



Dave Yost • Auditor of State

**MONTGOMERY COUNTY LAND REUTILIZATION CORPORATION
MONTGOMERY COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position – December 31, 2015	13
Statement of Activities – For the Year Ended December 31, 2015.....	14
Fund Financial Statements:	
Balance Sheet – Governmental Fund – December 31, 2015.....	15
Reconciliation of Total Governmental Fund Balance to Net Position of Governmental Activities – December 31, 2015.....	16
Statement of Revenues, Expenditures and Changes in Fund Balance Governmental Fund – For the Year Ended December 31, 2015	17
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, 2015	18
Notes to the Basic Financial Statements	19
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	31

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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 major 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, 2015, 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 Montgomery County Land Reutilization Corporation, Montgomery County, Ohio, as of December 31, 2015, 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 7, 2016, 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 7, 2016

MONTGOMERY COUNTY LAND REUTILIZATION CORPORATION
MONTGOMERY COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015
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, 2015. 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 2015 are as follows:

- The year saw the completion of a number of important measures supporting the Corporation's growth and development. The Corporation launched several programs to address tax-delinquent, vacant, and abandoned properties to new ownership. These programs were piloted in 2014 and early 2015 to develop and test processes and procedures.
- The Corporation received \$1,756,504 from Montgomery County under an arrangement to receive 5% of delinquent taxes collected.
- The Corporation was awarded additional \$800,000 by the Ohio Housing Finance Agency (OHFA) as a part of a state grant entitled Neighborhood Initiative Program (NIP).
- The Corporation acquired over 280 properties as a part of the ownership requirement of the NIP program. The total grant award at December 31, 2015 was approximately \$5.9 million.
- The first adopted budget had a positive variance in expenses of 17 percent. The budget proved to be very accurate as most of the variance was attributable to the early loss of personnel.
- The financial / business model of offsetting program expenses with fees worked as planned. Over \$120,000 in fee, donation, and sales revenues were collected.
- The Board of Directors approved programs for 2016, and a budget. The budget also included commitments to hire three additional staff members to support the programs.
- Program descriptions, processes, applications, instructions, and procedures to enable implementation and scale were completed. The effort also included building relationships within the offices that support the efforts.
- Steps were taken to develop plans and strategies to increase program demand. A communications plan for stakeholders, and an educational campaign to generate program interest, understanding, and demand were developed.

MONTGOMERY COUNTY LAND REUTILIZATION CORPORATION
MONTGOMERY COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015
UNAUDITED

Financial and Administrative Highlights (continued)

- A web site was under development. The site will include: a tool to assist citizens and investors in identifying targeted / tax delinquent properties; program descriptions with online application forms; and information concerning available properties.
- The home renovation program had 6 properties under contract or having been transferred, and an additional 20 properties in the acquisition pipeline.
- The Tax Foreclosure program had 29 applications and 4 transfers. An additional 5 forfeitures were transferred to the Land Bank by year's end establishing a new means to support the reuse of this group of abandoned properties.
- The Corporation approved a Planning Grant for \$50,000 in 2015 to Huber Heights to support their strategic planning efforts. The grant provides financial support on a matching basis to enable communities to acquire the technical resources necessary to develop the plan. The plan is intended to help communities focus on goals, objectives, and develop implementation strategies to fulfill their vision. The program requires a 25% match from the community. No funds had been dispersed as of the end of 2015.
- The Community Residential Rehab Loan Program was utilized by two communities in 2015. West Carrollton and Brookville each borrowed \$50,000. As of the end of 2015, these loans were still outstanding.
- Land Banking program agreement template was completed.
- No commercial properties agreements were completed but discussions with interested parties helped better define the Corporation's role in property assemblage, environmentally contaminated, and large office structures.
- Estimated financial impacts of the Corporation's program efforts include \$142,000 in tax collections, properties valued at \$190,000 transferred to responsible owners with tax collections of \$8,000 annually, private investments in rehabilitation of \$100,000, and an additional \$90,000 through the residential loan program.
- The Corporation clarified its conflict of interest policy and revised its Corporate Priorities and Policies.
- Hired three new employees to support accounting and finance, and program development and administration.
- Acquired an accounting software system and implemented a transition plan to move accounting into the Corporation from an external provider.
- Two new communities signed Memoranda of Understanding for Corporation services.

