



Auditor's Report and Financial Statements  
December 31, 2014 and 2013





# Dave Yost • Auditor of State

Board of Directors  
Hamilton County Land Reutilization Corporation  
c/o Port of Greater Cincinnati Dev. Auth.  
299 East 6th Street, Suite A  
Cincinnati, Ohio 45202

We have reviewed the *Independent Auditor's Report* of the Hamilton County Land Reutilization Corporation, Hamilton County, prepared by BKD, LLP, for the audit period January 1, 2014 through December 31, 2014. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Hamilton County Land Reutilization Corporation is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

October 1, 2015

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# Hamilton County Land Reutilization Corporation

December 31, 2014 and 2013

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## Independent Auditor's Report

Board of Directors  
Hamilton County Land Reutilization Corporation  
Cincinnati, Ohio

### Report on the Financial Statements

We have audited the accompanying basic financial statements of the governmental activities and the general fund of Hamilton County Land Reutilization Corporation (the Corporation), as of and for the years ended December 31, 2014 and 2013, and the related notes to the basic 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 the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for 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 general fund of Hamilton County Land Reutilization Corporation as of December 31, 2014 and 2013, and the respective changes in financial position thereof for the years then ended in accordance with 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 that the management's discussion and analysis listed in the table of contents be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2015, on our consideration of the Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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.

**BKD, LLP**

Cincinnati, Ohio  
June 25, 2015

# **Hamilton County Land Reutilization Corporation**

## **Management's Discussion and Analysis**

### **Years Ended December 31, 2014, 2013 and 2012**

Our discussion and analysis of Hamilton County Land Reutilization Corporation's (the Corporation) financial performance provides an overview of the Corporation's financial activities for the years ended December 31, 2014, 2013 and 2012. Please read it in conjunction with the Corporation's financial statements and accompanying notes.

#### ***Financial Highlights***

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended December 31, 2014:

- The Corporation's net position increased \$1 million or 32% as a result of this year's operations. Net position at December 31, 2014 is \$4.3 million, all of which is unrestricted.
- Total revenues were \$6.6 million, an increase of \$1.7 million or 36% from the prior year-end. The higher revenue was largely driven by Moving Ohio Forward grants from the Ohio Attorney General, which increased \$1.2 million over the prior year.
- Assets held for sale increased to nearly \$2.2 million compared to \$452,389 at the prior year end, as a result of the Corporation's acquisition of unproductive properties and investment to reposition them to productive use.

#### ***Using this Annual Report***

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Corporation as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The statement of net position and the statement of activities provide information about the activities of the Corporation as a whole, presenting both an aggregate view of the Corporation's finances and a longer-term view of those assets. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending.

# Hamilton County Land Reutilization Corporation

## Management's Discussion and Analysis

### Years Ended December 31, 2014, 2013 and 2012

#### ***Reporting on the Corporation as a Whole***

##### *Statement of Net Position and the Statement of Activities*

The statement of net position and the statement of activities include all assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues and expenses using the accrual basis of accounting similar to the accounting method used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the Corporation's net position and changes in that net position. This change in net position is important because it tells the reader that, for the Corporation as a whole, the financial position of the Corporation has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include current property tax laws in Ohio, facility conditions, required community programs and other factors.

The Corporation's statements of net position and statements of activities can be found on pages 8-9 and 10-11 of this report.

#### ***Reporting on the Corporation's Most Significant Fund***

Fund financial statements provide detailed information about the Corporation's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Corporation uses one fund, the general fund, to account for all of its financial transactions.

##### *Governmental Fund*

The presentation for the Corporation's general 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 modified accrual 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.

The relationship between governmental activities and governmental funds is described in a reconciliation that is a part of the fund financial statements.

#### ***Notes to the Basic Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 12-18 of this report.

**Hamilton County Land Reutilization Corporation**  
**Management's Discussion and Analysis**  
**Years Ended December 31, 2014, 2013 and 2012**

***Analysis of the Basic Financial Statements***

Our analysis below focuses on the net position and changes in net position of the Corporation for the years ended December 31, 2014, 2013 and 2012.

