



Dave Yost • Auditor of State

**SHELBY COUNTY LAND REUTILIZATION CORPORATION
SHELBY COUNTY
DECEMBER 31, 2016**

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Dave Yost • Auditor of State

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), a component unit of Shelby County, as of and for the year ended December 31, 2016, 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 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, 2016, and the respective changes in financial position 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.

Supplementary and Other Information

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

The Schedule of Revenues, Expenditures, and Change in Fund Balance – Budget (Non-GAAP Basis) and Actual – General Fund presents additional analysis and is not a required part of the 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 January 9, 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.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State
Columbus, Ohio

January 9, 2018

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SHELBY COUNTY LAND REUTILIZATION CORPORATION
COMPONENT UNIT OF SHELBY COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2016
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 Corporation's financial activities for the year ended December 31, 2016. 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 2016 are as follows:

- The Corporation is focused on returning property to productive use, returning property to the tax duplicate and accelerating economic or housing activity in Shelby County communities. The Corporation works cooperatively with cities, other units of government and individual property owners to acquire troubled real estate and return it to productive use. The Corporation received \$24,596 as an assessment from these intergovernmental agencies in 2016.
- The corporation received \$2,235 from Shelby County under an arrangement to receive 2.5% of delinquent taxes collected.
- The Corporation was awarded \$2.5M from the Neighborhood Initiative Program. However, no funds were received in 2016.
- The Corporation did not acquire or dispose of any properties in 2016.

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 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 a longer-term view of net position. 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.

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 in 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.

SHELBY COUNTY LAND REUTILIZATION CORPORATION
 COMPONENT UNIT OF SHELBY COUNTY
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 FOR THE YEAR ENDED DECEMBER 31, 2016
 UNAUDITED

These two statements report the Corporation's net position and change 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 such as the condition of the Corporation's capital assets 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
- Program Expenses and Revenues
- General Revenues
- Net Position Beginning and End of Year

Reporting on the Corporation's Most Significant Fund

Governmental 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 and available for spending in future periods if necessary. 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, if necessary.

The table below provides a summary of Corporation's net position for 2016.

Net Position

	<u>2016</u>
ASSETS	
Cash and Cash Equivalents	<u>\$20,627</u>
Total Assets	<u>20,627</u>
LIABILITIES	
Contract Services Payable	<u>269</u>
Total Liabilities	<u>269</u>
NET POSITION	
Unrestricted	<u>20,358</u>
Total Net Position	<u>\$20,358</u>

SHELBY COUNTY LAND REUTILIZATION CORPORATION
 COMPONENT UNIT OF SHELBY COUNTY
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 FOR THE YEAR ENDED DECEMBER 31, 2016
 UNAUDITED

There were no accounts receivable at 12/31/2016. The only accounts payable at 12/31/2016 related to contracted services for the Corporation.

Over time, net position can serve as useful indicator of a government's financial position. At December 31, 2016, the Corporation's net position was \$20,358.

The table below shows the change in net position for the year ending December 31, 2016:

Change in Net Position

REVENUES	<u>2016</u>
General Revenues	
Intergovernmental	\$24,596
DTAC	<u>2,235</u>
Total General Revenues	<u>26,831</u>
PROGRAM EXPENSES	
Professional and Contract Services	4,426
Administration	<u>2047</u>
Total Program Expenses	<u>6,473</u>
Change in Net Position	20,358
Net Position at Beginning of Year	<u>0</u>
Net Position at End of Year	<u>\$20,358</u>

Revenues for 2016 consist primarily of 2.5% delinquent taxes contributed by Shelby County to the Corporation for the purposes of land reutilization; and start-up funds received from municipalities located in Shelby County and the County Commissioners.

Although \$2.5M was awarded from the Neighborhood Initiative Program, no funds were received in 2016. No properties were acquired or disposed of in 2016.

Program expenses for professional and contract services and administration were \$6,473.

The Corporation's Fund

The fund is accounted for using the modified accrual basis of accounting. The Corporation had governmental revenues of \$26,831 and expenditures of \$6,473.

SHELBY COUNTY LAND REUTILIZATION CORPORATION
COMPONENT UNIT OF SHELBY COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2016
UNAUDITED

Capital Assets

No capital assets were purchased in 2016.

Debt

As of December 31, 2016, the Corporation does not have any debt.

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 and abandoned, tax foreclosed and other real estate in Shelby County. The principal operating revenue going forward of the Corporation will be contributions from the Shelby County delinquent tax and assessment collection fund and revenue from property acquisitions and disposals received from Neighborhood Initiative Program.

