Officers Liability	\$1,000,000
General Liability (\$500 deductible)	
General liability	\$2,000,000
Personal & Advertising Injury	\$1,000,000
Medical Expenses (any one person)	\$5,000

The amount of settlements has not exceeded coverage in any of the past three years. Also, the limits have not been lowered significantly in the past year.

**SHELBY COUNTY LAND REUTILIZATION CORPORATION
SHELBY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

NOTE 5 - DEBT

	Balance 1/1/19	Additions	Deletions	Balance 12/31/19
Due to Other Governments	\$200,000	\$0	\$0	\$200,000
	\$200,000	\$0	\$0	\$200,000

The Corporation received loan receipts from Shelby County in a total amount of \$250,000. The Memorandum of Agreement between the Board of Shelby County Commissioners and the Corporation states that the Corporation will repay the entire \$250,000 to the County on or before December 31, 2018. Payments may be made in intervals as determined by mutual agreement of parties. The loan balance does not bear interest. During 2018, \$50,000 of the loan was repaid. On February 7, 2019, the Board of Shelby County Commissioners amended the deadline for loan repayment for the remaining balance of \$200,000 to December 31, 2020.

NOTE 6 – RELATED PARTY TRANSACTIONS

Pursuant to and in accordance with Section 321.261 (B) of the Ohio Revised Code, the Corporation has been authorized by the Shelby 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 Real Estate Tax and Assessment Collection (DRETAC) fund and will be available for appropriation by the Corporation to fund operations. For 2019, this amount totaled \$51,363.

Pursuant to Ohio Revised Code the Corporation entered into an agreement with the Shelby County Commissioners to utilize office space and telecommunications, staff support, office supplies, and record storage by the treasurer’s office for no consideration.

NOTE 7 – RECEIVABLES

Receivables at year-end consisted of funds due from the Ohio Housing Finance Agency Neighborhood Initiative Program Grant. Allowance for doubtful accounts were not recorded because all receivables are expected to be collected. Intergovernmental receivable at year-end was \$0.

**SHELBY COUNTY LAND REUTILIZATION CORPORATION
SHELBY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

NOTE 8 – LITIGATION

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

NOTE 9 – CHANGE IN ACCOUNTING PRINCIPLES

For 2019, the Corporation implemented GASB Statement No. 83, Certain Asset Retirement Obligations. This Statement establishes uniform criteria for governments to recognize and measure certain asset retirement obligations (AROs), including obligations from legally enforceable liability associated with the retirement of that asset that may not have been previously reported. Additional disclosures related to the ARO is required, not including landfill closure and post-closure care obligation. ARO liabilities are recorded at the time of the obligating event and valued at the current value of future outlays expected and must be updated annually. This statement had no effect on the Corporation.

The Corporation also implemented GASB Statement No. 84, Fiduciary Activities. Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The focus for most governments will center on determining whether funds currently reported as Agency Funds meet the criteria to be reported as Custodial Funds under the new definition. This statement had no effect on the Corporation.

Also for 2019, the Corporation implemented GASB Statement No. 88, Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements. This statement improves information that is disclosed in the notes to the financial statements related to debt, including separate disclosure of direct borrowings and direct placements instruments. It also clarifies which liabilities governments should include when disclosing information related to debt. This statement had no effect on the Corporation.

Finally, GASB Statement No. 90, Majority Equity Interests, an amendment of GASB Statements No. 14 and No. 61, was also implemented. A majority equity interest that meets a definition of an investment should be measured using the equity method, unless it is held by a government that is engaged only in fiduciary activities, a fiduciary fund or an endowment or permanent fund. Those governments or funds should measure the majority equity interest at fair value. This statement had no effect on the Corporation.

