



Dave Yost • Auditor of State

**MONTGOMERY COUNTY LAND REUTILIZATION CORPORATION
MONTGOMERY COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Montgomery County Land Reutilization Corporation
Montgomery County
130 West Second Street, Suite 1425
Dayton, Ohio 45402

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the General Fund of the Montgomery County Land Reutilization Corporation, Montgomery County, Ohio (the Corporation), a component unit of Montgomery County, as of and for the year ended December 31, 2014, 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 General Fund of the Montgomery County Land Reutilization Corporation, Montgomery County, Ohio, as of December 31, 2014, 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 16, 2015, on our consideration of the Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

June 16, 2015

**MONTGOMERY COUNTY LAND REUTILIZATION CORPORATION
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014
UNAUDITED**

The management's discussion and analysis of the Montgomery 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, 2014. The Corporation began operations on August 26, 2011. 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. 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 and Administrative Highlights

Key financial and administrative highlights for 2014 are as follows:

- The Corporation deployed \$4.14 million over two years from an Ohio Attorney General "Moving Ohio Forward" grant to local government partners. These partners provided matching funds of \$3.438 million. The funds were used to demolish 938 run-down, foreclosed and abandoned residential properties. The demolitions were initiated to stabilize property values, and remove blight in neighborhoods. This program was completed in 2014.
- The Corporation received approximately \$1.643 million from Montgomery County under an arrangement to receive 5% of delinquent taxes collected.
- The Corporation approved grants totaling \$385,000 in 2013 to the City of Dayton (\$100,000), Harrison Township (\$125,000), and the City of West Carrollton (\$160,000) to remove long-standing, large, blighted residential and commercial structures. Of these grants \$159,936 was reimbursed to the City of West Carrollton and is considered closed, while the others have not yet submitted reimbursement requests.
- The Corporation approved and reimbursed an \$11,600 grant to Harrison Township in 2014.
- The Corporation was awarded \$5.11 million dollars by the Ohio Housing Finance Agency as a part of a state grant entitled Neighborhood Initiative Program. This program was a part of the Ohio Hardest Hit Fund Project. The Corporation acquired 174 properties as a part of the ownership requirement of the program.
- The Corporation piloted several programs to address tax-delinquent, vacant, and abandoned properties to new ownership. Most of these programs were piloted in 2014 to develop and test processes and procedures.
- The Board of Directors approved six programs for 2015, and a budget.
- The Community Residential Rehab Loan Program piloted by the City of West Carrollton launched in late 2013. A \$50,000 loan closed and was repaid by the City of West Carrollton in 2014.

**MONTGOMERY COUNTY LAND REUTILIZATION CORPORATION
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014
UNAUDITED
(Continued)**

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

**MONTGOMERY COUNTY LAND REUTILIZATION CORPORATION
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014
UNAUDITED
(Continued)**

Reporting on the Corporation's Most Significant Fund

Governmental Fund

The presentation for the Corporation's only fund, the General or Governmental Fund, focuses on how resources flow into and out of it and the balance that is left at year end and available for spending in future periods. The General Fund is reported using the modified accrual basis 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 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 Assets and the Statement of Activities) and the General Fund is reconciled in the financial statements.

The Statement of Net Position looks at the Corporation as a whole. The table below provides a summary of Corporation's net position for 2014 and 2013:

Net Position		
	2014	2013
Assets		
Cash	\$ 2,171,201	\$ 1,339,217
Prepaid Items	193	193
Accounts Receivable	1,327	-
Assets Held for Resale	1,580,232	-
Depreciable Capital Assets, Net	2,729	-
<i>Total Assets</i>	3,755,682	1,339,410
Liabilities		
Grants Payable	225,000	385,000
Accounts Payable	101,578	53,524
Long Term Note Payable	12,400	-
<i>Total Liabilities</i>	338,978	438,524
Net Position		
Net Investment in Capital Assets	2,729	-
Unrestricted	3,413,975	900,886
<i>Net Position</i>	\$ 3,416,704	\$ 900,886

**MONTGOMERY COUNTY LAND REUTILIZATION CORPORATION
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014
UNAUDITED
(Continued)**

Cash collected by the Corporation is deposited into a checking account for operating purposes. Cash increased \$831,984 during 2014.

