# MONTGOMERY COUNTY LAND REUTILIZATION CORPORATION
# MONTGOMERY COUNTY

## REGULAR AUDIT

## FOR THE YEAR ENDED DECEMBER 31, 2020

OHIO AUDITOR OF STATE
KEITH FABER

**MONTGOMERY COUNTY LAND REUTILIZATION CORPORATION**
**MONTGOMERY COUNTY**
**DECEMBER 31, 2020**

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OHIO AUDITOR OF STATE
KEITH FABER

One First National Plaza
130 West Second Street, Suite 2040
Dayton, Ohio 45402-1502
(937) 285-6677 or (800) 443-9274
WestRegion@ohioauditor.gov

**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, 2020, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

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

***Auditor's Responsibility***

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

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

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

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Corporation, as of December 31, 2020, 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.

***Emphasis of Matter***

As discussed in Note 10 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Corporation. We did not modify our opinion regarding this matter.

***Other Matters***

*Required Supplementary Information*

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

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 2, 2021 on our consideration of the Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control over financial reporting and compliance.

Keith Faber
Auditor of State
Columbus, Ohio

June 2, 2021

MONTGOMERY COUNTY LAND REUTILIZATION CORPORATION
MONTGOMERY COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2020
(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, 2020. 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 2020 are as follows:

- The Corporation received $1,696,581 from Montgomery County under an arrangement to receive 5% of delinquent taxes collected.
- The Corporation has acquired 1,215 properties as a part of the ownership requirement of the NIP program. The total award at December 31, 2020 was approximately $21 million.
- The Neighborhood Initiative Program (NIP) completed the following:
    - Acquired 49 properties
    - Surveyed 45 Properties
    - Remediated 41 Properties
    - Demolished 46 Properties
    - Transferred 107 NIP Lots, 19 (18%) of which were side lots to Owner Occupants, 30 (28%) were to non-profit or investors, the balances were transferred back to the jurisdictions
    - Processed Applications for 64 NIP Lots of which 10 were rejected
- The Corporation did not award any new Planning Grants in 2020 but continued to be involved in plan awards provided to the City of Dayton (HUD Community Choice) and Five Rivers Metro Parks (River Corridor Plan). The Land Bank involvement in the development of these plans enables it to better position its future activities.
- As part of the Thriving Neighborhood Initiative (TNI), one more property renovation was completed in the Pineview neighborhood and sold. It sold for $90,000 or $86 per square foot. The organization has now renovated 3 properties in Pineview. Efforts began in the Harrison Township Castlewood neighborhood with the acquisition and demolition of 4 properties. The Land Bank is collaborating with the City of Dayton and the neighborhood association in the Huffman Historic Neighborhood to begin a TNI in this historic area. Plans include strategic acquisition, demolition, renovation, and stabilization of distressed properties. Evaluation of more than 40 properties was being conducted at year end. The organization continues to support the City of Miamisburg's version of TNI, CARES program.

- The Tax Foreclosure Acquisition Program (TFAP) transferred 7 properties of which 43% were to owner occupants, and an additional 52 applications were processed.
- The Corporation provided 9 application packages to potential clients in the Commercial Program (CRP). Only 2 were returned but neither resulted in submission for foreclosure in 2020. One commercial property was acquired via tax lien purchase/foreclosure and sold to a developer who demolished the structure.
- The Do-It-Yourself program completed the transfer of 17 properties, have 8 under agreement, and 9 new properties were acquired for the program.
- The Corporation issued a Community Loan to the City of West Carrollton for the renovation of a home the City owns. This loan will be repaid when the renovation is complete, and the property is sold.