**SHELBY COUNTY LAND REUTILIZATION CORPORATION
SHELBY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

Note 10 – Subsequent Event

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Corporation. The Corporation's investment portfolio has incurred a significant decline in fair value, consistent with the general decline in financial markets. However, because the values of individual investments fluctuate with market conditions, and due to market volatility, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the Corporation's operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

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Shelby County Land Reutilization Corporation

Shelby County

Schedule of Revenues, Expenditures and Changes in Fund Balance -
Budget (Non-GAAP) Basis and Actual
General Fund
For the Year Ended December 31, 2019

	Original	Final	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Operating Grants	\$350,000	\$350,000	\$432,821	\$82,821
Contributions and Donations	0	0	16,500	16,500
Intergovernmental	50,000	50,000	51,363	1,363
Property Sales	0	0	102,000	102,000
Other	20,000	20,000	145	(19,855)
Total Revenues	420,000	420,000	602,829	182,829
Expenditures:				
Land Reutilization:				
Property Expenses	222,500	222,500	241,534	(19,034)
Professional and Contract Services	36,800	36,800	33,920	2,880
Administration	6,200	6,200	7,041	(841)
Other	0	0	0	
Debt Service:				
Principal Retirement	150,000	150,000	0	150,000
Interest and Fiscal Charges	0	0	0	0
Total Expenditures	415,500	415,500	282,495	133,005
Excess of Revenues Over (Under) Expenditures	4,500	4,500	320,334	315,834
Other Financing Sources				
Proceeds from Sale of Properties	0	0	0	0
Loan Proceeds	0	0	0	0
Total Other Financing Sources	0	0	0	0
Net Change in Fund Balance	4,500	4,500	320,334	315,834
Fund Balance Beginning of Period	143,991	143,991	143,991	0
Fund Balance End of Period	\$148,491	\$148,491	\$464,325	\$315,834

See accompanying notes to the supplemental information.

SHELBY COUNTY LAND REUTILIZATION CORPORATION
SHELBY COUNTY, OHIO

NOTES TO THE SUPPLEMENTAL INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 1 – BUDGETARY BASIS OF ACCOUNTING

Budgetary Process

The budgetary process that is followed by the Corporation is for control purposes and is set forth in the Code of Regulations. On or after the commencement of a fiscal year, the annual budget adopted may be amended or supplemented by the Board of Directors. Nothing in this budgetary process shall be construed as prohibiting the Treasurer from approving the transfer of an unencumbered balance from any line item when it is in the best interest of the Corporation to enter into the binding monetary obligation.

Budgetary Basis of Accounting

While the Corporation is reporting financial position, results of operations and changes in fund balance on the basis of GAAP, the budgetary basis is based upon accounting for certain transactions on a basis of cash receipts and disbursements. The major differences between the budget basis and GAAP basis are 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 to reconcile the GAAP basis statements to the budgetary basis for the general fund.

Net Change in Fund Balance	
GAAP Basis	\$337,096
Net adjustment for revenue accruals	193,927
Net adjustments for expenditures accruals	<u>(210,689)</u>
Budget Basis	<u>\$320,334</u>

SHELBY COUNTY LAND REUTILIZATION CORPORATION
SHELBY COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018

(Unaudited)

The management's discussion and analysis of the Shelby County Land Reutilization Corporation's (the Corporation) financial performance provides an overall review of the financial activities for the period 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 notes to the basic financial statements and financial statements to enhance their understanding of the Corporation's financial performance.

Highlights

Key highlights for the period since inception are as follows:

- The Corporation is focused on facilitating the transition of blighted, foreclosed and abandoned properties into viable, marketable properties by working collaboratively with public and private entities in a financially responsible, transparent manner with a long-term goal of returning these properties to the tax roll or other greater public purpose.
- The Corporation was awarded \$1,875,000 in grant funds through the Neighborhood Initiative Program (NIP) via the Ohio Housing Finance Agency (OHFA) for the acquisition, demolition, and greening of single-family residential units throughout Shelby County.
- Net position increased \$700,903 for 2018.
- The Corporation has received a loan from Shelby County and at December 31, 2018, \$200,000 was outstanding.
- The Corporation acquired 17 properties during 2018. The Corporation disposed of 4 properties during 2018.