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 John Coffield, Treasurer, Shelby County Land Reutilization Corporation, 129 E Court Street, Sidney, Ohio 45365.

SHELBY COUNTY LAND REUTILIZATION CORPORATION
COMPONENT UNIT OF SHELBY COUNTY
STATEMENT OF NET POSITION
DECEMBER 31, 2016

	Governmental <u>Activities</u>
Assets	
Cash and Cash Equivalents	<u>\$20,627</u>
Total Assets	<u>\$20,627</u>
Liabilities	
Contract Services Payable	<u>\$269</u>
Total Liabilities	<u>\$269</u>
Net Position	
Unrestricted	<u>\$20,358</u>
Total Net Position	<u>\$20,358</u>

See Accompanying Notes to the Basic Financial Statements

SHELBY COUNTY LAND REUTILIZATION CORPORATION

COMPONENT UNIT OF SHELBY COUNTY

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Expenses</u>	<u>Program Revenue Charges for Services</u>	<u>Net (Expense)Revenue and Change in Net Position</u>
Governmental Activities:			
Professional and Contract Services	\$4,426	\$0	(\$4,426)
Administration	<u>2,047</u>	<u>0</u>	<u>(2,047)</u>
Total	<u>\$6,473</u>	<u>\$0</u>	<u>(\$6,473)</u>

General Revenue:

Intergovernmental 24,596

DTAC 2,235

Total General Revenues 26,831

Change in Net Position 20,358

Net Position at Beginning of Year 0

Net Position at End of Year \$20,358

See Accompanying Notes to Basic Financial Statements

SHELBY COUNTY LAND REUTILIZATION CORPORATION

COMPONENT UNIT OF SHELBY COUNTY

BALANCE SHEET

GOVERNMENTAL FUND

DECEMBER 31, 2016

	<u>General Fund</u>
Assets:	
Cash and Cash Equivalents	<u>\$20,627</u>
Total Assets	<u>\$20,627</u>
Liabilities and Fund Balance	
Liabilities:	
Contract Services Payable	<u>\$269</u>
Total Liabilities	\$269
Fund balance:	
Unassigned	<u>\$20,358</u>
Total Liabilities and Fund Balance	<u>\$20,627</u>

See accompanying Notes to the Basic Financial Statements

SHELBY COUNTY LAND REUTILIZATION CORPORATION
 COMPONENT UNIT OF SHELBY COUNTY
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE
 GOVERNMENTAL FUND
 FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>General Fund</u>
Revenues:	
Intergovernmental	\$24,596
DTAC	<u>2,235</u>
Total Revenues	<u>26,831</u>
Expenditures:	
Professional and contract services	4,426
Administration	<u>2,047</u>
Total Expenditures	<u>6,473</u>
Net Change in Fund Balance	20,358
Fund Balance Beginning of Year	<u>0</u>
Fund Balance End of Year	<u>\$20,358</u>

See Accompanying Notes to the Basic Financial Statements

SHELBY COUNTY LAND REUTILIZATION CORPORATION

COMPONENT UNIT OF SHELBY COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

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 County Board of Commissioners authorized the incorporation of the Corporation under Chapter 1724 of the Ohio Revised Code. 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. For 2016, no financial information was included in the County's financial statements or notes, as the activity of the Corporation was considered immaterial in the initial year of operations.

The Board of Directors of the Corporation shall be 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 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.

SHELBY COUNTY LAND REUTILIZATION CORPORATION

COMPONENT UNIT OF SHELBY COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

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 State 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.

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.

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. 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

Fund financial statements are designed to present financial information of the Corporation at this more detailed level. The Corporation's general fund is the 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. The difference between governmental fund assets and liabilities is reported as fund balance. The following is the Corporation's only governmental fund:

SHELBY COUNTY LAND REUTILIZATION CORPORATION

COMPONENT UNIT OF SHELBY COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

General Fund: The general fund accounts for all the financial resources that are received from the County treasurer from penalties collected on delinquent property taxes and interest on those delinquencies. 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 financials statements are prepared using a flow of economic resource 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 liabilities generally are included in the balance sheet. The statement of revenues, expenditures and change 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 financials statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for the general fund.

Basis of Accounting

Basis of accounting determines when transactions are recorded on the financials 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 unavailable revenue and in the presentation of expense 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.