**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

**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.

The Statement of Net Position looks at the Corporation as a whole. The table below provides a summary of Corporation's net position for 2020 and 2019:

**Net Position**

| | 2020 | 2019 |
|---|---|---|
| **Assets** | | |
| Equity in Pooled Cash and Cash Equivalents | $ 9,421,384 | $ 8,557,116 |
| Prepaid Items | 40,880 | 13,418 |
| Accounts Receivable | 143,830 | 191,897 |
| Grants Receivable | 124,621 | 50,000 |
| Assets Held for Resale | 15,289,473 | 16,751,499 |
| Loans Receivable | 50,000 | - |
| Depreciable Capital Assets, Net | 19,260 | 24,951 |
| *Total Assets* | 25,089,448 | 25,588,881 |
| **Liabilities** | | |
| Accounts Payable | 156,525 | 209,011 |
| Retainage Payable | 8,070 | 88,580 |
| Unearned Revenue | 676,460 | 336,500 |
| Long Term Note Payable | 800 | 400 |
| *Total Liabilities* | 841,855 | 634,491 |
| **Net Position** | | |
| Investment in Capital Assets | 19,260 | 24,951 |
| Unrestricted | 24,228,333 | 24,929,439 |
| *Net Position* | $ 24,247,593 | $ 24,954,390 |

Cash collected by the Corporation is deposited into a checking account for operating purposes. Cash and cash equivalents increased $864,268 during 2020. Investments at December 31, 2020, consist of funds held in a Star Ohio investment account, which are included in cash and cash equivalents in the financial statements.

Accounts Receivable at December 31, 2020, consists of funds due from the City of West Carrollton, Greater Dayton Premier Management, and other various customers.

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. Decreases in 2020 relate to decreased activity from OHFA, the transfer of properties to new owners or communities, and some activity in commercial property.

Accounts Payable consists of expenses related to the NIP program for demolition and the various other Land Bank programs. It also includes general administrative expenses. Accounts Payable decreased during 2020.

Over time, net position can serve as a useful indicator of a government's financial position. At December 31, 2020, the Corporation's net position was $24,247,593 down from $24,954,390 in 2019 as a result of a decrease in operating grants and contributions.

The table below shows the changes in net position between 2020 and 2019:

**Change in Net Position**

| | 2020 | 2019 |
|---|---|---|
| **Revenues** | | |
| Program Revenues | | |
| Charges for Services | $ 334,382 | $ 540,664 |
| Operating Grants and Contributions | 1,001,472 | 5,287,083 |
| *Total Program Revenues* | 1,335,854 | 5,827,747 |
| General Revenues | | |
| Intergovernmental | 1,696,581 | 1,788,448 |
| Contribution of Property | 324,820 | 83,650 |
| Interest | 47,639 | 75,354 |
| *Total General Revenues* | 2,069,040 | 1,947,452 |
| *Total Revenues* | 3,404,894 | 7,775,199 |
| **Expenses** | | |
| Professional and Contract Services | 199,059 | 197,077 |
| Administration | 3,912,632 | 7,146,384 |
| *Total Expenses* | 4,111,691 | 7,343,461 |
| *(Decrease)/Increase in Net Position* | (706,797) | 431,738 |
| *Net Position Beginning of Year* | 24,954,390 | 24,522,652 |
| *Net Position End of Year* | $ 24,247,593 | $ 24,954,390 |

Revenues for 2020 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 $1.7 million from the semi-annual property tax collection for Corporation activities. In addition, operating grants and contributions decreased due to decreased activity in the OHFA NIP Program.

Expenses decreased during 2020 due to decreased administrative expenses during the year.

**The Corporation's Fund**

Information about the Corporation's Governmental Fund begins on page 11. This fund is accounted for using the modified accrual basis of accounting. The Corporation had governmental revenues of $3,409,794 and expenditures of $4,110,500.

**Capital Assets**

As of December 31, 2020, the Corporation had $19,260 of furniture, equipment and leasehold improvements. See Note 7 of the basic financial statements for additional information on capital assets.

**Debt**

As of December 31, 2020, the Corporation had $800 in debt attributable to loans associated with NIP. The debt was associated with the demolition of properties in this program. See Note 8 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 Corporation. In 2020, the Corporation is not in danger of losing any funding.