Assets held for resale represent properties foreclosed upon or donated to the Corporation. These properties were recorded at the land assessed value provided by the Montgomery County Auditor as the structures were intended to be demolished.

Grants Payable consists of demolition awards to remove long-standing, large, blighted residential structures. The awards are independent of the AG's "Moving Ohio Forward" program.

As part of the Neighborhood Initiative Program, the Corporation received \$12,400 in the form of a long term loan secured by 124 properties.

Over time, net position can serve as a useful indicator of a government's financial position. At December 31, 2014, the Corporation's net position was \$3,416,704, up from \$900,886 in 2013 as a result of Montgomery County's continued commitment to provide a percentage of delinquent property tax collections to the organization.

The table below shows the changes in net position between 2014 and 2013:

Change in Net Position		
	2014	2013
Revenues		
Program Revenues		
Grants	\$ 3,668,146	\$ 473,388
General Revenues		
Intergovernmental	1,642,918	1,298,799
Contribution of Property	1,621,440	-
Reimbursements	20,835	6,192
Miscellaneous	2,000	3,500
Interest	129	70
<i>Total Revenues</i>	6,955,468	1,781,949
Expenses		
Grants	3,704,359	863,388
Professional and Contract Services	177,745	58,906
Administration	557,546	28,385
<i>Total Expenses</i>	4,439,650	950,679
<i>Increase in Net Position</i>	2,515,818	831,270
<i>Net Position Beginning of Year</i>	900,886	69,616
<i>Net Position End of Year</i>	\$ 3,416,704	\$ 900,886

**MONTGOMERY COUNTY LAND REUTILIZATION CORPORATION
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014
UNAUDITED
(Continued)**

Revenues for 2014 consist primarily of the Ohio Attorney General "Moving Ohio Forward" grant and the 5% of delinquent taxes contributed by Montgomery County to the Corporation for the purpose of land reutilization. The funding from Montgomery County resulted in \$1.643 million from the semi-annual property tax collection for Corporation activities. In addition, the Corporation received donated properties.

Expenses increased over 2013 due to the increase in grant activity and services to complete these activities.

The Corporation's General Fund

Information about the Corporation's Governmental Fund begins on page 11. This fund is accounted for using the modified accrual basis of accounting. The Corporation had governmental revenues of \$6,955,468, expenditures of \$4,442,379, and other financing sources of \$12,400.

Capital Assets

As of December 31, 2014, the Corporation had \$2,729 of furniture and equipment. See Note 7 of the basic financial statements for additional information on capital assets.

Debt

As of December 31, 2014, the Corporation had \$12,400 in debt attributable to loans associated with the Neighborhood Initiative Program. The debt was associated with the demolition of properties in this program, and used to support cash flow in this reimbursement program. See Note 8 of the basic financial statements for additional information on debt.

Current Financial Related Activities

The Corporation began operations on August 26, 2011. The Corporation is Montgomery County, Ohio's agent to reclaim, rehabilitate, and reutilize vacant, abandoned, tax foreclosed and other real property in Montgomery County. The purpose of the Corporation is to strengthen communities in Montgomery 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 in the future will continue to be contributions from Montgomery County's Delinquent Tax and Assessment Collection Fund. The Corporation is also developing a service for fee business model in which it anticipates collecting fees for service to offset costs.

**MONTGOMERY COUNTY LAND REUTILIZATION CORPORATION
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014
UNAUDITED
(Continued)**

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 Mike Grauwelman, Executive Director, Montgomery County Land Reutilization Corporation, 130 West Second Street, Suite 1425, Dayton, Ohio 45402.