Overview of the Financial Statements This annual report consists of financial statements and notes to the financial statements. These statements are organized so the reader can understand the Corporation's financial activities. The Statement of Net Position and Statement of Activities provide information about the activities of the whole Corporation and present a longer-term view of those assets. The Statement of Activities shows changes to net position of the Corporation. Fund financial statements tell how services were financed in the short-term as well as what dollars remain for future spending.

**SHELBY COUNTY LAND REUTILIZATION CORPORATION
SHELBY COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018

(Unaudited)

Reporting the Corporation's Financial Activities

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. This 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 that 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 will also need to be evaluated.

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

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

Reporting on the Corporation's Most Significant Fund

General Fund

The presentation for the Corporation's only fund, the general 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

SHELBY COUNTY LAND REUTILIZATION CORPORATION
SHELBY COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018

(Unaudited)

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, if necessary.

The table below provides a summary of Corporation's net position for 2018 and 2017:

TABLE 1 NET POSITION

	2018	2017
Assets:		
Current and Other Assets	\$ 303,154	\$ 200,198
Assets Held for Resale	795,131	247,640
Total Assets	1,098,285	447,838
Liabilities:		
Current and Other Liabilities	213,480	263,936
Total Liabilities	213,480	263,936
Net Position:		
Unrestricted	884,805	183,902
Total net position	\$ 884,805	\$ 183,902

Cash collected by the Corporation is deposited into a checking account for operating purposes. During 2018, the Corporation acquired 17 properties and disposed of 4 properties, which resulted in an increase to assets held for resale. Intergovernmental receivables that consist primarily of unreimbursed demolition expenses that are to be reimbursed from the Neighborhood Initiative Program Grant from the State of Ohio decreased \$34,355. Cash and cash equivalents increased due to the four property sales.

**SHELBY COUNTY LAND REUTILIZATION CORPORATION
SHELBY COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018

(Unaudited)

The table below shows the change in net position for 2018 and 2017:

TABLE 2 CHANGES IN NET POSITION

	2018	2017
Revenues		
Program Revenues:		
Charges for Services	\$ 103,222	\$ -
Operating Grants	611,272	192,608
Total Program Revenues	714,494	192,608
General Revenues:		
Grants and Entitlements Not Restricted	52,202	27,904
Other	12	5,972
Total General Revenues	52,214	33,876
 Total Revenues	 766,708	 226,484
 Program Expenses		
Professional and Contract Services	55,796	53,602
Administration	10,009	9,338
Total Expenses	65,805	62,940
 Change in Net Position	 700,903	 163,544
 Net Position Beginning of Period	 183,902	 20,358
Net Position End of Period	\$ 884,805	\$ 183,902

The Corporation's main revenue sources are OHFA Neighborhood Initiative Program grant (shown as program revenue operating grants) and a 5% of delinquent taxes collected and distributed to the Corporation by the County Treasurer (shown with Grants and Entitlements not Restricted). Charges for Services program revenue increased due to the sale of four properties in 2018.

Expenses increased for 2018. Property maintenance and administrative costs increased as the number of properties held for resale increased.

**SHELBY COUNTY LAND REUTILIZATION CORPORATION
SHELBY COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018

(Unaudited)

The Corporation's General Fund

This fund is accounted for using the modified accrual basis of accounting. At December 31, 2018, the ending fund balance of the general fund was \$884,805, which was an increase of \$700,903. The increase was the result of operating grant monies from OFHA.

Capital Assets

As of December 31, 2018, the Corporation did not have any capital assets.

Debt

As of December 31, 2018, the Corporation owed \$200,000 to Shelby County.

Current Financial Related Activities

The Corporation began operations on April 1, 2016. The Corporation is Shelby County, Ohio's agent to reclaim, rehabilitate, and reutilize vacant, abandoned, tax foreclosed and other real property in Shelby County. The purpose of the Corporation is to strengthen communities in Shelby County by returning vacant and abandoned properties to productive use and by supporting strategic residential and commercial demolition activities. The principal operating revenues of the Corporation are revenue from property dispositions and grants.