A final report on 2020 would not be complete without acknowledging the impact of the pandemic. Tax foreclosures, the primary method by which the Corporation repositions distressed property, were shut down for 9 months. While the moratorium on mortgage and tax foreclosures lessened the economic impact on companies and individuals, it constrained the Corporation's ability to acquire property and operate some programs. Nonetheless, the Land Bank staff adjusted quickly to working remotely and made innovative procedural adjustments that allowed the programs to operate with only minor disruptions throughout the year.

**Request for Information**

This financial report is designed to provide users of the financial statements with a general overview of the Corporation's finances and to show the Corporation's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Mike Grauwelman, Executive Director, Montgomery County Land Reutilization Corporation, 130 West Second Street, Suite 1425, Dayton, Ohio 45402.

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

STATEMENT OF NET POSITION
DECEMBER 31, 2020

| | Governmental Activities |
|---|---|
| **Assets** | |
| Equity in Pooled Cash and Cash Equivalents | $ 9,421,384 |
| Prepaid Items | 40,880 |
| Accounts Receivable | 143,830 |
| Grants Receivable | 124,621 |
| Assets Held for Resale | 15,289,473 |
| Loans Receivable | 50,000 |
| Depreciable Capital Assets, Net | 19,260 |
| *Total Assets* | 25,089,448 |
| **Liabilities** | |
| Accounts Payable | 156,525 |
| Retainage Payable | 8,070 |
| Unearned Revenue | 676,460 |
| Long Term Liabilities (Due in One Year) | 800 |
| *Total Liabilities* | 841,855 |
| **Net Position** | |
| Investment in Capital Assets | 19,260 |
| Unrestricted | 24,228,333 |
| *Total Net Position* | $ 24,247,593 |

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, 2020

| | 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 | $ - | $ - | $ 1,001,472 | $ 1,001,472 |
| Professional and Contract Services | 199,059 | 334,382 | - | 135,323 |
| Administration | 3,912,632 | - | - | (3,912,632) |
| **Total** | $ 4,111,691 | $ 334,382 | $ 1,001,472 | $ (2,775,837) |

| | |
|---|---|
| **General Revenues:** | |
| Intergovernmental | 1,696,581 |
| Contribution of Property | 324,820 |
| Interest | 47,639 |
| *Total General Revenues* | 2,069,040 |
| *Change in Net Position* | (706,797) |
| *Net Position at Beginning of Year* | 24,954,390 |
| *Net Position at End of Year* | $ 24,247,593 |

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, 2020

| | General Fund |
|---|---|
| **Assets** | |
| Equity in Pooled Cash and Cash Equivalents | $ 9,421,384 |
| Prepaid Items | 40,880 |
| Accounts Receivable | 143,830 |
| Grants Receivable | 124,621 |
| Assets Held for Resale | 15,289,473 |
| Loans Receivable | 50,000 |
| *Total Assets* | $ 25,070,188 |
| | |
| **Liabilities and Fund Balance** | |
| Accounts Payable | 156,525 |
| Retainage Payable | 8,070 |
| Unearned Revenue | 676,460 |
| *Total Liabilities* | 841,055 |
| | |
| Fund Balance: | |
| Nonspendable | 15,380,353 |
| Unassigned | 8,848,780 |
| *Total Fund Balance* | 24,229,133 |
| *Total Liabilities and Fund Balance* | $ 25,070,188 |

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, 2020

| | |
|---|---|
| **Total Governmental Fund Balance** | $ 24,229,133 |
| ***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. | 19,260 |
| Long-term liabilities are not due and payable in the current period and therefore are not reported in the fund. | (800) |
| *Net Position of Governmental Activities* | $ 24,247,593 |

