MONTGOMERY COUNTY LAND REUTILIZATION CORPORATION
MONTGOMERY COUNTY

REGULAR AUDIT

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2016

Dave Yost · Auditor of State

MONTGOMERY COUNTY LAND REUTILIZATION CORPORATION
MONTGOMERY COUNTY
DECEMBER 31, 2016

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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 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, 2016, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Corporation's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Corporation's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of Montgomery County Land Reutilization Corporation, Montgomery County, Ohio, as of December 31, 2016, and the respective changes in financial position thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 9, 2017, 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 9, 2017

MONTGOMERY COUNTY LAND REUTILIZATION CORPORATION
MONTGOMERY COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2016
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, 2016. The Corporation began operations on August 26, 2011 and is a component unit of Montgomery County. 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 2016 are as follows:

- The Corporation received $1,797,142 from Montgomery County under an arrangement to receive 5% of delinquent taxes collected.
- The Corporation was awarded additional $11,991,200 by the Ohio Housing Finance Agency (OHFA) as a part of a state grant entitled Neighborhood Initiative Program (NIP).
- The Corporation acquired over 370 properties as a part of the ownership requirement of the NIP program. The total grant award at December 31, 2016 was approximately $17.9 million.
- A new web site was completed in 2016. The site includes: a tool to assist citizens and investors in identifying targeted / tax delinquent properties; program descriptions with online application forms; and information concerning available properties.
- A web-based data management system was purchased in 2016 to improve the efficiency of managing property inventory from research to acquisition to disposition. The data base is customizable and includes the ability to track each property through its respective LB program whether its demolition, renovation, land banking or donation. Other features include contractor management, staff assignments, grant management and compliance, report and document creation.
- The home renovation and NCST programs had 16 properties under contract or having been transferred, and an additional 51 properties in the acquisition pipeline.
- The Tax Foreclosure program had 94 applications and 29 transfers. An additional 7 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.

Financial and Administrative Highlights (continued)

- The Corporation approved 5 new Planning Grants totaling $217,500 in 2016. Grants were awarded to Dayton, Centerville, West Carrollton, Clayton and Five Rivers Metro Parks - Dayton to support 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 2016.
- 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 2016, these loans were still outstanding.
- The Commercial Program supported 4 transactions under agreement generating $585,000 in real estate tax payments, and an anticipated $90M in investment.
- Estimated financial impacts of the Corporation's program efforts include $585,000 in commercial tax collections, residential properties transferred with estimated tax collections of $49,000 annually, private investments in residential rehabilitation of $670,000, and an additional $50,000 through the residential loan program.
- The Corporation has an additional three personnel assigned to help with administration of program development.

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.

MONTGOMERY COUNTY LAND REUTILIZATION CORPORATION
MONTGOMERY COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2016
UNAUDITED

Reporting the Corporation's Financial Activities

Statement of Net Position and the Statement of Activities

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

These two statements report the Corporation's net position and changes in that position. This change in net position is important because it tells the reader whether, for the Corporation as a whole, the financial position of the Corporation has improved or diminished. However, in evaluating the overall position of the Corporation, non-financial information 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

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 Position 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, 2016
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The Statement of Net Position looks at the Corporation as a whole. The table below provides a summary of Corporation's net position for 2016 and 2015:

Net Position

	2016	2015
Assets		
Equity in Pooled Cash and Cash Equivalents	$ 3,641,521	$ 2,716,687
Prepaid Items	22,233	209
Accounts Receivable	6,822	114,942
Grants Receivable	918,902	-
Assets Held for Resale	7,563,315	4,009,686
Loans Receivable	100,000	100,000
Depreciable Capital Assets, Net	43,574	28,655
Total Assets	12,296,367	6,970,179
Liabilities		
Grants Payable	267,500	50,000
Accounts Payable	407,107	1,103,158
Unearned Revenue	185,000	-
Long Term Note Payable	14,200	27,200
Total Liabilities	873,807	1,180,358
Net Position		
Investment in Capital Assets	43,574	28,655
Unrestricted	11,378,986	5,761,166
Net Position	$ 11,422,560	$ 5,789,821

Cash collected by the Corporation is deposited into a checking account for operating purposes. Cash increased $924,834 during 2016. This increase was the result of higher grant revenue.

Grants and Loans Receivable at December 31, 2016, consists of funds due from Ohio Housing Finance Agency (OHFA) Neighborhood Initiative Program (NIP) and from two municipalities.

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. Increases in 2016 relate to increased activity from OHFA.

Grants Payable relates to the Community Planning Grant and increased during 2016 to $267,500.

Accounts Payable consists primarily of expenses related to the NIP program for demolition and remediation awards to remove long-standing, blighted residential structures and decreased during 2016 due to meeting the obligations outstanding in 2015.

Over time, net position can serve as a useful indicator of a government's financial position. At December 31, 2016, the Corporation's net position was $11,422,560, up from $5,789,821 in 2015 as a result of Montgomery County's continued commitment to provide a percentage of delinquent property tax collections to the Corporation.

The table below shows the changes in net position between 2016 and 2015:

Change in Net Position

	2016	2015
Revenues		
Program Revenues		
Charges for Services	$ 175,738	$ 96,101
Operating Grants and Contributions	4,579,011	98,803
Total Program Revenues	4,754,749	194,904
General Revenues		
Intergovernmental	1,797,142	1,756,504
Contribution of Property	664,320	1,119,910
Reimbursements	-	45,914
Interest	275	235
Total General Revenues	2,461,737	2,922,563
Total Revenues	7,216,486	3,117,467
Expenses		
Grants	-	(26,223)
Professional and Contract Services	211,932	97,711
Administration	1,371,815	672,862
Total Expenses	1,583,747	744,350
Increase in Net Position	5,632,739	2,373,117
Net Position Beginning of Year	5,789,821	3,416,704
Net Position End of Year	$ 11,422,560	$ 5,789,821

MONTGOMERY COUNTY LAND REUTILIZATION CORPORATION
MONTGOMERY COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2016
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Revenues for 2016 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 $1.797 million from the semi-annual property tax collection for Corporation activities. In addition, operating grants and contributions increased due to increased activity in the OHFA NIP Program.

Expenses increased during 2016 due to increased administrative expenses necessary to manage the increase in properties.

The Corporation's Fund

Information about the Corporation's Governmental Fund begins on page 13. This fund is accounted for using the modified accrual basis of accounting. The Corporation had governmental revenues of $7,216,486 and expenditures of $1,621,666.

Loans Receivable

As of December 31, 2016, 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, 2016, the Corporation had $43,574 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, 2016, the Corporation had $14,200 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.

Factors Expected to Impact the Future

The Neighborhood Initiative Program is a performance based program which does not guarantee that funds awarded to it will be provided if certain performance milestones are not achieved. As such the Corporation may lose or gain additional funds based upon its and other participant's performance. These gains or losses would impact future activities of the organization.

MONTGOMERY COUNTY LAND REUTILIZATION CORPORATION
MONTGOMERY COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2016
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, 2016

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	$ 3,641,521
Prepaid Items	22,233
Accounts Receivable	6,822
Grants Receivable	918,902
Assets Held for Resale	7,563,315
Loans Receivable	100,000
Depreciable Capital Assets, Net	43,574
Total Assets	12,296,367
Liabilities	
Grants Payable	267,500
Accounts Payable	407,107
Unearned Revenue	185,000
Long Term Liabilities Due Within One Year	14,200
Total Liabilities	873,807
Net Position	
Investment in Capital Assets	43,574
Unrestricted	11,378,986
Total Net Position	$ 11,422,560

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, 2016

	Expenses	Program Revenue: Charges for Services	Program Revenue: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities
Governmental Activities				
Grants	$ -	$ -	$ 4,579,011	$ 4,579,011
Professional and Contract Services	211,932	175,738	-	(36,194)
Administration	1,371,815	-	-	(1,371,815)
Total	$ 1,583,747	$ 175,738	$ 4,579,011	$ 3,171,002

General Revenues:	
Intergovernmental	1,797,142
Contribution of Property	664,320
Interest	275
Total General Revenues	2,461,737
Change in Net Position	5,632,739
Net Position at Beginning of Year	5,789,821
Net Position at End of Year	$ 11,422,560