**MONTGOMERY COUNTY LAND REUTILIZATION CORPORATION
MONTGOMERY COUNTY
(A COMPONENT UNIT OF MONTGOMERY COUNTY)**

**STATEMENT OF NET POSITION
DECEMBER 31, 2014**

	Governmental Activities
Assets	
Cash	\$ 2,171,201
Prepaid Items	193
Accounts Receivable	1,327
Assets Held for Resale	1,580,232
Depreciable Capital Assets, Net	2,729
<i>Total Assets</i>	3,755,682
 Liabilities	
Grants Payable	225,000
Accounts Payable	101,578
Long Term Liabilities Due In More Than One Year	12,400
<i>Total Liabilities</i>	338,978
 Net Position	
Net Investment in Capital Assets	2,729
Unrestricted	3,413,975
<i>Total Net Position</i>	\$ 3,416,704

See accompanying notes to the basic financial statements

**MONTGOMERY COUNTY LAND REUTILIZATION CORPORATION
MONTGOMERY COUNTY
(A COMPONENT UNIT OF MONTGOMERY COUNTY)**

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Expenses	Program Revenue Charges for Services	Net (Expense) Revenue and Changes in Net Position Governmental Activities
Governmental Activities			
Grants	\$ 3,704,359	\$ 3,668,146	\$ (36,213)
Professional and Contract Services	177,745	-	(177,745)
Administration	557,546	-	(557,546)
Total	\$ 4,439,650	\$ 3,668,146	\$ (771,504)

General Revenue:

Intergovernmental	1,642,918
Contribution of Property	1,621,440
Reimbursements	20,835
Miscellaneous	2,000
Interest	129
<i>Total General Revenues</i>	<i>3,287,322</i>
<i>Change in Net Position</i>	<i>2,515,818</i>
<i>Net Position at Beginning of Year</i>	<i>900,886</i>
<i>Net Position at End of Year</i>	<i>\$ 3,416,704</i>

See accompanying notes to the basic financial statements

MONTGOMERY COUNTY LAND REUTILIZATION CORPORATION
MONTGOMERY COUNTY
(A COMPONENT UNIT OF MONTGOMERY COUNTY)

BALANCE SHEET
GOVERNMENTAL FUND
DECEMBER 31, 2014

	<u>General Fund</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 2,171,201
Prepaid Items	193
Accounts Receivable	1,327
Assets Held for Resale	<u>1,580,232</u>
<i>Total Assets</i>	<u><u>\$ 3,752,953</u></u>
Liabilities and Fund Balance	
Grants Payable	225,000
Accounts Payable	<u>101,578</u>
<i>Total Liabilities</i>	<u><u>326,578</u></u>
Fund Balance:	
Unassigned	<u>3,426,375</u>
<i>Total Liabilities and Fund Balance</i>	<u><u>\$ 3,752,953</u></u>

See accompanying notes to the basic financial statements

**MONTGOMERY COUNTY LAND REUTILIZATION CORPORATION
MONTGOMERY COUNTY
(A COMPONENT UNIT OF MONTGOMERY COUNTY)**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2014**

Total Governmental Fund Balances \$ 3,426,375

***Amounts reported for governmental activities in the
Statement of Net Position are different because:***

Capital assets used in governmental activities are not financial
resources and therefore are not reported in the funds. 2,729

Long-term liabilities are not due and payable in the current
period and therefore are not reported in the funds: (12,400)

Net Position of Governmental Activities \$ 3,416,704

See accompanying notes to the basic financial statements

**MONTGOMERY COUNTY LAND REUTILIZATION CORPORATION
MONTGOMERY COUNTY
(A COMPONENT UNIT OF MONTGOMERY COUNTY)**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2014**

	General Fund
Revenues:	
Intergovernmental	\$ 1,642,918
Grants	3,668,146
Contribution of Property	1,621,440
Reimbursements	20,835
Miscellaneous	2,000
Interest	129
<i>Total Revenues</i>	<i>\$ 6,955,468</i>
Expenditures:	
Grants	3,704,359
Professional and Contract Services	177,745
Administration	556,864
Capital Outlay	3,411
<i>Total Expenditures</i>	<i>4,442,379</i>
Excess of Revenues Over Expenditures	2,513,089
Other Financing Sources (Uses):	
Proceeds from Note	12,400
<i>Total Other Financing Sources (Uses)</i>	<i>12,400</i>
<i>Net Change in Fund Balance</i>	<i>2,525,489</i>
<i>Fund Balance Beginning of Year</i>	<i>900,886</i>
<i>Fund Balance End of Year</i>	<i>\$ 3,426,375</i>

See accompanying notes to the basic financial statements

**MONTGOMERY COUNTY LAND REUTILIZATION CORPORATION
MONTGOMERY COUNTY
(A COMPONENT UNIT OF MONTGOMERY COUNTY)**

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

Net Change in Fund Balance - Total Governmental Fund \$ 2,525,489

***Amounts reported for governmental activities in the
Statement of Activities are different because:***

Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation.