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, 2020

| | General Fund |
|---|---|
| **Revenues:** | |
| Intergovernmental | 1,696,581 |
| Grants | 1,001,472 |
| Contribution of Property | 324,820 |
| Charges for Services | 334,382 |
| Interest | 47,639 |
| *Total Revenues* | $ 3,404,894 |
| **Expenditures:** | |
| Professional and Contract Services | 199,059 |
| Administration | 3,899,137 |
| Capital Outlay | 7,804 |
| Principal Retirement | 4,500 |
| *Total Expenditures* | 4,110,500 |
| **Excess of Expenditures over Revenues** | (705,606) |
| **Other Financing Sources:** | |
| Proceeds from Note | 4,900 |
| *Total Other Financing Sources* | 4,900 |
| *Net Change in Fund Balance* | (700,706) |
| *Fund Balance Beginning of Year* | 24,929,839 |
| *Fund Balance End of Year* | $ 24,229,133 |

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, 2020

| | | |
|---|---|---|
| **Net Change in Fund Balance - Total Governmental Fund** | | $ (700,706) |
| ***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 depreciation exceeded capital outlay. | | |
| Capital Asset Additions | 7,804 | |
| Current Year Depreciation | (13,447) | |
| Total | | (5,643) |
| In the statement of activities, only the loss on the sale of capital assets is reported, whereas in governmental funds there is no impact from this loss. Thus, the change in net position differs from the change in fund balance by the book value of assets disposed. | | (48) |
| Governmental Fund reports principal retirement as expenditures. However, the repayment of principal decreases the long-term liabilities in the Statement of Net Position. | | 4,500 |
| Governmental Fund reports proceeds from note as an other financing source, but the receipt of principal increases the long-term liabilities in the Statement of Net Position. | | (4,900) |
| *Change in Net Position of Governmental Activities* | | $ (706,797) |

See accompanying notes to the basic financial statements

**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.

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.

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 and modified accrual basis of accounting arise in the recognition of revenue and in the presentation of expenses versus expenditures.

Revenues - Exchange and Non-exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available. Available means that the resources will be collected within the current year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. For the Corporation, available means expected to be received within sixty days of year-end.

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

Under the modified accrual basis, 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 2019, a budget for 2020.

***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 and a State Treasurer Asset Reserve Fund (STAR Ohio) account.

The Corporation had investments at the end of the year in a Star Ohio account. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the U.S. Securities and Exchange Commission (SEC) as an investment company, but has adopted GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, for the purpose of measuring the value of shares in STAR Ohio. The Corporation measures its investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides a NAV share that approximates fair value.

***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 $1,000 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.

***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, 2020. 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, 2020.

***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.

***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 – Cash and Cash Equivalents**

At December 31, 2020, the carrying amount of the Corporation's deposits was $2,698,915. The Corporation's bank balance was $2,710,478. Based on the criteria described in GASB Statement Number 40, Deposits and Investment Risk Disclosures, as of December 31, 2020, $250,000 was covered by Federal Deposit Insurance Corporation (FDIC) and $2,460,478 was uninsured and collateralized. Custodial credit risk is the risk that in the event of bank failure the Corporation's deposits may not be returned to it. As permitted by Ohio Revised Code, the Corporation's deposits are collateralized by the Ohio Pooled Collateral System. Financial institutions participating in the Ohio Pooled Collateral System (OPCS), a centralized collateral system monitored by the Ohio Treasurer of State, must pledge eligible securities equal to at least 102% of the carrying value of all public deposits held by each institution. Financial institutions choosing not to participate in the OPCS must pledge eligible securities equal to at least 105% of the carrying value of all public deposits held by each institution. The Corporation has no deposit policy for custodial credit risk beyond the requirements of State statute. Although securities were held by the pledging institutions' trust department and all the statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the Corporation to a successful claim by the Federal Deposit Insurance Corporation.

STAR Ohio is an investment pool created pursuant to Ohio statutes and managed by the Treasurer of the State of Ohio. Investments in STAR Ohio are not evidenced by securities that exist in physical or book entry form. The value of the Corporation's position in STAR Ohio is equal to the value of the shares the Corporation owns in the investment pool. The Corporation's position was valued at $6,722,469 as of December 31, 2020. STAR Ohio carries a AAAm credit rating by Standard and Poors. The Corporation has no policy for custodial credit risk beyond the requirements of state statute. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB) Statement No. 79, "Certain External Investment Pools and Pool Participants." The Corporation measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

**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 2020, the Corporation contracted with Marsh & McLennan Agency for various types of insurance as follows:

| Coverage Type | Coverage | Provider |
|---|---|---|
| General Aggregate | $2,000,000 | Alliance Insurance Company |
| | Cincinnati Indemnity Company – Vacant Land | |
| General Liability | $1,000,000 | Alliance Insurance Company |
| | Cincinnati Indemnity Company – Vacant Land | |
| Commercial Liability | $1,000,000 | Alliance Insurance Company |
| Directors / Officers Liability | $1,000,000 | Cincinnati Insurance Company |
| Employment Practices Liability | $1,000,000 | Cincinnati Insurance Company |
| Employee Dishonesty | $500,000 | Cincinnati Insurance Company |
| Business Personal Property | $300,000 | Cincinnati Insurance Company |

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 $1,696,581 of DTAC revenue in 2020.

**Note 7 – Capital Assets**

A summary of changes in capital assets during 2020 follows:

| | Balance 12/31/2019 | Additions | Deletions | Balance 12/31/2020 |
|---|---|---|---|---|
| Furniture and Equipment | $ 63,435 | $ 7,804 | $ 1,453 | $ 69,786 |
| Leasehold Improvements | 14,365 | - | 2,400 | 11,965 |
| Less Accumulated Depreciation | (52,849) | (13,447) | (3,805) | (62,491) |
| *Governmental Activities Capital Assets, Net* | $ 24,951 | $ (5,643) | $ 48 | $ 19,260 |

**Note 8 – Long-Term Obligations**

The Corporation signed a Promissory Note with County Corp in 2020, which amended and restated the noted signed in 2018, 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 $10,000. 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 | 1.75% | $ 10,000 | February 28, 2021 |

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

| **Governmental Activities:** | Principal Outstanding 12/31/2019 | Additions | (Reductions) | Principal Outstanding 12/31/2020 |
|---|---|---|---|---|
| County Corp Promissory Note | 400 | 4,900 | 4,500 | 800 |
| *Total Governmental Activities* | $ 400 | $ 4,900 | $ 4,500 | $ 800 |

**Note 9 –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 | $ 40,880 |
| Assets Held for Resale | 15,289,473 |
| Loans Receivable | 50,000 |
| *Total Nonspendable* | 15,380,353 |
| *Unassigned* | 8,848,780 |
| *Total Fund Balance* | $ 24,229,133 |

**Note 10 – COVID-19**

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Corporation. The Corporation's investment portfolio fluctuates with market conditions, and due to market volatility, the amount of gains or losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the Corporation's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

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OHIO AUDITOR OF STATE
KEITH FABER

One First National Plaza
130 West Second Street, Suite 2040
Dayton, Ohio 45402-1502
(937) 285-6677 or (800) 443-9274
WestRegion@ohioauditor.gov

**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, 2020, 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 2, 2021, wherein we noted the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Corporation.

***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the Corporation's internal control over financial reporting (internal control) as a basis for designing 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 financial statements. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Corporation's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Corporation's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

Keith Faber
Auditor of State
Columbus, Ohio

June 2, 2021

OHIO AUDITOR OF STATE
KEITH FABER

**MONTGOMERY COUNTY LAND REUTILIZATION CORPORATION**

**MONTGOMERY COUNTY**

**AUDITOR OF STATE OF OHIO CERTIFICATION**

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

**Certified for Release 6/29/2021**

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

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