



Independent Auditor's Report and Financial Statements
December 31, 2013 and 2012



Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Hamilton County Land Reutilization Corporation, Hamilton County, prepared by BKD, LLP, for the audit period January 1, 2012 through December 31, 2013. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

September 5, 2014

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Hamilton County Land Reutilization Corporation

December 31, 2013 and 2012

Contents

Independent Auditor's Report.....	1
Management's Discussion and Analysis	3
Basic Financial Statements	
Governmental Fund Balance Sheets and Statements of Net Position	8
Governmental Fund Statements of Revenues, Expenditures and Changes in Fund Balance and Statements of Activities	10
Notes to Basic Financial Statements	12
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	18
Schedule of Findings and Responses	20

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, 2013 and 2012, 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the general fund of Hamilton County Land Reutilization Corporation as of December 31, 2013 and 2012, and the respective changes in financial position thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 21, 2014, on our consideration of the Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control over financial reporting and compliance.

BKD, LLP

Cincinnati, Ohio
July 21, 2014

Hamilton County Land Reutilization Corporation

Management's Discussion and Analysis

Years Ended December 31, 2013 and 2012

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

Financial Highlights

The Corporation was formed on September 14, 2011 by the Board of Hamilton County Commissioners and commenced operations in 2012 after its first board meeting on January 9, 2012. As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the years ended December 31, 2013 and 2012:

- The Corporation's net position increased \$926,161, or 39.1% as a result of this year's operations. Net position at December 31, 2013 and 2012 is \$3.3 million and \$2.4 million, respectively, all of which is unrestricted.
- Total revenues were \$4.9 million and \$3.2 million for 2013 and 2012, respectively, while total expenses amounted to \$4.0 million and \$785,000 in 2013 and 2012, respectively.
- Half of the Corporation's total revenues in 2013 came from a Moving Ohio Forward grant from the Ohio Attorney General. The total grant of \$5.8 million, awarded in 2012, is to assist in the demolition of vacant, blighted residential structures throughout Hamilton County. The Corporation is providing \$5.3 million in matching funds and has until May 31, 2014 to use the grant.

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, 2013 and 2012

Reporting on the Corporation as a Whole

Statement of Net Position and the Statement of Activities

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

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

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

Reporting on the Corporation's Most Significant Fund

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

Governmental Fund

The presentation for the Corporation's general fund focuses on how resources flow into and out of it and the balance that is left at year end and available for spending in future periods. The general fund is reported using modified accrual accounting which measures cash and all other financial assets that are expected to be readily converted to cash. The governmental fund statements provide a detailed short-term view of the Corporation's general operations and the basic services it provides.

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

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 12-17 of this report.

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

Analysis of the Basic Financial Statements

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

Net Position		2013	2012
Governmental Activities			
Assets			
Current and other assets		\$ 3,630,190	\$ 2,423,954
Total assets		3,630,190	2,423,954
Liabilities			
Current liabilities		336,292	56,217
Total liabilities		336,292	56,217
Net Position			
Unrestricted		\$ 3,293,898	\$ 2,367,737

Net Position

The net position of all governmental activities increased \$926,161, or 39.1% from 2012, the Corporation's first year of operations. In comparison, net position went from zero to nearly \$2.4 million in 2012 as the Corporation's first program, the demolition of vacant, blighted properties, was being planned and organized.

Current and Other Assets

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

Current Liabilities

Current liabilities consist of accounts payable to vendors and contractors. The balance increased from \$56,217 at December 31, 2012 to \$336,292 at December 31, 2013. The significant increase was due to the fact that the demolition program mostly took place in 2013.

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

Changes in Net Position Governmental Activities		<u>2013</u>	<u>2012</u>
Revenues			
Program Revenues			
Intergovernmental		\$ 2,376,434	\$ 2,981,671
Operating grants		2,503,247	171,008
Interest and other		19,826	-
		<u>4,899,507</u>	<u>3,152,679</u>
Expenses			
Program Expenses			
Professional and contract services		3,324,143	206,010
Administration and other		649,203	578,932
		<u>3,973,346</u>	<u>784,942</u>
Change in Net Position		926,161	2,367,737
Net Position, Beginning of Year		<u>2,367,737</u>	<u>-</u>
Net Position, End of Year		<u><u>\$ 3,293,898</u></u>	<u><u>\$ 2,367,737</u></u>

Program Revenues

Program revenues totaled nearly \$4.9 million in 2013. The primary source of revenues is 5% of all collections of delinquent real property, personal property and manufactured and mobile home taxes (DTAC) in Hamilton County. These amounted to \$2.4 million in 2013, nearly half of the Corporation's program revenues. This was less than the nearly \$3.0 million in DTAC funds received the previous year.

In addition to DTAC funds, revenues include grants used to carry out the Corporation's mission. During 2013, the Corporation recognized \$2.5 million of grant revenue under the Moving Ohio Forward demolition program. This was significantly more than in the previous year when only \$171,008 was recognized.

Program and Administration Expenses

Total expenses for 2013 totaled nearly \$4.0 million, of which \$3.3 million was for professional and contract services. In contrast, professional and contract services for 2012 totaled only \$206,010 due to it being the Corporation's first year of operations. Administration and other costs were \$649,203 and \$578,932 in 2013 and 2012, respectively. 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.

Hamilton County Land Reutilization Corporation

Management's Discussion and Analysis

Years Ended December 31, 2013 and 2012

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 budget for 2014 includes \$2.5 million in DTAC funds.

The Moving Ohio Forward demolition program, which is partially funded by a state grant, will be completed by May 31, 2014. Grant reimbursements can be requested through June 30, 2014.

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

The Corporation plans to borrow up to \$1.5 million to perform infill redevelopment and rehabilitation work on properties located within the City of Cincinnati, in our short-term focus neighborhoods.

Contacting the Corporation's Management

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

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

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

Hamilton County Land Reutilization Corporation
Governmental Fund Balance Sheet and Statement of Net Position
December 31, 2012

Assets	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
Cash and cash equivalents	\$ 2,325,567	\$ -	\$ 2,325,567
Accounts receivable	35,002	-	35,002
Prepaid and other	<u>63,385</u>	<u>-</u>	<u>63,385</u>
Total assets	<u>\$ 2,423,954</u>	<u>\$ -</u>	<u>\$ 2,423,954</u>
Liabilities			
Accounts payable	<u>\$ 56,217</u>	<u>\$ -</u>	<u>\$ 56,217</u>
Total liabilities	<u>56,217</u>	<u>-</u>	<u>56,217</u>
Fund Balance			
Nonspendable	63,385	(63,385)	-
Unassigned	<u>2,304,352</u>	<u>(2,304,352)</u>	<u>-</u>
Total fund balance	<u>2,367,737</u>	<u>(2,367,737)</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 2,423,954</u>		
Net Position			
Unrestricted		<u>\$ 2,367,737</u>	<u>\$ 2,367,737</u>

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

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

Hamilton County Land Reutilization Corporation
Governmental Fund Statement of Revenues, Expenditures and
Changes in Fund Balance and Statement of Activities
Year Ended December 31, 2012

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
Revenues			
Intergovernmental revenue	\$ 2,981,671	\$ -	\$ 2,981,671
Operating grants	171,008	-	171,008
Total revenues	<u>3,152,679</u>	<u>-</u>	<u>3,152,679</u>
Expenditures			
Professional and contract services	206,010	-	206,010
Administration	572,300	-	572,300
Other charges	6,632	-	6,632
Total expenditures/expenses	<u>784,942</u>	<u>-</u>	<u>784,942</u>
Change in Fund Balance/Net Position	2,367,737	-	2,367,737
Fund Balance/Net Position, Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance/Net Position, End of Year	<u>\$ 2,367,737</u>	<u>\$ -</u>	<u>\$ 2,367,737</u>

Hamilton County Land Reutilization Corporation

Notes to Basic Financial Statements

December 31, 2013 and 2012

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

Nature of Operations

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

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

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

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

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

The Corporation’s significant accounting policies are described below.

Hamilton County Land Reutilization Corporation

Notes to Basic Financial Statements

December 31, 2013 and 2012

Basis of Presentation

The Corporation's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities and fund financial statements which provide a more detailed level of financial information.

Government-wide Financial Statements

The statement of net position and statement of activities report information about the Corporation as a whole. These statements include the financial activities of the primary government, except for any fiduciary funds. These statements usually distinguish between those activities of the Corporation that are governmental and those that are business-type. The Corporation, however, does not have any business-type activities or fiduciary funds.

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

Fund Financial Statements

The fund financial statements provide information about the Corporation's funds. The emphasis on fund financial statements is on major governmental funds. Governmental funds focus on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be repaid. The difference between governmental fund assets and liabilities is reported as fund balance. The Corporation's activities are accounted for in only one fund, the general fund.

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

General Fund

The general fund is the main operating fund of the Corporation and accounts for all financial transactions. The general fund balance is available to the Corporation for any purpose provided it is expended or transferred according to the general laws of Ohio.

Hamilton County Land Reutilization Corporation

Notes to Basic Financial Statements

December 31, 2013 and 2012

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, 2013 and 2012, 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, 2013 and 2012, all of the Corporation's net position was unrestricted.

Fund Balance

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

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

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

Hamilton County Land Reutilization Corporation

Notes to Basic Financial Statements

December 31, 2013 and 2012

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

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

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

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

Intergovernmental Revenue

The Corporation receives operating income through Hamilton County. This money represents 5% of all collections of delinquent real property, personal property, and manufactured and mobile home taxes that are deposited into the County's Delinquent Tax and Assessment Collection Fund. These monies are then paid to the Corporation by the county treasurer upon the Corporation's written request.

Government Grants

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

Budgetary Process

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

Federal Income Tax

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

Hamilton County Land Reutilization Corporation
Notes to Basic Financial Statements
December 31, 2013 and 2012

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, 2013 and 2012.

	2013	2012
Carrying amount	\$ 1,765,745	\$ 2,325,567
Bank balance	1,765,745	2,500,173
Insured by FDIC	250,000	1,702,502

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

Custodial credit risk is the risk that, in the event of bank failure, the Corporation's deposits may not be returned. The Corporation has no deposit policy for custodial credit risk beyond the requirements of state statute. According to state law, public depositories must give security for all public funds on deposit. On June 11, 2014 the Corporation discovered its deposits were not in compliance with these statutes, and thus had balances exposed to custodial credit risk in the amount of \$1,515,745 and \$797,671 as of December 31, 2013 and 2012, respectively. Upon the date of discovery the issue was addressed to ensure the Corporation has no balances exposed to custodial credit risk going forward.

As of June 12, 2014, all deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the Corporation. Additionally, FDIC insurance increased to a maximum of \$500,000 due to an additional \$250,000 on time and savings accounts, which are separately insured from demand deposits for in-state government accounts.

Hamilton County Land Reutilization Corporation
Notes to Basic Financial Statements
December 31, 2013 and 2012

Note 3: Receivables

Accounts receivable at December 31, 2013 and 2012 consisted primarily of funds due from the State of Ohio for the Moving Ohio Forward grant program in the amount of \$1,234,967 and \$35,002, respectively. An allowance for doubtful accounts was not recorded as all receivables are expected to be collected.

Notes receivable represents a loan to the Cincinnati Development Fund. The note bears an annual interest rate of 5%. The note is to be repaid in a balloon payment in November 2014.

Note 4: Assets Held for Sale

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

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

Subsequent to year end, the Corporation entered into an agreement with a developer to redevelop approximately 30 residential properties in Evanston, a neighborhood in the city of Cincinnati. Under the agreement, the Corporation will acquire certain properties through purchases and transfers, invest in redevelopment of the properties, and then sell those properties.

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 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
Employee Dishonesty	50,000
Business Auto (Hired & Non-owned)	1,000,000
Business Personal Property	25,000
Directors/Officers Liability	2,000,000
Employment Practices Liability	1,000,000

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

Board of Directors
Hamilton County Land Reutilization Corporation
Cincinnati, