



Hamilton County
Landbank

Hamilton County Land Reutilization Corporation
Independent Auditor's Report and Financial Statements
December 31, 2020 and 2019

OHIO AUDITOR OF STATE
KEITH FABER



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Board of Directors
Hamilton County Land Reutilization Corporation
c/o Port of Greater Cincinnati Development Authority
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Cincinnati, Ohio 45202

We have reviewed the *Independent Auditor's Report* of the Hamilton County Land Reutilization Corporation, prepared by Plattenburg & Associates, Inc., for the audit period January 1, 2020 through December 31, 2020. 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 "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

June 08, 2021

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Hamilton County Land Reutilization Corporation

December 31, 2020 and 2019

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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 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, 2020 and 2019, 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 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.

Opinions

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, 2020 and 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year 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 a 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 also have issued our report dated May 10, 2021, on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the Corporation's 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
May 10, 2021

Hamilton County Land Reutilization Corporation

Management's Discussion and Analysis

Years Ended December 31, 2020, 2019, and 2018

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 fiscal years ended December 31, 2020, 2019 and 2018. 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, 2020:

- Total revenues were \$3.7 million, a decrease of \$5.4 million or 59% from the prior year end, and primarily the result of a \$2.0 million decline in state demolition grants, a \$1.6 million decline in City of Cincinnati grants for rehab and stabilization projects, and a \$1.7 million decline in corporate grants.
- The Corporation received \$2.6 million from the sale of approximately 200 properties during the year. The related cost of sales was \$3.1 million for a net loss (subsidy) of \$503,378, which is included in program expenditures.
- Cash and cash equivalents decreased to \$1.5 million compared to \$2.0 million at the prior year end, as a result of the Corporation's investment in real estate holdings.
- The Corporation continued its stabilization work in the West End neighborhood of Cincinnati, resulting in notes payable increasing to \$1.2 million compared to \$673,868 at the prior year end.

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, 2020, 2019, and 2018

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 whether the financial position of the Corporation has improved or diminished as a whole. The causes of this change may be the result of many factors, some of which are financial. 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 9-10 and 11-12, respectively, 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 year-end balance 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 13-20 of this report.

Hamilton County Land Reutilization Corporation

Management's Discussion and Analysis

Years Ended December 31, 2020, 2019, and 2018

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, 2020, 2019 and 2018.

Net Position Governmental Activities

	2020	2019	2018
Assets			
Current and other assets	\$ 13,964,824	\$ 13,819,248	\$ 9,501,059
Total assets	13,964,824	13,819,248	9,501,059
Liabilities			
Current liabilities	1,381,337	1,901,075	1,640,059
Long-term liabilities	1,154,055	673,868	-
Total liabilities	2,535,392	2,574,943	1,640,059
Net Position			
Restricted	50,000	-	-
Unrestricted	11,379,432	11,244,305	7,861,000
Total net position	\$ 11,429,432	\$ 11,244,305	\$ 7,861,000

Net Position

The net position of all governmental activities increased \$185,127, or 2%, from the prior year end, resulting in a net position of \$11.4 million at December 31, 2020. In comparison, net position in 2019 increased by \$3.4 million, or 43%, from 2018.

Current and Other Assets

Current and other assets at December 31, 2020 increased \$145,576, or 1%, from the prior year end. The increase results from a \$1.5 million increase in assets held for sale, offset by a \$545,982 decrease in cash and cash equivalents and an \$827,717 reduction in receivables.

In comparison, current and other assets at December 31, 2019 increased \$4.3 million, or 45%, from the prior year end. The increase results from a \$4.0 million increase in assets held for sale and a \$551,905 increase in cash and cash equivalents, offset by a \$162,774 reduction in prepaids and other and a \$118,790 reduction in receivables.

Liabilities

Liabilities consist of accounts payable to vendors, lines of credit, notes payable and unearned revenue. As of December 31, 2020, the Corporation had liabilities totaling \$2.5 million, which was a decrease of \$39,551 or 2% from the prior year end. The decrease results from a \$346,412 decrease in accounts payable to vendors and a \$174,126 decrease in unearned revenue, offset by a \$480,987 increase in notes payable.

Hamilton County Land Reutilization Corporation

Management's Discussion and Analysis

Years Ended December 31, 2020, 2019, and 2018

For the prior year, liabilities increased from \$1.6 million at December 31, 2018 to \$2.6 million at December 31, 2019 for an increase of \$934,884. This increase was due to a \$754,645 increase in accounts payable to vendors, a \$98,713 increase in unearned revenue, and a \$81,526 increase in notes payable.

Changes in Net Position Governmental Activities

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Revenues			
Program Revenues			
Intergovernmental	\$ 2,394,724	\$ 2,370,966	\$ 2,256,095
Operating grants	1,023,355	6,239,244	3,626,089
In-kind contributions	-	-	556,445
Gain on property sales	-	450,738	7,075
Interest and other	307,349	84,704	49,279
Total revenues	<u>3,725,428</u>	<u>9,145,652</u>	<u>6,494,983</u>
Expenses			
Program Expenses			
Professional and contract services	2,205,927	3,850,017	3,879,814
Administration and other	1,334,374	1,912,330	1,231,856
Total expenses	<u>3,540,301</u>	<u>5,762,347</u>	<u>5,111,670</u>
Change in Net Position	185,127	3,383,305	1,383,313
Net Position, Beginning of Year	<u>11,244,305</u>	<u>7,861,000</u>	<u>6,477,687</u>
Net Position, End of Year	<u>\$ 11,429,432</u>	<u>\$ 11,244,305</u>	<u>\$ 7,861,000</u>

Program Revenues

Program revenues for 2020 were \$3.7 million, a decrease of \$5.4 million, or 59% from the prior year. The lower revenue was due to a \$5.2 million decrease in operating grants, which includes a \$2.0 million decline in state demolition grants, a \$1.6 million decline in City of Cincinnati grants for rehabilitation and stabilization projects, and a \$1.7 million decline in corporate-sponsored grants.

In 2019, program revenues were \$9.1 million, an increase of \$2.7 million, or 41%, from the prior year, and the highest annual amount reported by the Corporation. The 2019 increase largely resulted from a \$2.6 million increase in operating grants, mainly for residential housing redevelopment in the City's Price Hill and Avondale neighborhoods.

Hamilton County Land Reutilization Corporation

Management's Discussion and Analysis

Years Ended December 31, 2020, 2019, and 2018

Program and Administration Expenses

Total expense in 2020 was \$3.5 million, a decrease of \$2.2 million, or 39%, from the prior year. Program expense declined \$1.6 million due to a \$2.0 million decline in demolition program expenditures, offset by an increase in subsidy on the sale of property. Administration and other expense decreased \$577,956 from the prior year primarily due to a \$573,933 charge in 2019 for the cancellation of a grant program reimbursement.

In comparison, total expense in 2019 totaled \$5.8 million, an increase of \$653,677, or 13%, from the prior year. Administration and other expense increased \$680,474 from the prior year primarily due to the aforementioned \$573,933 charge for the cancellation of a grant program reimbursement recognized in 2017.

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 2021 budget includes \$2.0 million in DTAC funds reflected under intergovernmental revenues.

The Corporation has successfully obtained \$10.8 million of grant funding from the Neighborhood Initiative Program (NIP). 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 table below summarizes the grants from this program awarded to the Corporation by year.

<u>Year</u>	<u>Amount</u>
2014	\$ 5,065,000
2015	500,000
2016	4,219,384
2017	464,564
2018	300,000
2019	148,318
2020	150,000
Total	<u>\$ 10,847,266</u>

As of December 31, 2020, \$10.6 million of the \$10.8 million NIP grant funds have been reimbursed to the Corporation. The remaining \$244,340 in grant funds were received by March 2021. The Corporation's 2021 budget anticipates an additional demolition grant award of \$100,000.

The City of Cincinnati has stabilization grant agreements with the Corporation and is expected to provide grant revenue of \$104,230 in 2021 for a stabilization project in the City's East Price Hill neighborhood.

Hamilton County Land Reutilization Corporation

Management's Discussion and Analysis

Years Ended December 31, 2020, 2019, and 2018

In 2016, the Corporation signed a project management agreement with a nonprofit organization to manage the environmental remediation and demolition of a former gas station in the City's Avondale neighborhood. Remediation began in 2017 and is expected to continue through 2021. The Corporation budgeted \$50,000 of remediation grant revenue in 2021 for this project.

In October 2019, KAO USA contracted with the Corporation for the relocation of a neighboring business so it could expand its research and manufacturing facility in the Camp Washington neighborhood of Cincinnati. The Corporation budgeted \$2.2 million of subrecipient grant funds in 2021 for this project.

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 (dba "The Port"), specifically Rick Hudson, Vice President 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, 2020

Assets	General Fund	Adjustments	Statement of Net Position
Cash and cash equivalents	\$ 1,473,692	\$ -	\$ 1,473,692
Accounts receivable	664,938	-	664,938
Note receivable	35,562	-	35,562
Assets held for sale	11,697,935	-	11,697,935
Prepaid and other	92,697	-	92,697
Total assets	<u>\$ 13,964,824</u>	<u>-</u>	<u>13,964,824</u>
Liabilities			
Accounts payable	\$ 996,349	-	996,349
Unearned revenue	384,188	-	384,188
Notes payable	800	1,154,055	1,154,855
Total liabilities	<u>1,381,337</u>	<u>1,154,055</u>	<u>2,535,392</u>
Deferred Inflows of Resources - Grant Revenue			
	<u>390,671</u>	<u>(390,671)</u>	<u>-</u>
Fund Balance			
Nonspendable	11,799,428	(11,799,428)	-
Unassigned	393,388	(393,388)	-
Total fund balance	<u>12,192,816</u>	<u>(12,192,816)</u>	<u>-</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 13,964,824</u>		
Net Position			
Restricted - expendable		50,000	50,000
Unrestricted		11,379,432	11,379,432
Total net position		<u>\$ 11,429,432</u>	<u>\$ 11,429,432</u>

Hamilton County Land Reutilization Corporation
Governmental Fund Balance Sheet and Statement of Net Position
December 31, 2019

Assets	General Fund	Adjustments	Statement of Net Position
Cash and cash equivalents	\$ 2,019,674	\$ -	\$ 2,019,674
Accounts receivable	1,492,655	-	1,492,655
Note receivable	50,058	-	50,058
Assets held for sale	10,180,867	-	10,180,867
Prepaid and other	75,994	-	75,994
Total assets	<u>\$ 13,819,248</u>	<u>-</u>	<u>13,819,248</u>
Liabilities			
Accounts payable	\$ 1,342,761	-	1,342,761
Unearned revenue	558,314	-	558,314
Notes payable	3,700	670,168	673,868
Total liabilities	<u>1,904,775</u>	<u>670,168</u>	<u>2,574,943</u>
Deferred Inflows of Resources - Grant Revenue			
	<u>239,842</u>	<u>(239,842)</u>	<u>-</u>
Fund Balance			
Nonspendable	10,295,919	(10,295,919)	-
Unassigned	1,378,712	(1,378,712)	-
Total fund balance	<u>11,674,631</u>	<u>(11,674,631)</u>	<u>-</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 13,819,248</u>		
Net Position			
Unrestricted		<u>\$ 11,244,305</u>	<u>\$ 11,244,305</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, 2020

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
Revenues			
Intergovernmental revenue	\$ 2,394,724	\$ -	\$ 2,394,724
Operating grants	872,526	150,829	1,023,355
Interest and other revenue	307,349	-	307,349
Other financing sources	617,966	(617,966)	-
	<u>4,192,565</u>	<u>(467,137)</u>	<u>3,725,428</u>
Total revenues			
Expenditures			
Professional and contract services	2,205,927	-	2,205,927
Administration	922,172	-	922,172
Other charges	412,202	-	412,202
Other financing uses	134,079	(134,079)	-
	<u>3,674,380</u>	<u>(134,079)</u>	<u>3,540,301</u>
Total expenditures/expenses			
Change in Fund Balance/Net Position	518,185	(333,058)	185,127
Fund Balance/Net Position, Beginning of Year	<u>11,674,631</u>	<u>(430,326)</u>	<u>11,244,305</u>
Fund Balance/Net Position, End of Year	<u>\$ 12,192,816</u>	<u>\$ (763,384)</u>	<u>\$ 11,429,432</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, 2019

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
Revenues			
Intergovernmental revenue	\$ 2,370,966	\$ -	\$ 2,370,966
Operating grants	7,185,912	(946,668)	6,239,244
Gain on property sales	450,738	-	450,738
Interest and other revenue	84,704	-	84,704
Other financing sources	<u>670,168</u>	<u>(670,168)</u>	<u>-</u>
Total revenues	<u>10,762,488</u>	<u>(1,616,836)</u>	<u>9,145,652</u>
Expenditures			
Professional and contract services	3,850,017	-	3,850,017
Administration	936,525	-	936,525
Other charges	<u>975,805</u>	<u>-</u>	<u>975,805</u>
Total expenditures/expenses	<u>5,762,347</u>	<u>-</u>	<u>5,762,347</u>
Change in Fund Balance/Net Position	5,000,141	(1,616,836)	3,383,305
Fund Balance/Net Position, Beginning of Year	<u>6,674,490</u>	<u>1,186,510</u>	<u>7,861,000</u>
Fund Balance/Net Position, End of Year	<u><u>\$ 11,674,631</u></u>	<u><u>\$ (430,326)</u></u>	<u><u>\$ 11,244,305</u></u>

Hamilton County Land Reutilization Corporation

Notes to Basic Financial Statements

December 31, 2020 and 2019

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 (dba “The Port”) 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.

Hamilton County Land Reutilization Corporation

Notes to Basic Financial Statements

December 31, 2020 and 2019

The Corporation's significant accounting policies are described below.

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 include (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, 2020 and 2019

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.

The adjustments on the statement of net position and statement of activities show the reconciliation between the current financial resources measurement focus on the fund financial statements and the position and activity of the Corporation as a whole.

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, 2020 and 2019, 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, 2020 and 2019, \$50,000 and \$0, respectively, of the Corporation's net position was restricted by donors. All remaining net assets as of December 31, 2020 and 2019 were unrestricted.

Hamilton County Land Reutilization Corporation

Notes to Basic Financial Statements

December 31, 2020 and 2019

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.

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.

Hamilton County Land Reutilization Corporation

Notes to Basic Financial Statements

December 31, 2020 and 2019

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.

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, 2020 and 2019.

	<u>2020</u>	<u>2019</u>
Carrying amount	\$ 1,473,692	\$ 2,019,674
Bank balance	1,586,569	2,329,049
Insured by FDIC	500,000	500,000

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. 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.

Hamilton County Land Reutilization Corporation

Notes to Basic Financial Statements

December 31, 2020 and 2019

Note 3: Receivables

The table below summarizes the Corporation's account receivables as of December 31, 2020 and 2019. Receivables from the state relate to the Neighborhood Initiative Program funded by the Ohio Housing Finance Agency and the Abandoned Gas Station Cleanup Program from the Ohio Development Services Agency. Local government receivables relate to Hamilton County DTAC funds and reimbursable grant funds on stabilization and redevelopment projects for the City of Cincinnati. Other includes receivables from corporations for project grants and miscellaneous property owners. An allowance for doubtful accounts was not recorded as all receivables are expected to be collected.

	<u>2020</u>	<u>2019</u>
State of Ohio and state agencies	\$ 519,149	\$ 519,311
Local government	957	118,607
Other	<u>144,832</u>	<u>854,737</u>
Total accounts receivable	<u>\$ 664,938</u>	<u>\$ 1,492,655</u>

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 donations, tax foreclosure or the board of revisions 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 2020, the Corporation recorded program expense of \$573,696 to adjust the value of certain demolished properties to their net realizable land values. In 2019, the cost-to-market adjustment was \$2.6 million. The 2020 decline in cost-to-market adjustments correlates with the \$2.0 million decline in state demolition grant revenue during the same period.

As of December 31, 2020 and 2019, the Corporation held title to approximately 950 and 1,050 properties, respectively. In 2020, the Corporation filed two nuisance abatement liens against the properties totaling \$255,953 to recover stabilization costs previously incurred. The Corporation filed no nuisance abatement liens against the properties in 2019.

Hamilton County Land Reutilization Corporation

Notes to Basic Financial Statements

December 31, 2020 and 2019

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, 2020 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
Crime Policy	250,000
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

Note 6: Notes Payable and Line of Credit

Properties eligible for demolition under Neighborhood Initiative Program (NIP) must be owned by the Corporation and encumbered by a mortgage. As a result, notes payable under the NIP program as of December 31, 2020 is \$800 and consists of eight mortgage loans on vacant, blighted, residential properties. These zero percent interest loans are financed by The Port at \$100 per property, are secured by liens placed against the property, and mature in 2021. Similarly, notes payable as of December 31, 2019 was \$3,700 and consisted of 37 mortgage loans on properties being demolished under NIP. These notes matured in 2020.

In 2016, the Corporation obtained a \$1.5 million line of credit for the purpose of managing cash flow. The line is collateralized by substantially all of the Corporation's assets. The line of credit was renewed in July 2020 for a one-year term expiring in July 2021. Upon the renewal, the interest rate changed from a rate equal to one-month LIBOR, plus 200 basis points, to a rate equal to one-month LIBOR, plus 250 basis points with a 50 basis points one-month LIBOR floor. Interest is paid monthly, and the outstanding principal balance and any accrued but unpaid interest is due on the expiration date. At December 31, 2020 and 2019, the outstanding principal balance on the line of credit was \$0 and interest rates were 3.00% and 3.76%, respectively.

Hamilton County Land Reutilization Corporation

Notes to Basic Financial Statements

December 31, 2020 and 2019

In 2018, the Corporation obtained access to The Port's housing revolving loan fund, which provides secured notes up to \$1 million for the purpose of redeveloping residential properties. The notes have a fixed annual interest rate of 2.50% with quarterly interest payments, are secured by property liens, and mature in 2025. As of December 31, 2020 and 2019, the Corporation had \$0 notes outstanding with The Port's housing revolving loan fund.

In January 2019, the Corporation obtained a commitment from IFF to provide loan funds up to \$2 million for the purpose of acquiring, stabilizing and redeveloping properties in the City's West End neighborhood. The notes have a fixed annual interest rate of 5.88% with monthly interest payments, are secured by property liens, have a minimum tranche amount of \$500,000 and mature on March 1, 2022. As of December 31, 2020 and 2019, the Corporation had notes outstanding with IFF in the amounts of \$1,154,055 and \$670,168, respectively.

Note 7: Subsequent Events

As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which may negatively affect the Corporation's financial position, results of operations, cash flows, and ability to sell real estate properties. The duration of these uncertainties along with the ultimate financial effects cannot be reasonably estimated at this time.

**Report on Internal Control over Financial Reporting and on Compliance and
Other Matters Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards***

Independent Auditor's Report

Board of Directors
Hamilton County Land Reutilization Corporation
Cincinnati, Ohio

We have audited, in accordance with the 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 financial statements of the governmental activities and general fund information of Hamilton County Land Reutilization Corporation (the Corporation), 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 May 10, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Corporation's internal control over financial reporting (internal control) as a basis for designing 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 entity'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 or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Corporation's financial statements are free from 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 financial statements. 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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BKD, LLP

Cincinnati, Ohio
May 10, 2021

Hamilton County Land Reutilization Corporation
Schedule of Findings and Responses
Year Ended December 31, 2020

No matters are reportable.

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OHIO AUDITOR OF STATE KEITH FABER



HAMILTON COUNTY LAND REUTILIZATION CORPORATION

HAMILTON 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 6/22/2021

88 East Broad Street, Columbus, Ohio 43215
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This report is a matter of public record and is available online at
www.ohioauditor.gov