Capital Asset Additions	3,411	
Current Year Depreciation	<u>(682)</u>	
Total		2,729

Governmental Funds report proceeds from note as other financing sources, but the receipt of principal increases the long-term liabilities in the Statement of Net Position. (12,400)

Change in Net Position of Governmental Activities \$ 2,515,818

See accompanying notes to the basic financial statements

**MONTGOMERY COUNTY LAND REUTILIZATION CORPORATION
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014**

Note 1 – Description of the Reporting Entity

The Montgomery County Land Reutilization Corporation (the Corporation) is a body corporate and politic authorized by the Board of County Commissioners of Montgomery County on July 5, 2011 and incorporated on August 26, 2011 under Chapter 1724 of the Ohio Revised Code.

The Corporation's governing body is a seven member Board of Directors, consisting of the County Treasurer, two County Commissioners, one representative of the City of Dayton, one member representing a Township, and the remaining two members selected by the County Treasurer and County Commissioners with one member having private sector real estate acquisition experience.

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

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

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The Corporation's basic financial statements consist of government-wide statements, including a Statement of Net Position and a Statement of Activities and fund financial statements which provide a more detailed level of financial information.

**MONTGOMERY COUNTY LAND REUTILIZATION CORPORATION
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

Note 2 – Summary of Significant Accounting Policies - continued

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

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 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 a Governmental Fund.

Governmental Funds

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

General Fund: The General Fund accounts for all financial resources that are received from the 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.

**MONTGOMERY COUNTY LAND REUTILIZATION CORPORATION
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

Note 2 – Summary of Significant Accounting Policies - continued

Measurement Focus

Government-Wide Financial Statements

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

Fund Financial Statements

The General Fund is accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the Balance Sheet. The Statement of Revenues, Expenditures and Changes in Fund Balance reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental Fund financial statements therefore include 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 financial records and reported on the financial statements. Government-wide statements are prepared using the accrual basis of accounting. The General Fund uses the modified accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred 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, interest and grants revenue sources are considered to be both measurable and available at year-end.

**MONTGOMERY COUNTY LAND REUTILIZATION CORPORATION
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

Note 2 – Summary of Significant Accounting Policies - continued

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

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

Budgetary Process

The Corporation is not bound by the budgetary laws prescribed by the Ohio Revised Code for purely governmental entities. The Board of Directors of the Corporation did not adopt an annual budget for the fiscal year although appropriations were approved by the Board of Directors during the year as required. The Board did approve, in 2014, a budget for 2015.

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.

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 costs. The Corporation holds the properties until they are either sold to individuals who rehabilitate them, or the structure on the properties are demolished.

Capital Assets

The Corporation's only capital assets are general capital assets. General capital assets are capital assets which are associated with and generally arise from governmental activities. General capital assets are reported in the governmental activities column of the government-wide Statement of Net Position but are reported as capital outlay expenditure in the Statement of Revenues, Expenditures and Changes in Fund Balance of the General Fund.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The Corporation capitalizes purchased furniture and equipment when the cost is \$500 or more and its useful life exceeds one year.

All capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method for furniture and equipment over useful lives of five years.

**MONTGOMERY COUNTY LAND REUTILIZATION CORPORATION
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

Note 2 – Summary of Significant Accounting Policies - continued

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/deferred outflow of resources and liabilities/deferred inflows of resources. The Corporation did not have any deferred outflow of resources or deferred inflow of resources as of December 31, 2014. 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 assets at December 31, 2014.

Intergovernmental Revenue

The Corporation receives operating income through Montgomery County. This money represents the penalties and interest on current unpaid and delinquent property taxes once these 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.

Estimates

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

Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Corporation Administration and that are either unusual in nature or infrequent in occurrence. The Corporation had no extraordinary or special items during 2014.

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 and prepaid amounts.

**MONTGOMERY COUNTY LAND REUTILIZATION CORPORATION
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

Note 2 – Summary of Significant Accounting Policies - continued

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.

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.

Note 3 – Deposits

At December 31, 2014, the carrying amount of the Corporation's deposits was \$2,171,201. The Corporation's bank balance was \$2,246,032. Based on the criteria described in GASB Statement Number 40, Deposits and Investment Risk Disclosures, as of December 31, 2014, \$250,000 was covered by Federal Deposit Insurance Corporation (FDIC) and \$1,996,032 was uninsured and collateralized. Custodial credit risk is the risk that in the event of bank failure, that 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 of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2014, the Corporation contracted with Brooks Insurance for various types of insurance as follows:

**MONTGOMERY COUNTY LAND REUTILIZATION CORPORATION
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

Note 4 – Risk Management - continued

<u>Coverage Type</u>	<u>Coverage</u>	<u>Provider</u>
General Aggregate	\$2,000,000	Great American
General Liability	\$1,000,000	Great American
Commercial Liability	\$1,000,000	Great American
Directors / Officers Liability	\$1,000,000	Chubb
Employment Practices Liability	\$1,000,000	Chubb
Employee Dishonesty	\$250,000	Travelers
Business Personal Property	\$250,000	Travelers

Since being incorporated settled claims have not exceeded commercial coverage. There have been no significant reductions in coverage from last year.

Note 5 – Litigation

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

Note 6 – Transactions with Montgomery County

Pursuant to and in accordance with Section 321.261 (B) of the Ohio Revised Code, the Corporation has been authorized by the Montgomery County Board of Commissioners to receive 5% of all collections of delinquent real property, personal property, and manufactured and mobile home taxes that are deposited into the County's Delinquent Tax and Assessment Collection (DETAC) Fund and will be available for appropriation by the Corporation to fund operations.

Note 7 – Capital Assets

A summary of changes in capitals assets during 2014 follows:

	Balance <u>12/31/2013</u>	Additions	Deletions	Balance <u>12/31/2014</u>
Furniture and Equipment	\$ -	\$ 3,411	\$ -	\$ 3,411
Less Accumulated Depreciation	-	(682)	-	(682)
<i>Governmental Activities Capital Assets, Net</i>	<u>\$ -</u>	<u>\$ 2,729</u>	<u>\$ -</u>	<u>\$ 2,729</u>

Note 8 – Long-Term Obligations

The Corporation signed a Promissory Note with County Corp in 2014 for the Neighborhood Initiative Program that extends to the Corporation a loan on a revolving basis provided the aggregate principal amount borrowed does not exceed \$800,000. The debt is associated with the demolition of properties and used to support cash flow in this reimbursement program. The Promissory Note is secured with an Open-Ended Mortgage whereas the properties are the collateral.

The long-term note requires monthly interest payments and all unpaid principal and accrued, unpaid interest is due at maturity. The summarized terms are in the following table:

	Interest <u>Rate</u>	Original <u>Note Amount</u>	Date of <u>Maturity</u>
County Corp Promissory Note	0.75%	\$ 800,000	February 28, 2017

**MONTGOMERY COUNTY LAND REUTILIZATION CORPORATION
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

Note 8 – Long-Term Obligations - continued

The changes in the Corporation’s long-term obligations during the year consist of the following:

	Principal Outstanding 12/31/2013	Additions	(Reductions)	Principal Outstanding 12/31/2014
Governmental Activities:				
County Corp Promissory Note	\$ -	\$ 12,400	\$ -	\$ 12,400
<i>Total Governmental Activities</i>	<u>\$ -</u>	<u>\$ 12,400</u>	<u>\$ -</u>	<u>\$ 12,400</u>



Dave Yost • Auditor of State

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

Montgomery County Land Reutilization Corporation
Montgomery County
130 West Second Street, Suite 1425
Dayton, Ohio 45402

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 General Fund of the Montgomery County Land Reutilization Corporation, Montgomery County, (the Corporation) as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements and have issued our report thereon dated June 16, 2015, wherein we noted the Corporation is a component unit of Montgomery County.

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 initial "D".

Dave Yost
Auditor of State
Columbus, Ohio

June 16, 2015



Dave Yost • Auditor of State

MONTGOMERY COUNTY LAND REUTILIZATION CORPORATION

MONTGOMERY 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
DECEMBER 17, 2015**