**Net Position**  
**Governmental Activities**

	<u>2014</u>	<u>2013</u>	<u>2012</u>
<b>Assets</b>			
Current and other assets	\$ 4,534,425	\$ 3,630,190	\$ 2,423,954
Total assets	<u>4,534,425</u>	<u>3,630,190</u>	<u>2,423,954</u>
<b>Liabilities</b>			
Current liabilities	<u>194,978</u>	<u>336,292</u>	<u>56,217</u>
Total liabilities	<u>194,978</u>	<u>336,292</u>	<u>56,217</u>
<b>Net Position</b>			
Unrestricted	<u>\$ 4,339,447</u>	<u>\$ 3,293,898</u>	<u>\$ 2,367,737</u>

*Net Position*

The net position of all governmental activities increased \$1.0 million, or 32%, from the prior year-end resulting in a net position of \$4.3 million at December 31, 2014. In comparison, last year's net position increased by \$926,161 or 39% from 2012, the Corporation's first year of operations.

*Current and Other Assets*

Current and other assets at December 31, 2014 increased \$904,235, or 25%, from the prior year end. The increase results from a \$1.7 million increase in assets held for sale, offset by a \$780,786 reduction in accounts receivable.

In comparison, current and other assets at December 31, 2013 increased \$1.2 million, or 50%, year over year. Receivables at December 31, 2013, which consisted primarily of funds due from the Ohio Attorney General for the Moving Ohio Forward demolition grant, increased \$1.2 million. Assets held for sale increased during the year by \$452,389. Increases in these assets were partially offset by a decrease in cash and cash equivalents of nearly \$600,000.

*Current Liabilities*

Current liabilities consist of accounts payable to vendors and refundable grants. As of December 31, 2014, the Corporation had current liabilities totaling \$194,978 which was a reduction of \$141,314 from the prior year end. The reduction primarily results from a \$247,689 reduction in accounts payable, offset by a \$90,000 refundable grant received in 2014.

**Hamilton County Land Reutilization Corporation**  
**Management's Discussion and Analysis**  
**Years Ended December 31, 2014, 2013 and 2012**

For the prior year, the balance increased from \$56,217 at December 31, 2012 to \$336,292 at December 31, 2013. This increase was mainly due to higher demolition related invoices payable at 2013 year end.

**Changes in Net Position  
Governmental Activities**

	<u>2014</u>	<u>2013</u>	<u>2012</u>
<b>Revenues</b>			
Program Revenues			
Intergovernmental	\$ 2,397,275	\$ 2,376,434	\$ 2,981,671
Operating grants	4,221,576	2,503,247	171,008
Interest and other	27,405	19,826	-
	<u>6,646,256</u>	<u>4,899,507</u>	<u>3,152,679</u>
<b>Expenses</b>			
Program Expenses			
Professional and contract services	4,789,659	3,324,143	206,010
Administration and other	811,048	649,203	578,932
	<u>5,600,707</u>	<u>3,973,346</u>	<u>784,942</u>
<b>Change in Net Position</b>	1,045,549	926,161	2,367,737
<b>Net Position, Beginning of Year</b>	<u>3,293,898</u>	<u>2,367,737</u>	<u>-</u>
<b>Net Position, End of Year</b>	<u>\$ 4,339,447</u>	<u>\$ 3,293,898</u>	<u>\$ 2,367,737</u>

*Program Revenues*

Program revenues for 2014 were \$6.6 million, an increase of \$1.7 million or 36% from the prior year. The higher revenue was largely driven by Moving Ohio Forward operating grants from the Ohio Attorney General, which increased \$1.2 million over the prior year. Additionally, the City of Cincinnati granted \$498,626 to the Corporation for commercial revitalization in a target neighborhood.

For the year ending 2013, program revenues totaled nearly \$4.9 million, an increase of \$1.7 million or 55% from the prior year. Intergovernmental revenues declined \$605,237 year over year, meanwhile operating grants increased \$2.3 million under the Moving Ohio Forward demolition program.

# **Hamilton County Land Reutilization Corporation**

## **Management's Discussion and Analysis**

### **Years Ended December 31, 2014, 2013 and 2012**

#### *Program and Administration Expenses*

Total expenses in 2014 totaled \$5.6 million, an increase of \$1.6 million or 41% from the prior year. The increase was mainly driven by higher professional and contract services related to the Moving Ohio Forward program.

In comparison, 2013 expenses totaled nearly \$4.0 million, of which \$3.3 million was for professional and contract services. In contrast, professional and contract services for 2012 totaled only \$206,010 due to it being the Corporation's first year of operations.

The Corporation has no expense for salaries and related benefits due to all administrative activities being provided by a management company as explained in Note 1 to the financial statements.

#### ***Economic Factors and Next Year's Budgets and Rates***

The Corporation will continue to be funded by Hamilton County's delinquent tax and assessment collection fund (DTAC), which by nature varies in amount from year to year. The 2015 budget includes nearly \$2.5 million in DTAC funds reflected under intergovernmental revenues.