SHELBY COUNTY LAND REUTILIZATION CORPORATION

COMPONENT UNIT OF SHELBY COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED December 31, 2016

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -continued

Non-exchange transactions, in which the Corporation receives value without directly giving equal value in return, include grants and entitlements. Revenue from grants and entitlements 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, 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 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 adopts an annual budget prior to the beginning of the fiscal year. Appropriations and subsequent amendments are approved by the board during the year as required. See supplemental information.

Federal Income Tax

The Corporation is exempt from federal 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.

Capital Assets

The Corporation had no capital assets in 2016.

Accrued Liabilities

All payables and accrued liabilities 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.

SHELBY COUNTY LAND REUTILIZATION CORPORATION

COMPONENT UNIT OF SHELBY COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED December 31, 2016

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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 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, 2016.

DTAC and Intergovernmental Revenue

The Corporation receives operating income through Shelby County. The money represents the penalties and interest on current unpaid and delinquent taxes once these taxes are paid. Pursuant to the Ohio Revised Code, these penalty and interest monies are collected by the County when taxes are paid and then paid to the Corporation when County tax settlements are made. During 2016, the Corporation received start-up funds from municipalities located in Shelby County and the County Commissioners which totaled \$24,596.

Estimates

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

Extraordinary items

The Corporation had no extraordinary items in 2016.

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 Fund. 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 and prepaid amounts.

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.

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.

SHELBY COUNTY LAND REUTILIZATION CORPORATION

COMPONENT UNIT OF SHELBY COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED December 31, 2016

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

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 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. The Corporation had only unassigned fund balance at December 31, 2016.

NOTE 3 - CAPITAL ASSETS

The Corporation had no capital assets in 2016.

NOTE 4 – DEPOSITS

At December 31, 2016, the carrying amount of the Corporation's deposits was \$20,627. All the funds were covered by the FDIC.

NOTE 5 - RISK MANAGEMENT

The Corporation is exposed to various risk of loss related to torts; theft of, damage to, and destruction of assets; errors or omission; injuries to staff; and natural disasters. The Corporation contracts with Ruese Insurance for various types of insurance coverage. As of December 31, 2016, the only coverage was directors and officer's liability coverage of \$1M. No properties were acquired in 2016.

NOTE 6 - TRANSACTIONS WITH SHELBY COUNTY

Pursuant to the Ohio Revised Code, the Corporation has been authorized by the Shelby County Board of Commissioners to receive 2.5% of all collections of delinquent real property, personal property and manufactured and mobile homes taxes that are deposited into the County's DTAC fund and will be available for appropriation by the Corporation to fund operations.

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 - SUBSEQUENT EVENTS

The Corporation received loans from Shelby County in a total amount of \$250,000 after December 31, 2016. The Corporation received \$50,000 on May 16, 2017, \$100,000 on June 29, 2017, and \$100,000 on November 9, 2017.

SHELBY COUNTY LAND REUTILIZATION CORPORATION
 COMPONENT UNIT OF SHELBY COUNTY
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE –
 BUDGET (NON-GAAP BASIS) AND ACTUAL
 GENERAL FUND
 FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Income				
Intergovernmental	<u>\$23,000</u>	<u>\$23,000</u>	<u>\$26,831</u>	<u>\$3,831</u>
Total Revenues	<u>\$23,000</u>	<u>\$23,000</u>	<u>\$26,831</u>	<u>\$3,831</u>
Expenditures				
Professional and Contract Services	\$5,000	\$5,000	\$4,157	\$843
Administration	<u>11,000</u>	<u>11,000</u>	<u>2,047</u>	<u>8,953</u>
Total Expenditures	<u>\$16,000</u>	<u>\$16,000</u>	<u>\$6,204</u>	<u>\$9,796</u>
Excess of Revenues Over Expenditures	\$7,000	\$7,000	\$20,627	\$13,627
Fund Balance Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance End of Year	<u>\$7,000</u>	<u>\$7,000</u>	<u>\$20,627</u>	<u>\$13,627</u>

See Accompanying Notes to Supplemental Information

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SHELBY COUNTY LAND REUTILIZATION CORPORATION
COMPONENT UNIT OF SHELBY COUNTY
NOTES TO SUPPLEMENTAL INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2016

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 that 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 statement to the budgetary basis schedule for the general fund.

Net Change in Fund Balance

GAAP basis	\$20,358
Net adjustments for expenditures accruals	<u>269</u>
Budget basis	<u>\$20,627</u>

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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), a component unit of Shelby County, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements and have issued our report thereon dated January 9, 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 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 communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State
Columbus, Ohio

January 9, 2018



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SHELBY COUNTY LAND REUTILIZATION CORPORATION

SHELBY 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
FEBRUARY 6, 2018**