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 to show the Corporation's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to John Coffield, Treasurer, Shelby County Land Reutilization Corporation, 129 E. Court Street, Sidney, Ohio 45365.

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Shelby County Land Reutilization Corporation

Shelby County

Statement of Net Position

December 31, 2018

	Governmental Activities
Assets:	
Cash and Cash Equivalents	\$ 143,991
Prepaid items	910
Intergovernmental Receivables	158,253
Asset Held for Resale	<u>795,131</u>
Total Assets	<u>1,098,285</u>
Liabilities:	
Accounts Payable	13,480
Due to Other Governments	<u>200,000</u>
Total Liabilities	<u>213,480</u>
Net Position:	
Unrestricted	<u>884,805</u>
Total net position	<u><u>\$ 884,805</u></u>

See accompanying notes to the financial statements.

Shelby County Land Reutilization Corporation
Shelby County

Statement of Activities
For the Year Ended December 31, 2018

	Program Revenues		Net (Expense)
	Charges	Operating	Revenues and Changes
	For	Grants and	In Net Position
Expenses	Services	Contributions	Governmental
			Activities
Governmental Activities			
Professional and Contract Services	\$ 55,796	\$ 103,222	\$ 611,272
Administration	10,009	-	-
Total Governmental Activities	\$ 65,805	\$ 103,222	\$ 611,272
General Revenues:			
Grants and Entitlements not Restricted to Specific Programs			52,202
Other			12
Total General Revenues			52,214
Net Change in Net Position			700,903
Net Position Beginning of Year			183,902
Net Position End of Year			\$ 884,805

See accompanying notes to the financial statements.

Shelby County Land Reutilization Corporation
Shelby County

Balance Sheet - General Fund
For the Year Ended December 31, 2018

	Governmental Activities
Assets:	
Cash and Cash Equivalents	\$ 143,991
Prepaid items	910
Intergovernmental Receivable	158,253
Asset Held for Resale	795,131
 Total Assets	 \$ 1,098,285
 Liabilities:	
Accounts Payable	\$ 13,480
Due to Other Governments	200,000
Total Liabilities	213,480
 Fund Balance:	
Nonspendable	
Prepaid items	910
Asset Held for Resale	795,131
Unassigned	88,764
Total Fund Balance	884,805
 Total Liabilities, Deferred Inflow and Fund Balance	 \$ 1,098,285

See accompanying notes to the financial statements.

Shelby County Land Reutilization Corporation
Shelby County

Statement of Revenues, Expenditures and Changes in Fund Balance - General Fund
For the Year Ended December 31, 2018

Revenues:

Operating Grants	\$	594,748
Contributions and Donations		16,524
Intergovernmental		52,202
Property Sales		103,222
Other		12
		<hr/>
Total Revenues		766,708
		<hr/>

Expenditures:

Land Reutilization:		
Professional and Contract Services		55,796
Administration		10,009
		<hr/>
Total Expenditures		65,805
		<hr/>
Net Change in Fund Balance		700,903
Fund Balance Beginning of Period		183,902
		<hr/>
Fund Balance End of Period	\$	<u><u>884,805</u></u>

See accompanying notes to the financial statements.

SHELBY COUNTY LAND REUTILIZATION CORPORATION
SHELBY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 1 - DESCRIPTION OF THE REPORTING ENTITY

The Shelby County Land Reutilization Corporation (the "Corporation") is a county land reutilization corporation that was formed on April 1, 2016, when the Shelby County Board of Commissioners authorized the incorporation of the Corporation under Chapter 1724 of the Ohio Revised Code through resolution as a not-for-profit corporation under the laws of the State of Ohio. The purpose of the Corporation is to strengthen neighborhoods in Shelby County (the "County") by returning vacant and abandoned properties to productive use. 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 a legal separate entity and is classified as a blended component unit of Shelby County for reporting purposes, in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14 as amended by GASB Statement No. 39 and 61.

The Board of Directors of the Corporation is comprised of five members including:

1. The County Treasurer
2. Two members of the County Board of Commissioners
3. The Mayor of the City of Sidney
4. Any remaining member selected by the County Treasurer and County Commissioners. The term of office of each ex officio director runs concurrently with the term of office of that elected official. The term of office of each appointed director is two years.