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, 2016

	General Fund
Assets	
Equity in Pooled Cash and Cash Equivalents	$ 3,641,521
Prepaid Items	22,233
Accounts Receivable	6,822
Grants Receivable	918,902
Assets Held for Resale	7,563,315
Loans Receivable	100,000
Total Assets	$ 12,252,793
Liabilities and Fund Balance	
Grants Payable	267,500
Accounts Payable	407,107
Unearned Revenue	185,000
Total Liabilities	859,607
Fund Balance:	
Nonspendable	7,685,548
Unassigned	3,707,638
Total Fund Balance	11,393,186
Total Liabilities and Fund Balance	$ 12,252,793

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, 2016

Total Governmental Fund Balance	$ 11,393,186
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.	43,574
Long-term liabilities are not due and payable in the current period and therefore are not reported in the fund.	(14,200)
Net Position of Governmental Activities	$ 11,422,560

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, 2016

	General Fund
Revenues:	
Intergovernmental	$ 1,797,142
Grants	4,579,011
Contribution of Property	664,320
Charges for Services	175,738
Interest	275
Total Revenues	$ 7,216,486
Expenditures:	
Professional and Contract Services	211,932
Administration	1,362,810
Capital Outlay	23,924
Principal Retirement	23,000
Total Expenditures	1,621,666
Excess of Revenues Over Expenditures	5,594,820
Other Financing Sources (Uses):	
Proceeds from Note	10,000
Total Other Financing Sources (Uses)	10,000
Net Change in Fund Balance	5,604,820
Fund Balance Beginning of Year	5,788,366
Fund Balance End of Year	$ 11,393,186

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, 2016

Net Change in Fund Balance - Total Governmental Fund		$ 5,604,820
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	23,924	
Current Year Depreciation	(9,005)	
Total		14,919
Governmental Fund reports principal retirement as expenditures. However, the repayment of principal decreases the long-term liabilities in the Statement of Net Position.		23,000
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.		(10,000)
Change in Net Position of Governmental Activities		$ 5,632,739

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, 2016

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 component unit 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.

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.

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

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.

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.

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, 2016. 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, 2016.

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.

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.

Note 3 – Deposits

At December 31, 2016, the carrying amount of the Corporation's deposits was $3,641,521. The Corporation's bank balance was $3,657,600. Based on the criteria described in GASB Statement Number 40, Deposits and Investment Risk Disclosures, as of December 31, 2016, $250,000 was covered by Federal Deposit Insurance Corporation (FDIC) and $3,407,600 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 2016, the Corporation contracted with Brooks Insurance for various types of insurance as follows:

Coverage Type	Coverage	Provider
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 (DTAC) Fund and will be available for appropriation by the Corporation to fund operations. The Corporation received $1,797,142 of DTAC revenue in 2016.

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 where 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:

Governmental Activities:	Principal Outstanding 12/31/2015	Additions	(Reductions)	Principal Outstanding 12/31/2016
The City of Brookville Promissory Note	$ 50,000	$ -	$ -	$ 50,000
The City of West Carrollton Promissory Note	50,000	-	-	50,000
Total Governmental Activities	$ 100,000	$ -	$ -	$ 100,000

Note 8 – Capital Assets

A summary of changes in capital assets during 2016 follows:

	Balance 12/31/2015	Additions	Deletions	Balance 12/31/2016
Furniture and Equipment	$ 22,295	$ 21,524	$ -	$ 43,819
Leasehold Improvements	11,025	2,400	-	13,425
Less Accumulated Depreciation	(4,665)	(9,005)	-	(13,670)
Governmental Activities Capital Assets, Net	$ 28,655	$ 14,919	$ -	$ 43,574

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 where 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:

Governmental Activities:	Principal Outstanding 12/31/2015	Additions	(Reductions)	Principal Outstanding 12/31/2016
County Corp Promissory Note	$ 27,200	$ 10,000	$ 23,000	$ 14,200
Total Governmental Activities	$ 27,200	$ 10,000	$ 23,000	$ 14,200

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:

Fund Balance	General Fund
Nonspendable	
Prepaids	$ 22,233
Assets Held for Resale	7,563,315
Loans Receivable	100,000
Total Nonspendable	7,685,548
Unassigned	3,707,638
	$ 11,393,186

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

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), a component unit of Montgomery County, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements and have issued our report thereon dated June 9, 2017.

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.

Dave Yost
Auditor of State
Columbus, Ohio

June 9, 2017

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 6, 2017

88 East Broad Street, Fourth Floor, Columbus, Ohio 43215-3506
Phone: 614-466-4514 or 800-282-0370 Fax: 614-466-4490
www.ohioauditor.gov