MONTGOMERY COUNTY LAND REUTILIZATION CORPORATION
MONTGOMERY COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015
UNAUDITED

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 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 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, 2015
UNAUDITED

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.

MONTGOMERY COUNTY LAND REUTILIZATION CORPORATION
MONTGOMERY COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015
UNAUDITED

The Statement of Net Position looks at the Corporation as a whole. The table below provides a summary of Corporation's net position for 2015 and 2014:

Net Position	2015	2014
Assets		
Equity in Pooled Cash and Cash Equivalents	\$ 2,716,687	\$ 2,171,201
Prepaid Items	209	193
Accounts Receivable	114,942	1,327
Assets Held for Resale	4,009,686	1,580,232
Loans Receivable	100,000	-
Depreciable Capital Assets, Net	28,655	2,729
<i>Total Assets</i>	6,970,179	3,755,682
Liabilities		
Grants Payable	50,000	225,000
Accounts Payable	1,103,158	101,578
Long Term Note Payable	27,200	12,400
<i>Total Liabilities</i>	1,180,358	338,978
Net Position		
Net Investment in Capital Assets	28,655	2,729
Unrestricted	5,761,166	3,413,975
<i>Net Position</i>	\$ 5,789,821	\$ 3,416,704

Cash collected by the Corporation is deposited into a checking account for operating purposes. Cash increased \$545,486 during 2015.

Accounts Receivable at December 31, 2015, consists of funds due from Ohio Housing Finance Agency (OHFA) Neighborhood Initiative Program (NIP) and from a municipality.

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.

MONTGOMERY COUNTY LAND REUTILIZATION CORPORATION
MONTGOMERY COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015
UNAUDITED

Loans Receivable represents activity in the Community Residential Rehab loan program.

Grants Payable relates to the Community Planning Grant.

Accounts Payable consists primarily of expenses related to the NIP program for demolition and remediation awards to remove long-standing, blighted residential structures.

As part of NIP, the Corporation received an additional \$16,100 in the form of a long term loan secured by 161 properties. The Corporation repaid \$1,300 which includes 11 properties that were determined not eligible for the program and 2 properties that had completed the NIP process.

Over time, net position can serve as a useful indicator of a government's financial position. At December 31, 2015, the Corporation's net position was \$5,789,821, up from \$3,416,704 in 2014 as a result of Montgomery County's continued commitment to provide a percentage of delinquent property tax collections to the Corporation.

MONTGOMERY COUNTY LAND REUTILIZATION CORPORATION
MONTGOMERY COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015
UNAUDITED

The table below shows the changes in net position between 2015 and 2014:

Change in Net Position		
	2015	2014
Revenues		
Program Revenues		
Charges for Services	\$ 96,101	\$ -
Operating Grants and Contributions	98,803	3,668,146
<i>Total Program Revenues</i>	194,904	3,668,146
General Revenues		
Intergovernmental	1,756,504	1,642,918
Contribution of Property	1,119,910	1,621,440
Reimbursements	45,914	20,835
Miscellaneous	-	2,000
Interest	235	129
<i>Total General Revenues</i>	2,922,563	3,287,322
<i>Total Revenues</i>	3,117,467	6,955,468
Expenses		
Grants	(26,223)	3,704,359
Professional and Contract Services	97,711	177,745
Administration	672,862	557,546
<i>Total Expenses</i>	744,350	4,439,650
<i>Increase in Net Position</i>	2,373,117	2,515,818
<i>Net Position Beginning of Year</i>	3,416,704	900,886
<i>Net Position End of Year</i>	\$ 5,789,821	\$ 3,416,704

Revenues for 2015 consist primarily of the Ohio Housing Finance Agency "Neighborhood Initiative Program" 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 \$1.756 million from the semi-annual property tax collection for Corporation activities. In addition, the Corporation received donated properties.

Expenses decreased over 2014 due to a reduction in grant activity related to the completion of the Ohio Attorney General's "Moving Ohio Forward" grant.

MONTGOMERY COUNTY LAND REUTILIZATION CORPORATION
MONTGOMERY COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015
UNAUDITED

The Corporation's Fund

Information about the Corporation's Governmental Fund begins on page 15. This fund is accounted for using the modified accrual basis of accounting. The Corporation had governmental revenues of \$3,117,467, expenditures of \$771,576, and other financing sources of \$16,100.

Loans Receivable

As of December 31, 2015, the Corporation had \$100,000 in loans receivable for the Community Residential Rehab Loan Program. See Note 7 of the basic financial statements for additional information on loans receivable.

Capital Assets

As of December 31, 2015, the Corporation had \$28,655 of furniture, equipment and leasehold improvements. See Note 8 of the basic financial statements for additional information on capital assets.

Debt

As of December 31, 2015, the Corporation had \$27,200 in debt attributable to loans associated with NIP. The debt was associated with the demolition of properties in this program. See Note 9 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. The purpose of the Corporation is to strengthen communities in Montgomery County by returning properties to productive use and by supporting strategic residential and commercial 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, 2015
UNAUDITED

Request for Information

This financial report is designed to provide users of the financial statements with a general overview of the Corporation's finances and 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.

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

STATEMENT OF NET POSITION
DECEMBER 31, 2015

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 2,716,687
Prepaid Items	209
Accounts Receivable	114,942
Assets Held for Resale	4,009,686
Loans Receivable	100,000
Depreciable Capital Assets, Net	28,655
<i>Total Assets</i>	6,970,179
 Liabilities	
Grants Payable	50,000
Accounts Payable	1,103,158
Long Term Liabilities Due In More Than One Year	27,200
<i>Total Liabilities</i>	1,180,358
 Net Position	
Net Investment in Capital Assets	28,655
Unrestricted	5,761,166
<i>Total Net Position</i>	\$ 5,789,821

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, 2015

	Expenses	Program Revenue		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
Grants	\$ (26,223)	\$ -	\$ 98,803	\$ 125,026
Professional and Contract Services	97,711	96,101	-	(1,610)
Administration	672,862	-	-	(672,862)
Total	\$ 744,350	\$ 96,101	\$ 98,803	\$ (549,446)
		General Revenues:		
				1,756,504
				1,119,910
				45,914
				235
				2,922,563
				<i>Change in Net Position</i>
				2,373,117
				<i>Net Position at Beginning of Year</i>
				3,416,704
				<i>Net Position at End of Year</i>
				\$ 5,789,821

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, 2015

	<u>General Fund</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 2,716,687
Prepaid Items	209
Accounts Receivable	114,942
Assets Held for Resale	4,009,686
Loans Receivable	<u>100,000</u>
<i>Total Assets</i>	<u><u>\$ 6,941,524</u></u>
Liabilities and Fund Balance	
Grants Payable	50,000
Accounts Payable	<u>1,103,158</u>
<i>Total Liabilities</i>	<u>1,153,158</u>
Fund Balance:	
Nonspendable	4,109,895
Unassigned	<u>1,678,471</u>
<i>Total Fund Balance</i>	<u>5,788,366</u>
 <i>Total Liabilities and Fund Balance</i>	 <u><u>\$ 6,941,524</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, 2015

Total Governmental Fund Balance \$ 5,788,366

***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 fund. 28,655

Long-term liabilities are not due and payable in the current
period and therefore are not reported in the fund. (27,200)

Net Position of Governmental Activities \$ 5,789,821

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, 2015

	<u>General Fund</u>
Revenues:	
Intergovernmental	\$ 1,756,504
Grants	98,803
Contribution of Property	1,119,910
Reimbursements	45,914
Charges for Services	96,101
Interest	235
<i>Total Revenues</i>	<u>\$ 3,117,467</u>
Expenditures:	
Grants	(26,223)
Professional and Contract Services	97,711
Administration	668,879
Capital Outlay	29,909
Principal Retirement	1,300
<i>Total Expenditures</i>	<u>771,576</u>
Excess of Revenues Over Expenditures	<u>2,345,891</u>
Other Financing Sources (Uses):	
Proceeds from Note	16,100
<i>Total Other Financing Sources (Uses)</i>	<u>16,100</u>
<i>Net Change in Fund Balance</i>	2,361,991
<i>Fund Balance Beginning of Year</i>	<u>3,426,375</u>
<i>Fund Balance End of Year</i>	<u>\$ 5,788,366</u>

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, 2015

Net Change in Fund Balance - Total Governmental Fund \$ 2,361,991

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

Governmental Fund reports 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	29,909	
Current Year Depreciation	<u>(3,983)</u>	
Total		25,926

Governmental Fund reports principal retirement as expenditures. However, the repayment of principal decreases the long-term liabilities in the Statement of Net Position. 1,300

Governmental Fund reports proceeds from note as other financing sources, but the receipt of principal increases the long-term liabilities in the Statement of Net Position. (16,100)

Change in Net Position of Governmental Activities \$ 2,373,117

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, 2015

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 both members having private sector real estate 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 and 61.

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

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

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

MONTGOMERY COUNTY LAND REUTILIZATION CORPORATION
MONTGOMERY COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

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 a 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.

MONTGOMERY COUNTY LAND REUTILIZATION CORPORATION
MONTGOMERY COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

Note 2 – Summary of Significant Accounting Policies - continued

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 by the Corporation, including resources 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 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

MONTGOMERY COUNTY LAND REUTILIZATION CORPORATION
MONTGOMERY COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

Note 2 – Summary of Significant Accounting Policies - continued

and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred inflows and outflows 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.

Expenses/Expenditures

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

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

Budgetary Process

The Corporation is not bound by the budgetary laws prescribed by the Ohio Revised Code for purely governmental entities. The Board of Directors of the Corporation did, however, adopt an annual budget for the fiscal year and program appropriations were approved by the Board of Directors during the year as required. The Board did approve, in 2015, a budget for 2016.

MONTGOMERY COUNTY LAND REUTILIZATION CORPORATION
MONTGOMERY COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

Note 2 – Summary of Significant Accounting Policies - continued

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.

Loans Receivable

Loans receivable represents loans granted to two communities participating in the Community Residential Rehab Loan Program. The loans mature two years from the Promissory Note date or if title transfers prior to maturity.

Assets Held for Resale

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

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 in the year in which they are acquired.

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, equipment and leasehold improvements 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 for furniture and equipment is computed using the straight-line method for furniture and equipment over useful lives of five years. Depreciation for leasehold improvements is amortized over the remaining life of the lease.

MONTGOMERY COUNTY LAND REUTILIZATION CORPORATION
MONTGOMERY COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

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, 2015. 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, 2015.

Intergovernmental Revenue

The Corporation receives operating income through Montgomery County. This money represents the penalties and interest on 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 transferred 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 2015.

MONTGOMERY COUNTY LAND REUTILIZATION CORPORATION
MONTGOMERY COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

Note 2 – Summary of Significant Accounting Policies – continued

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.

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.

MONTGOMERY COUNTY LAND REUTILIZATION CORPORATION
MONTGOMERY COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

Note 3 – Deposits

At December 31, 2015, the carrying amount of the Corporation's deposits was \$2,716,687. The Corporation's bank balance was \$2,787,287. Based on the criteria described in GASB Statement Number 40, Deposits and Investment Risk Disclosures, as of December 31, 2015, \$250,000 was covered by Federal Deposit Insurance Corporation (FDIC) and \$2,537,287 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 2015, the Corporation contracted with Brooks Insurance for various types of insurance as follows:

<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.

MONTGOMERY COUNTY LAND REUTILIZATION CORPORATION
MONTGOMERY COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

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 (DTAC) Fund and will be available for appropriation by the Corporation to fund operations. The Corporation received \$1,756,504 of DTAC revenue in 2015.

Note 7 – Loans Receivable

The Corporation granted two loans of \$50,000 each in 2015 for the Community Residential Rehab Loan Program. The program was developed to support the renovation of single family properties by public entities. These loans are provided to communities in support of their goals and to facilitate investment. Each community signed a Promissory Note which is secured with an Open-Ended Mortgage whereas the properties are the collateral.

The notes do not require monthly payments and all unpaid principal is due at maturity or if title transfers prior maturity. The summarized terms are in the following table:

	Interest Rate	Original Note Amount	Date of Maturity
The City of Brookville Promissory Note	0.00%	\$ 50,000	August 24, 2017
The City of West Carrollton Promissory Note	0.00%	\$ 50,000	September 15, 2017

The changes in the Corporation’s loans receivable during the year consist of the following:

	Principal Outstanding 12/31/2014	Additions	(Reductions)	Principal Outstanding 12/31/2015
Governmental Activities:				
The City of Brookville Promissory Note	\$ -	\$ 50,000	\$ -	\$ 50,000
The City of West Carrollton Promissory Note	-	50,000	-	50,000
<i>Total Governmental Activities</i>	<u>\$ -</u>	<u>\$ 100,000</u>	<u>\$ -</u>	<u>\$ 100,000</u>

MONTGOMERY COUNTY LAND REUTILIZATION CORPORATION
MONTGOMERY COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

Note 8 – Capital Assets

A summary of changes in capital assets during 2015 follows:

	Balance 12/31/2014	Additions	Deletions	Balance 12/31/2015
Furniture and Equipment	\$ 3,411	\$ 18,884	\$ -	\$ 22,295
Leasehold Improvements	-	11,025	-	11,025
Less Accumulated Depreciation	(682)	(3,983)	-	(4,665)
<i>Governmental Activities Capital Assets, Net</i>	<u>\$ 2,729</u>	<u>\$ 25,926</u>	<u>\$ -</u>	<u>\$ 28,655</u>

Note 9 – 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. 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 Rate	Original Note Amount	Date of Maturity
County Corp Promissory Note	0.75%	\$ 800,000	February 28, 2017

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

	Principal Outstanding 12/31/2014	Additions	(Reductions)	Principal Outstanding 12/31/2015
Governmental Activities:				
County Corp Promissory Note	\$ 12,400	\$ 16,100	\$ 1,300	\$ 27,200
<i>Total Governmental Activities</i>	<u>\$ 12,400</u>	<u>\$ 16,100</u>	<u>\$ 1,300</u>	<u>\$ 27,200</u>

MONTGOMERY COUNTY LAND REUTILIZATION CORPORATION
MONTGOMERY COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

Note 10 –Fund Balance

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

<u>Fund Balance</u>	<u>General Fund</u>
Nonspendable	
Prepays	\$ 209
Assets Held for Resale	4,009,686
Loans Receivable	<u>100,000</u>
<i>Total Nonspendable</i>	4,109,895
Unassigned	<u>1,678,471</u>
	<u>\$ 5,788,366</u>

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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 the major fund of the Montgomery County Land Reutilization Corporation, Montgomery County, (the Corporation) as of and for the year ended December 31, 2015, 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 7, 2016, 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 opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Corporation's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Corporation's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. 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

June 7, 2016



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
JULY 5, 2016**