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

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. GASB is the accepted standard-setting body for establishing governmental accounting and financial

SHELBY COUNTY LAND REUTILIZATION CORPORATION
SHELBY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

reporting principles. The Corporation's significant accounting policies are described below.

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 or fiduciary funds.

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.

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

SHELBY COUNTY LAND REUTILIZATION CORPORATION
SHELBY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

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 Fund

The governmental fund focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the governmental fund 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 less 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 not required to be separately accounted for. 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.

SHELBY COUNTY LAND REUTILIZATION CORPORATION
SHELBY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

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.

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 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.

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

SHELBY COUNTY LAND REUTILIZATION CORPORATION
SHELBY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

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 non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, intergovernmental revenue and operating grant 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.

Federal Income Tax

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

Cash and Cash Equivalents

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.

Prepayments

Payments made to vendors for services that will benefit periods beyond the current year, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount at the time of purchase and reflecting the expenditure/expense in the year in which the services are consumed.

SHELBY COUNTY LAND REUTILIZATION CORPORATION
SHELBY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

Assets Held for Resale

Assets held for resale represent properties purchased by or donated to the Corporation. These properties are valued based upon the purchase price plus any costs of maintenance, rehabilitation, or demolition of homes on the properties. For donated or forfeited properties, the asset is reported at fair value. 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. Properties with demolished homes could be transferred to the city or township they are in after demolition, until those parcels may be merged with adjacent parcels for development or green space projects, or the Corporation may sell other lots to the owners of adjacent parcels for a nominal cost.

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. The Corporation had no restricted net position at December 31, 2018.

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:

Non-spendable Fund Balance - The non-spendable fund balance classification includes amounts that cannot be spent because they are either (a) not in

SHELBY COUNTY LAND REUTILIZATION CORPORATION
SHELBY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

spendable form or (b) 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, for example, inventories, prepaid amounts and property acquired for resale, unless the use of the proceeds from the collection of the sale of those properties is restricted, committed or assigned.

Restricted Fund Balance - The restricted classification is used 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 imposed by law through constitutional provisions or enabling legislation.

Committed Fund Balance - The committed fund balance classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Corporation’s Board of Directors. Those committed amounts cannot be used for any other purpose unless the Board of Directors 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 Fund Balance - Assigned fund balance includes amounts that are constrained by the Corporation’s intent to be used for specific purposes, but are neither restricted nor committed. In the general fund, assigned amounts represent intended uses established by policies of the Board of Directors. The Board of Directors have by resolution authorized the Treasurer to assign fund balance. The Board of Directors may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year’s appropriated budget.

Unassigned Fund Balance - Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

The Corporation applies restricted resources first when expenditures are incurred for purposes for which restricted and unrestricted (committed, assigned, and

SHELBY COUNTY LAND REUTILIZATION CORPORATION
SHELBY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

unassigned) fund balance is 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.

Intergovernmental Revenues

The Corporation receives operating income through Shelby County. This money represents the penalties and interest on current unpaid and delinquent property taxes once those taxes are paid. Pursuant to ORC 321.263, these penalty and interest monies are collected by the County when taxes are paid and then are paid to the Corporation upon the Corporation's written request.

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.

NOTE 3 - DEPOSITS

At December 31, 2018, deposits were \$143,991 and the bank balance was \$144,791. The entire amount of the Corporation's bank balance of \$144,791 was covered by Federal Deposit Insurance Corporation (FDIC). Custodial credit risk is the risk that in the event of bank failure the Corporation's deposits may not be returned to it. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the Corporation. Protection of the Corporation's cash and deposits is provided by the FDIC or collateralized by the financial institution.

SHELBY COUNTY LAND REUTILIZATION CORPORATION
SHELBY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 4 - RISK MANAGEMENT

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

The Corporation has obtained commercial insurance from private carriers for the following risk:

Directors/Officers Liability	\$1,000,000
General Liability (\$500 deductible)	
General liability	\$2,000,000
Personal & Advertising Injury	\$1,000,000
Medical Expenses (any one person)	\$5,000

The amount of settlements has not exceeded coverage in any of the past three years. Also, the limits have not been lowered significantly in the past year.

NOTE 5 - DEBT

	Balance 1/1/18	Additions	Deletions	Balance 12/31/18
Due to Other Governments	\$250,000	\$0	(\$50,000)	\$200,000
	\$250,000	\$0	(\$50,000)	\$200,000

The Corporation received loan receipts from Shelby County in a total amount of \$250,000. The Memorandum of Agreement between the Board of Shelby County Commissioners and the Corporation states that the Corporation will repay the entire \$250,000 to the County on or before December 31, 2018. Payments may be made in intervals as determined by mutual agreement of parties. The loan balance does not bear interest. During 2018, \$50,000 of the loan was repaid. On February 7, 2019, the Board of Shelby County Commissioners amended the

SHELBY COUNTY LAND REUTILIZATION CORPORATION
SHELBY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

deadline for loan repayment for the remaining balance of \$200,000 to December 31, 2020.

NOTE 6 – RELATED PARTY TRANSACTIONS

Pursuant to and in accordance with Section 321.261 (B) of the Ohio Revised Code, the Corporation has been authorized by the Shelby 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 Real Estate Tax and Assessment Collection (DRETAC) fund and will be available for appropriation by the Corporation to fund operations. For 2018, this amount totaled \$52,202.

Pursuant to Ohio Revised Code the Corporation entered into an agreement with the Shelby County Commissioners to utilize office space and telecommunications, staff support, office supplies, and record storage by the treasurer's office for no consideration.

NOTE 7 – RECEIVABLES

Receivables at December 31, 2018, consisted of funds due from the Ohio Housing Finance Agency Neighborhood Initiative Program Grant. Allowance for doubtful accounts were not recorded because all receivables are expected to be collected. The only receivable of governmental activities was intergovernmental receivable in the amount \$158,253.

NOTE 8 – LITIGATION

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

NOTE 9 – CHANGE IN ACCOUNTING PRINCIPLES

For 2018, the Corporation has implemented Governmental Accounting Standard Board Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits other than Pensions". This statement improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits

SHELBY COUNTY LAND REUTILIZATION CORPORATION
SHELBY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

or OPEB). The implementation of this statement had no effect on the financial statements of the Corporation.

For 2018, the Corporation has implemented Governmental Accounting Standard Board Statement No. 82, "Pension Issues – An Amendment of GASB Statements No. 67, No. 68 and no. 73". This statement addresses issues regarding (1) the presentation of payroll-related measures in required supplemental information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The implementation of this statement had no effect on the financial statements of the Corporation.

For 2018, the Corporation has implemented Governmental Accounting Standard Board Statement No. 85, "Omnibus 2017". This statement addresses practice issues that have been identified during implementation and application of certain GASB statements. The statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application and postemployment benefits. The implementation of this statement had no effect on the financial statements of the Corporation.

For 2018, the Corporation has implemented Governmental Accounting Standard Board Statement No. 86, "Certain Debt Extinguishment Issues". This statement improves the consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources are placed in an irrevocable trust for the sole purpose of extinguishing debt. The implementation of this statement had no effect on the financial statements of the Corporation.

NOTE 10 – SUBSEQUENT EVENTS

The Corporation and Shelby County Commissioners agreed that the repayment date of the loan due to Shelby County (see Note 5) would be extended. On February 7, 2019, the deadline was amended to December 31, 2020 for repayment of the remaining \$200,000.

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Shelby County Land Reutilization Corporation

Shelby County

Schedule of Revenues, Expenditures and Changes in Fund Balance -
Budget (Non-GAAP) Basis and Actual
General Fund
For the Year Ended December 31, 2018

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Operating Grants	\$ 800,000	\$ 800,000	\$ 629,103	(\$170,897)
Contributions and Donations	-	-	16,524	16,524
Intergovernmental	50,000	50,000	52,202	2,202
Property Sales	-	-	103,222	103,222
Other	-	-	12	12
Total Revenues	<u>850,000</u>	<u>850,000</u>	<u>801,063</u>	<u>(48,937)</u>
Expenditures:				
Land Reutilization:				
Property Expenses	551,500	551,500	549,064	2,436
Professional and Contract Services	36,800	36,800	54,679	(17,879)
Administration	7,250	7,250	10,919	(3,669)
Other	-	-	-	
Debt Service:				
Principal Retirement	<u>250,000</u>	<u>250,000</u>	<u>50,000</u>	<u>200,000</u>
Interest and Fiscal Charges	<u>-</u>	<u>-</u>	<u>-</u>	<u>0</u>
Total Expenditures	<u>845,550</u>	<u>845,550</u>	<u>664,662</u>	<u>180,888</u>
Excess of Revenues Over (Under) Expenditures	4,450	4,450	136,401	131,951
Other Financing Sources				
Proceeds from Sale of Properties	0	0	0	0
Loan Proceeds	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Other Financing Sources	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balance	4,450	4,450	136,401	131,951
Fund Balance Beginning of Period	<u>7,590</u>	<u>7,590</u>	<u>7,590</u>	<u>0</u>
Fund Balance End of Period	<u>\$ 12,040</u>	<u>\$ 12,040</u>	<u>\$ 143,991</u>	<u>\$ 131,951</u>

See accompanying notes to the supplemental information.

SHELBY COUNTY LAND REUTILIZATION CORPORATION
SHELBY COUNTY, OHIO

NOTES TO THE SUPPLEMENTAL INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 1 – BUDGETARY BASIS OF ACCOUNTING

Budgetary Process

The budgetary process that is followed by the Corporation is for control purposes and is set forth in the Code of Regulations. On or after the commencement of a fiscal year, the annual budget adopted may be amended or supplemented by the Board of Directors. Nothing in this budgetary process shall be construed as prohibiting the Treasurer from approving the transfer of an unencumbered balance from any line item when it is in the best interest of the Corporation to enter into the binding monetary obligation.

Budgetary Basis of Accounting

While the Corporation is reporting financial position, results of operations and changes in fund balance on the basis of GAAP, the budgetary basis is based upon accounting for certain transactions on a basis of cash receipts and disbursements. The major differences between the budget basis and GAAP basis are 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 to reconcile the GAAP basis statements to the budgetary basis for the general fund.

Net Change in Fund Balance	
GAAP Basis	\$700,903
Net adjustment for revenue accruals	34,355
Net adjustments for expenditures accruals	<u>(598,857)</u>
Budget Basis	<u>\$136,401</u>

OHIO AUDITOR OF STATE KEITH FABER



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

Shelby County Land Reutilization Corporation
Shelby County
129 East Court Street
Sidney, Ohio 45365

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 Shelby County Land Reutilization Corporation, Shelby County, (the Corporation) as of and for the years ended December 31, 2019 and 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 August 28, 2020, wherein we also noted the financial impact of COVID-19 and the ensuring emergency measures will impact subsequent periods of the Corporation.

Internal Control Over Financial Reporting

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

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 report is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio

August 28, 2020



Shelby County Land Reutilization Corporation
Shelby County Annex
129 East Court Street
Sidney, Ohio 45365

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
 For Years Ending December 31, 2019 and 2018

Finding Number	Finding Summary	Status	Additional Information
2017-001 Bullet #1	Financial Statement Errors - Intergovernmental revenue was understated and charges for services overstated.	Fully Corrected	
2017-001 Bullet #2	Financial Statement Errors - Intergovernmental receivable and intergovernmental revenue was understated.	Fully Corrected	
2017-001 Bullet #3	Financial Statement Errors – Assets held for resale were understated and professional and contract services expenditures were overstated.	Fully Corrected	

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OHIO AUDITOR OF STATE KEITH FABER



SHELBY COUNTY LAND REUTILIZATION CORPORATION

SHELBY COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 9/24/2020

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov