



Hamilton County
Landbank

Hamilton County Land Reutilization Corporation
Independent Auditor's Report and Financial Statements
December 31, 2018 and 2017

Hamilton County Land Reutilization Corporation
December 31, 2018 and 2017

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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, 2018 and 2017, and the related notes to the basic financial statements, which collectively comprise the Corporation's 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 audits 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, 2018 and 2017, 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 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 have also issued our report dated May 1, 2019, 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 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 1, 2019

Hamilton County Land Reutilization Corporation

Management's Discussion and Analysis

Years Ended December 31, 2018, 2017 and 2016

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, 2018, 2017 and 2016. 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, 2018:

- The Corporation's net position increased \$1.4 million or 21% as a result of this year's operations. Net position at December 31, 2018 is \$7.9 million, all of which is unrestricted.
- Total revenues were \$6.5 million, an increase of \$1.9 million or 42% from the prior year end. The revenue increase was mainly derived from a \$1.1 million increase in operating grants, and a \$556,445 in-kind contribution.
- The Corporation received \$2.4 million from the sale of properties during the year. The related cost of sales was \$2.4 million for a net gain of \$7,075 which is included in program revenue.
- Cash and cash equivalents increased to \$1.5 million compared to \$84,605 at the prior year end, as a result of the Corporation's collection of receivables and sale of repositioned real estate.

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, 2018, 2017 and 2016

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, whether the financial position of the Corporation has improved or diminished. 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, 2018, 2017 and 2016

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, 2018, 2017 and 2016.

Net Position
Governmental Activities

	2018	2017	2016
Assets			
Current and other assets	\$ 9,501,059	\$ 8,647,780	\$ 8,267,559
Total assets	9,501,059	8,647,780	8,267,559
Liabilities			
Current and other liabilities	1,640,059	2,170,093	770,986
Total liabilities	1,640,059	2,170,093	770,986
Net Position			
Unrestricted	\$ 7,861,000	\$ 6,477,687	\$ 7,496,573

Net Position

The net position of all governmental activities increased \$1.4 million, or 21%, from the prior year end resulting in a net position of \$7.9 million at December 31, 2018. In comparison, net position in 2017 decreased by \$1.0 million or 14% from 2016.

Current and Other Assets

Current and other assets at December 31, 2018 increased \$853,279, or 10%, from the prior year end. The increase results from a \$1.4 million increase cash and cash equivalents and a \$152,772 increase in prepaids, offset by a \$652,555 reduction in receivables.

In comparison, current and other assets at December 31, 2017 increased \$380,221, or 5%, from the prior year end. The increase results from a \$510,410 increase in assets held for sale and a \$930,616 increase in receivables, offset by a \$1.1 million reduction in cash and cash equivalents.

Current and Other Liabilities

Current liabilities consist of accounts payable to vendors, lines of credit, notes payable and unearned revenue. As of December 31, 2018, the Corporation had current liabilities totaling \$1.6 million, which was a decrease of \$530,034 from the prior year end. The decrease results from a \$1.1 million decrease in lines of credit and a \$120,488 decrease in accounts payable to vendors, offset by a \$582,742 increase in notes payable and \$107,712 increase in unearned demolition grant revenue.

Hamilton County Land Reutilization Corporation
Management's Discussion and Analysis
Years Ended December 31, 2018, 2017 and 2016

For the prior year, current liabilities increased from \$770,986 at December 31, 2016 to \$2.2 million at December 31, 2017 for an increase of \$1.4 million. This increase was due to a \$1.1 million increase in lines of credit, a \$58,280 increase in accounts payable to vendors, and a \$248,127 increase in unearned demolition grant revenue.

Changes in Net Position
Governmental Activities

	2018	2017	2016
Revenues			
Program Revenues			
Intergovernmental	\$ 2,256,095	\$ 2,054,416	\$ 1,994,989
Operating grants	3,626,089	2,509,424	3,605,052
In-kind contributions	556,445	-	-
Interest and other	56,354	10,078	15,220
Total revenues	6,494,983	4,573,918	5,615,261
Expenses			
Program Expenses			
Professional and contract services	3,879,814	4,363,584	2,780,350
Administration and other	1,231,856	1,229,220	955,182
Total expenses	5,111,670	5,592,804	3,735,532
Change in Net Position	1,383,313	(1,018,886)	1,879,729
Net Position, Beginning of Year	6,477,687	7,496,573	5,616,844
Net Position, End of Year	\$ 7,861,000	\$ 6,477,687	\$ 7,496,573

Program Revenues

Program revenues for 2018 were \$6.5 million, an increase of \$1.9 million or 42% from the prior year. The higher revenue was largely driven by a \$1.1 million increase in operating grants, and a \$556,445 in-kind contribution. The operating grant increase was led by demolition grants provided through the Neighborhood Initiative Program administered by the Ohio Housing Finance Agency.

In 2017, program revenues were \$4.6 million, the lowest total over the past three years and a decrease of \$1.0 million or 19% from the prior year. The 2017 decrease in operating grants resulted from a \$2.5 million decrease in demolition grants, offset by a \$1.4 million increase in local and private redevelopment and stabilization grants.

Hamilton County Land Reutilization Corporation

Management's Discussion and Analysis

Years Ended December 31, 2018, 2017 and 2016

Program and Administration Expenses

Total expense in 2018 was \$5.1 million, a decrease of \$481,134 or 9% from the prior year. Program expense decreased \$483,770 from the prior year primarily due to a \$1.0 million decrease in subsidy on the sale of property, offset by a \$573,440 increase in demolition program expenditures.

In comparison, total expenses in 2017 totaled \$5.6 million, an increase of \$1.9 million or 50% from the prior year. The increase was primarily driven by a \$933,296 increase in subsidy on the sale of property, a \$340,730 increase in stabilization projects, a \$216,476 increase in remediation projects and a \$153,836 increase in property maintenance costs due to a 22% increase in properties held for sale. The remaining expense increase was in administration due to a \$250,000 management fee increase.

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 2019 budget includes \$2.2 million in DTAC funds reflected under intergovernmental revenues.

The Corporation has successfully obtained \$10.5 million of grant funding from 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 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
Total	\$10,548,948

The Corporation can apply for grant reimbursement through December 31, 2019. As of December 31, 2018, \$7.8 million of the \$10.5 million grant funds have been reimbursed to the Corporation. The Corporation budgeted \$2.4 million of grant revenue funding from this program for 2019.

In 2014, the City of Cincinnati allocated grant funds of over \$1.1 million to the Corporation 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 2019 budget includes grant revenue of \$366,000 representing the remaining TIF funds available.

Hamilton County Land Reutilization Corporation

Management's Discussion and Analysis

Years Ended December 31, 2018, 2017 and 2016

The City of Cincinnati has stabilization grant agreements with the Corporation and is expected to provide grant revenue of \$336,000 in 2019 for stabilization projects in the City's West End, Avondale and Price Hill neighborhoods. In addition, the City and Corporation are finalizing a \$1.9 million Community Development Block Grant (CDBG) agreement for redevelopment in the City's West Price Hill area, of which approximately \$1.4 million of grant revenues are budgeted in 2019.

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 2019. The Corporation budgeted \$200,000 of remediation grant revenue in 2019 for the completion of this project.

In October 2018, Cincinnati Children's Hospital contracted with the Corporation for the redevelopment of 20 market-rate homes in Avondale and donated seven properties valued at \$556,445. The Corporation received \$1 million of initial grant funds from the hospital in January 2019 and anticipates an additional \$500,000 by October 2019. As a result, the Corporation budgeted \$1.5 million of grant revenue for this project in 2019.