The Moving Ohio Forward demolition program, which was partially funded by a state grant, completed on December 31, 2014. All grant reimbursements were submitted before the final deadline of January 31, 2015.

In 2014, the Corporation was successful in obtaining a \$5.0 million grant through the first funding round of the Neighborhood Initiative Program. This program is administered by the Ohio Housing Finance Agency to help prevent foreclosures and stabilize local property values through the demolition of vacant and blighted homes. The Corporation has until the end of 2016 to use this grant money and budgeted half or \$2.5 million for fiscal year 2015.

The City of Cincinnati allocated grant funds of over \$1.1 million to the Corporation in 2014 for the acquisition, stabilization, demolition and rehabilitation of commercial real property within the portion of the Evanston TIF district from the City's Focus 52 Program. The 2015 budget includes the \$600,000 remaining from this grant.

#### ***Contacting the Corporation's Management***

This financial report is intended to provide our stakeholders with a general overview of the Corporation's finances and to show the Corporation's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Corporation's management company, the Port of Greater Cincinnati Development Authority, specifically Rick Hudson, Director of Accounting and Financial Management at 513-621-3000.

**Hamilton County Land Reutilization Corporation**  
**Governmental Fund Balance Sheet and Statement of Net Position**  
**December 31, 2014**

<b>Assets</b>	<b>General Fund</b>	<b>Adjustments</b>	<b>Statement of Net Position</b>
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Cash and cash equivalents	\$ 1,683,440	\$ -	\$ 1,683,440
Accounts receivable	456,188	-	456,188
Note receivable	157,100	-	157,100
Assets held for sale	2,157,871	-	2,157,871
Software	10,000	-	10,000
Prepaid and other	69,826	-	69,826
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total assets	<u>\$ 4,534,425</u>	<u>\$ -</u>	<u>\$ 4,534,425</u>
<b>Liabilities</b>			
Accounts payable	\$ 104,978	\$ -	\$ 104,978
Refundable grant payable	90,000	-	90,000
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total liabilities	<u>194,978</u>	<u>-</u>	<u>194,978</u>
<b>Fund Balance</b>			
Nonspendable	2,237,697	(2,237,697)	-
Unassigned	2,101,750	(2,101,750)	-
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total fund balance	<u>4,339,447</u>	<u>(4,339,447)</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 4,534,425</u>		
<b>Net Position</b>			
Unrestricted		<u>\$ 4,339,447</u>	<u>\$ 4,339,447</u>

**Hamilton County Land Reutilization Corporation**  
**Governmental Fund Balance Sheet and Statement of Net Position**  
**December 31, 2013**

<b>Assets</b>	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
Cash and cash equivalents	\$ 1,765,745	\$ -	\$ 1,765,745
Accounts receivable	1,236,974	-	1,236,974
Note receivable	157,100	-	157,100
Assets held for sale	452,389	-	452,389
Prepaid and other	17,982	-	17,982
	<u>3,630,190</u>	<u>-</u>	<u>3,630,190</u>
Total assets	<u>\$ 3,630,190</u>	<u>\$ -</u>	<u>\$ 3,630,190</u>
 <b>Liabilities</b>			
Accounts payable	\$ 336,292	\$ -	\$ 336,292
	<u>336,292</u>	<u>-</u>	<u>336,292</u>
Total liabilities	<u>336,292</u>	<u>-</u>	<u>336,292</u>
 <b>Deferred Inflows of Resources - Grant Revenue</b>			
	<u>261,892</u>	<u>(261,892)</u>	<u>-</u>
 <b>Fund Balance</b>			
Nonspendable	470,371	(470,371)	-
Unassigned	2,561,635	(2,561,635)	-
	<u>3,032,006</u>	<u>(3,032,006)</u>	<u>-</u>
Total fund balance	<u>3,032,006</u>	<u>(3,032,006)</u>	<u>-</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 3,630,190</u>		
 <b>Net Position</b>			
Unrestricted		<u>\$ 3,293,898</u>	<u>\$ 3,293,898</u>

**Hamilton County Land Reutilization Corporation**  
**Governmental Fund Statement of Revenues, Expenditures and**  
**Changes in Fund Balance and Statement of Activities**  
**Year Ended December 31, 2014**

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
<b>Revenues</b>			
Intergovernmental revenue	\$ 2,397,275	\$ -	\$ 2,397,275
Operating grants	4,483,468	(261,892)	4,221,576
Interest and other revenue	27,405	-	27,405
	<u>6,908,148</u>	<u>(261,892)</u>	<u>6,646,256</u>
Total revenues			
<b>Expenditures</b>			
Professional and contract services	4,789,659	-	4,789,659
Administration	748,421	-	748,421
Other charges	62,627	-	62,627
	<u>5,600,707</u>	<u>-</u>	<u>5,600,707</u>
Total expenditures/expenses			
<b>Change in Fund Balance/Net Position</b>	1,307,441	(261,892)	1,045,549
<b>Fund Balance/Net Position, Beginning of Year</b>	<u>3,032,006</u>	<u>261,892</u>	<u>3,293,898</u>
<b>Fund Balance/Net Position, End of Year</b>	<u>\$ 4,339,447</u>	<u>\$ -</u>	<u>\$ 4,339,447</u>

**Hamilton County Land Reutilization Corporation**  
**Governmental Fund Statement of Revenues, Expenditures and**  
**Changes in Fund Balance and Statement of Activities**  
**Year Ended December 31, 2013**

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
<b>Revenues</b>			
Intergovernmental revenue	\$ 2,376,434	\$ -	\$ 2,376,434
Operating grants	2,241,355	261,892	2,503,247
Interest and other revenue	19,826	-	19,826
	<u>4,637,615</u>	<u>261,892</u>	<u>4,899,507</u>
<b>Expenditures</b>			
Professional and contract services	3,324,143	-	3,324,143
Administration	617,446	-	617,446
Other charges	31,757	-	31,757
	<u>3,973,346</u>	<u>-</u>	<u>3,973,346</u>
<b>Change in Fund Balance/Net Position</b>	664,269	261,892	926,161
<b>Fund Balance/Net Position, Beginning of Year</b>	<u>2,367,737</u>	<u>-</u>	<u>2,367,737</u>
<b>Fund Balance/Net Position, End of Year</b>	<u>\$ 3,032,006</u>	<u>\$ 261,892</u>	<u>\$ 3,293,898</u>

# Hamilton County Land Reutilization Corporation

## Notes to Basic Financial Statements

### December 31, 2014 and 2013

#### **Note 1: Nature of Operations and Summary of Significant Accounting Policies**

##### ***Nature of Operations***

Hamilton County Land Reutilization Corporation (the Corporation) was organized on September 14, 2011, by resolution of the Board of Hamilton County Commissioners as a community improvement corporation, in particular, a county land reutilization corporation, under Chapter 1724 of the Ohio Revised Code (the “Community Improvement Corporation Law”) and Chapter 1702 of the Ohio Revised Code (the “Nonprofit Corporation Law”). The Corporation’s mission is to promote economic and housing development in Hamilton County (the County) by acquiring vacant, blighted properties and returning them to productive community assets.

Under Ohio law, a county land reutilization corporation (CLRC) has broad powers that make it an effective vehicle for community development and revitalization. As a CLRC, the Corporation can acquire, own and dispose of real property using the following tools:

- Purchase properties from individuals
- Initiate foreclosure on tax-delinquent properties
- Accept properties as gifts or donations
- Negotiate with banks to acquire real estate owned (REO) properties
- Remove defects on title to a property
- Hold title to properties on a property-tax exempt basis
- Stabilize, rehabilitate or demolish homes
- Resell to responsible qualified buyer or hold for strategic assembly
- Convert land to green space that can be donated to municipalities
- Apply for local, state and federal grant funds that support local revitalization efforts

The Corporation’s revenues and other support are derived principally from a portion of the County Treasurer’s annual collection of delinquent property tax and assessments. In addition, the Corporation actively seeks out available government and private grants to carry out its mission.

The Corporation’s governing body is a nine member Board of Directors, consisting of the county treasurer, three county commissioners (ex officio members), two City of Cincinnati representatives, two township members, and a private citizen with private sector or nonprofit experience in rehabilitation or real estate acquisitions. The Port of Greater Cincinnati Development Authority serves as the management company to conduct the day-to-day business and affairs for the Corporation and the management and control of its properties.

The Corporation’s significant accounting policies are described below.

# Hamilton County Land Reutilization Corporation

## Notes to Basic Financial Statements

### December 31, 2014 and 2013

#### ***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 statement of activities report information about the Corporation as a whole. These statements include the financial activities of the primary government, except for any fiduciary funds. 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 or fiduciary funds.

The statement of net position represents 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 the government-wide activities of the Corporation and for each function of the Corporation's governmental activities. Direct expenses are those that are clearly identifiable with a specific function. Program revenues included (a) charges paid by the recipients for goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues, including all taxes, are presented as general revenues.

#### Fund Financial Statements

The fund financial statements provide information about the Corporation's funds. The emphasis on fund financial statements is on major 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 Corporation's activities are accounted for in only one fund, the general fund.

Deferred inflows of resources are reported in the fund financial statements for receivables that are not considered available at year end.

#### General Fund

The general fund is the main operating fund of the Corporation and accounts for all financial transactions. 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.

# Hamilton County Land Reutilization Corporation

## Notes to Basic Financial Statements

### December 31, 2014 and 2013

#### ***Measurement Focus and Basis of Accounting***

The government-wide financial statements are reported using the economic resources measurement focus and accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flow takes place. Non-exchange transactions, in which the Corporation gives (or receives) value without directly receiving (or giving) equal value in exchange, include grants and donations. On an accrual basis, revenue from grants and other contributions are recognized in the fiscal year in which all eligibility requirements imposed by the provider have been met.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Corporation considers revenues to be available if they are collected within 90 days of the end of the current fiscal period. Expenditures generally are recorded when the liability is incurred, as under accrual accounting.

#### ***Cash and Cash Equivalents***

The Corporation considers all investments with original maturities of three months or less at the time they are purchased to be cash equivalents. At December 31, 2014 and 2013, cash equivalents consisted primarily of money market accounts.

#### ***Prepayments***

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These items are reported as assets on the balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed. At year end, because prepayments are not available to finance future governmental fund expenditures, a nonspendable fund balance is recorded by an amount equal to the carrying value of the asset on the fund financial statements.

#### ***Net Position***

Net position represents the difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources. At December 31, 2014 and 2013, all of the Corporation's net position was unrestricted.

#### ***Fund Balance***

The fund balances for the Corporation's funds are displayed in five components:

*Nonspendable* - Nonspendable fund balances are not in a spendable form or are required to be maintained intact.

*Restricted* - Restricted fund balances may be spent only for the specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may be changed or lifted only with the consent of resource providers.

# **Hamilton County Land Reutilization Corporation**

## **Notes to Basic Financial Statements**

### **December 31, 2014 and 2013**

*Committed* - Committed fund balances may be used only for the specific purposes determined by resolution of the Board of Directors. Commitments may be changed or lifted only by issuance of a resolution by the Board of Directors.

*Assigned* - Assigned fund balances are intended to be used by the Corporation for specific purposes as determined by management. In governmental funds other than the general fund, assigned fund balance represents the amount that is not restricted or committed. This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund.

*Unassigned* - Unassigned fund balance is the residual classification for the general fund and includes all amounts not contained in the other classifications.

The Corporation considers restricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. The Corporation applies committed amounts first, followed by assigned amounts, and then unassigned amounts when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

#### ***Intergovernmental Revenue***

The Corporation receives operating income through Hamilton County. This money represents 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 Fund. These monies are then paid to the Corporation by the county treasurer upon the Corporation's written request.

#### ***Government Grants***

Support funded by grants is recognized as the Corporation performs the contracted services or incurs outlays eligible for reimbursement under the grant agreements. Grant activities and outlays are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required.

#### ***Budgetary Process***

The Corporation is not bound by the budgetary laws prescribed by the Ohio Revised Code for purely governmental entities. The Board of Directors of the Corporation adopts an annual budget at the beginning of the fiscal year. Appropriations and subsequent amendments are approved by the Board of Directors during the year as required.

#### ***Federal Income Tax***

The Corporation is exempt from federal income tax under Section 115(1) of the Internal Revenue Code.

**Hamilton County Land Reutilization Corporation**  
**Notes to Basic Financial Statements**  
**December 31, 2014 and 2013**

***Use of Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and deferred inflows and outflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

**Note 2: Deposits**

The Corporation maintains demand deposit and money market accounts with a single bank. Below are details related to these deposits, including coverage by the Federal Deposit Insurance Corporation (FDIC) as of December 31, 2014 and 2013.

	<b>2014</b>	<b>2013</b>
Carrying amount	\$ 1,683,440	\$ 1,765,745
Bank balance	1,853,119	1,765,745
Insured by FDIC	445,875	250,000

Note: On January 1, 2013 the FDIC reduced its insurance limit on non-interest bearing demand deposit accounts from 100% of the bank balance to a maximum of \$250,000.

Custodial credit risk is the risk that, in the event of bank failure, the Corporation's deposits may not be returned. The Corporation has no deposit policy for custodial credit risk beyond the requirements of state statute. According to state law, public depositories must give security for all public funds on deposit. On June 11, 2014 the Corporation discovered its deposits were not in compliance with these statutes, and thus had balances exposed to custodial credit risk in the amount of \$1,515,745 as of December 31, 2013. Upon the date of discovery the issue was addressed to ensure the Corporation has no balances exposed to custodial credit risk going forward.

As of June 12, 2014 and forward, 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. Additionally, FDIC insurance for the Corporation increased to a maximum of \$500,000 on June 12, 2014 due to an additional \$250,000 on time and savings accounts, which are separately insured from demand deposits for in-state government accounts.

**Hamilton County Land Reutilization Corporation**  
**Notes to Basic Financial Statements**  
**December 31, 2014 and 2013**

**Note 3: Receivables**

Accounts receivable at December 31, 2014 and 2013 consisted of funds due from the State of Ohio related to the Moving Ohio Forward grant program in the amount of \$222,352 and \$1,234,967, respectively. In addition, accounts receivable at December 31, 2014 included \$176,444 due from a political subdivision related to the sale of the property. An allowance for doubtful accounts was not recorded as all receivables are expected to be collected.

Notes receivable represents a loan to the Cincinnati Development Fund. The note bears an annual interest rate of 5% and was repaid as a balloon payment in January 2015.

**Note 4: Assets Held for Sale**

The Corporation actively pursues vacant and abandoned properties in Hamilton County, primarily in distressed neighborhoods. Most properties are acquired from the County auditor through the tax foreclosure process.

Assets held for sale represent properties acquired by the Corporation which will be marketed for resale. All significant costs incurred to acquire and improve or rehabilitate the property are capitalized. All real estate held for sale is recorded at the lower of cost or net realizable value.

In 2014 the Corporation recorded program expense of \$152,671 to adjust the value of certain demolished properties to their net realizable land values. No cost-to-market adjustments were recorded for properties in 2013.

As of December 31, 2014 and 2013 the Corporation held title to approximately 180 and 130 properties, respectively. Additionally in 2014, the Corporation filed over 60 nuisance abatement liens against properties totaling \$1.7 million to recover demolition and stabilization cost previously incurred.

**Hamilton County Land Reutilization Corporation**  
**Notes to Basic Financial Statements**  
**December 31, 2014 and 2013**

**Note 5: Risk Management**

The Corporation is exposed to various risks and losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Settled claims have not exceeded insurance coverage since the Corporation's inception. The limitations of coverage as of December 31, 2014 are as follows:

<u>Insurance Type</u>	<u>Coverage</u>
General Liability	\$2,000,000
Personal Injury	2,000,000
Employee Benefit Liability	1,000,000
Ohio Employers Liability Defense	1,000,000
Employee Dishonesty	50,000
Business Auto (Hired & Non-owned)	1,000,000
Business Personal Property	25,000
Directors/Officers Liability	2,000,000
Employment Practices Liability	1,000,000
Demolition Liability	1,000,000
Builders Risk Floater (per location)	200,000

**Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with Government Auditing Standards**

Board of Directors  
Hamilton County Land Reutilization Corporation  
Cincinnati, Ohio

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the basic financial statements of the governmental activities and the general fund of Hamilton County Land Reutilization Corporation (the Corporation), as of and for the year ended December 31, 2014, and the related notes to the financial statements which collectively comprise the Corporation's basic financial statements, and have issued our report thereon dated June 25, 2015.

**Internal Control Over Financial Reporting**

Management of the Corporation is responsible for establishing and maintaining effective internal control over financial reporting (internal control). In planning and performing our audit, we considered the Corporation's internal control to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Corporation's financial statements will not be prevented or detected and corrected on a timely basis. 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 deficiencies in internal control that might be material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses as defined above. However, material weaknesses may exist that have not been identified.

## **Compliance**

As part of obtaining reasonable assurance about whether the Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*BKD, LLP*

Cincinnati, Ohio  
June 25, 2015

**Hamilton County Land Reutilization Corporation**  
**Schedule of Findings and Responses**  
**Year Ended December 31, 2014**

<b>Reference Number</b>	<b>Finding</b>	<b>Questioned Costs</b>
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No matters are reportable.

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# Dave Yost • Auditor of State

**HAMILTON COUNTY LAND REUTILIZATION CORPORATION**

**DEFIANCE 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  
OCTOBER 13, 2015**