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, 2018

Assets	General Fund	Adjustments	Statement of Net Position
Cash and cash equivalents	\$ 1,467,769	\$ -	\$ 1,467,769
Accounts receivable	1,611,445	-	1,611,445
Note receivable	47,516	-	47,516
Assets held for sale	6,135,561	-	6,135,561
Prepaid and other	<u>238,768</u>	<u>-</u>	<u>238,768</u>
Total assets	<u><u>\$ 9,501,059</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 9,501,059</u></u>
 Liabilities			
Accounts payable	\$ 588,116	\$ -	\$ 588,116
Unearned revenue	459,601	-	459,601
Notes payable	<u>592,342</u>	<u>-</u>	<u>592,342</u>
Total liabilities	<u>1,640,059</u>	<u>-</u>	<u>1,640,059</u>
 Deferred Inflows of Resources - Grant Revenue			
	<u>1,186,510</u>	<u>(1,186,510)</u>	<u>-</u>
 Fund Balance			
Nonspendable	6,421,845	(6,421,845)	-
Unassigned	<u>252,645</u>	<u>(252,645)</u>	<u>-</u>
Total fund balance	<u>6,674,490</u>	<u>(6,674,490)</u>	<u>-</u>
Total liabilities, deferred inflows of resources and fund balance	<u><u>\$ 9,501,059</u></u>		
 Net Position			
Unrestricted		<u><u>\$ 7,861,000</u></u>	<u><u>\$ 7,861,000</u></u>

Hamilton County Land Reutilization Corporation
Governmental Fund Balance Sheet and Statement of Net Position
December 31, 2017

Assets	General Fund	Adjustments	Statement of Net Position
Cash and cash equivalents	\$ 84,605	\$ -	\$ 84,605
Accounts receivable	2,264,000	-	2,264,000
Assets held for sale	6,201,512	-	6,201,512
Software	11,667	-	11,667
Prepaid and other	85,996	-	85,996
Total assets	<u>\$ 8,647,780</u>	<u>\$ -</u>	<u>\$ 8,647,780</u>
Liabilities			
Accounts payable	\$ 708,604	\$ -	\$ 708,604
Unearned revenue	351,889	-	351,889
Line of credit	1,100,000	-	1,100,000
Notes payable	9,600	-	9,600
Total liabilities	<u>2,170,093</u>	<u>-</u>	<u>2,170,093</u>
Deferred Inflows of Resources - Grant Revenue	<u>1,338,225</u>	<u>(1,338,225)</u>	<u>-</u>
Fund Balance			
Nonspendable	6,299,175	(6,299,175)	-
Unassigned	(1,159,713)	1,159,713	-
Total fund balance	<u>5,139,462</u>	<u>(5,139,462)</u>	<u>-</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 8,647,780</u>		
Net Position			
Unrestricted		<u>\$ 6,477,687</u>	<u>\$ 6,477,687</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, 2018

	General Fund	Adjustments	Statement of Activities
Revenues			
Intergovernmental revenue	\$ 2,256,095	\$ -	\$ 2,256,095
Operating grants	3,777,804	(151,715)	3,626,089
In-kind contributions	556,445	-	556,445
Interest and other revenue	56,354	-	56,354
	<u>6,646,698</u>	<u>(151,715)</u>	<u>6,494,983</u>
Expenditures			
Professional and contract services	3,879,814	-	3,879,814
Administration	957,308	-	957,308
Other charges	274,548	-	274,548
	<u>5,111,670</u>	<u>-</u>	<u>5,111,670</u>
Change in Fund Balance/Net Position	1,535,028	(151,715)	1,383,313
Fund Balance/Net Position, Beginning of Year	<u>5,139,462</u>	<u>1,338,225</u>	<u>6,477,687</u>
Fund Balance/Net Position, End of Year	<u><u>\$ 6,674,490</u></u>	<u><u>\$ 1,186,510</u></u>	<u><u>\$ 7,861,000</u></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, 2017

	General Fund	Adjustments	Statement of Activities
Revenues			
Intergovernmental revenue	\$ 2,054,416	\$ -	\$ 2,054,416
Operating grants	1,807,506	701,918	2,509,424
Interest and other revenue	10,078	-	10,078
	<u>3,872,000</u>	<u>701,918</u>	<u>4,573,918</u>
Expenditures			
Professional and contract services	4,363,584	-	4,363,584
Administration	1,018,637	-	1,018,637
Other charges	210,583	-	210,583
	<u>5,592,804</u>	<u>-</u>	<u>5,592,804</u>
Change in Fund Balance/Net Position	(1,720,804)	701,918	(1,018,886)
Fund Balance/Net Position, Beginning of Year	<u>6,860,266</u>	<u>636,307</u>	<u>7,496,573</u>
Fund Balance/Net Position, End of Year	<u>\$ 5,139,462</u>	<u>\$ 1,338,225</u>	<u>\$ 6,477,687</u>

Hamilton County Land Reutilization Corporation

Notes to Basic Financial Statements

December 31, 2018 and 2017

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 buyers 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, 2018 and 2017

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, 2018 and 2017

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, 2018 and 2017, 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, 2018 and 2017, all of the Corporation's net position was unrestricted.

Hamilton County Land Reutilization Corporation

Notes to Basic Financial Statements

December 31, 2018 and 2017

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, 2018 and 2017

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, 2018 and 2017.

	2018	2017
Carrying amount	\$ 1,467,769	\$ 84,605
Bank balance	1,709,805	315,066
Insured by FDIC	500,000	315,066

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, 2018 and 2017

Note 3: Receivables

The table below summarizes the Corporation’s account receivables as of December 31, 2018 and 2017. 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 reimbursable grant funds on stabilization and redevelopment projects for the City of Cincinnati. An allowance for doubtful accounts was not recorded as all receivables are expected to be collected.

	2018	2017
State of Ohio and state agencies	\$ 750,203	\$ 1,022,092
Local government	840,167	1,238,287
Other	21,075	3,621
Total accounts receivable	\$ 1,611,445	\$ 2,264,000

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 2018, the Corporation recorded program expense of approximately \$2.8 million to adjust the value of certain demolished properties to their net realizable land values. In 2017, the cost-to-market adjustment was approximately \$2.1 million.

As of December 31, 2018 and 2017, the Corporation held title to approximately 940 and 770 properties, respectively. Additionally, in 2018, the Corporation filed three nuisance abatement liens against properties totaling approximately \$1.1 million to recover stabilization costs previously incurred. The Corporation filed no liens in 2017.

Hamilton County Land Reutilization Corporation
Notes to Basic Financial Statements
December 31, 2018 and 2017

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, 2018 are as follows:

Insurance Type	Coverage
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

In October 2018, the Corporation obtained notes payable of \$573,442 from The Port for the purpose of redeveloping two residential properties. The notes have a fixed 2.50% interest rate and mature in 2025. Interest on the notes are paid quarterly. In February 2019, the notes payable were paid in full.

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, 2018 is \$18,900 and consists of 189 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 2019. Similarly, notes payable as of December 31, 2017 was \$9,600 and consisted of 96 mortgage loans on properties being demolished under NIP. These notes matured in 2018.

Hamilton County Land Reutilization Corporation
Notes to Basic Financial Statements
December 31, 2018 and 2017

In April 2016, the Corporation obtained a \$1.5 million line of credit for the purpose of managing cash flow from demolition grants funding on a reimbursement basis. The line is collateralized by substantially all of the Corporation's assets. Interest is paid monthly at a rate equal to one-month LIBOR plus 200 basis points (4.37% and 3.56% at December 31, 2018 and 2017, respectively). The line of credit was renewed in July 2018 for a 12-month term expiring July 31, 2019. At December 31, 2018 and 2017, the outstanding principal balance on the line of credit was \$0 and \$1.1 million, respectively. The outstanding principal balance and any accrued but unpaid interest is due on the expiration date.

Note 7: Subsequent Events

In January 2019, the Corporation signed a promissory note with IFF to provide loan funds to a maximum of \$2,000,000 for the purpose of stabilizing and redeveloping properties in the City's West End neighborhood. The notes have a fixed annual interest rate of 5.88%, have a minimum tranche amount of \$500,000 and are collateralized by various properties and leases held by the Corporation. Interest on the notes is due monthly. Any outstanding principal is due at maturity in 2022. As of the date these financial statements were available to be issued, the Corporation had not drawn upon the note.

**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 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 the general fund of Hamilton County Land Reutilization Corporation (the Corporation), as of and for the year ended December 31, 2018, 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 1, 2019.

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) 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 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 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 Corporation'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
May 1, 2019

Hamilton County Land Reutilization Corporation
Schedule of Findings and Responses
Year Ended December 31, 2018

Reference Number	Finding	Questioned Costs
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No matters are reportable.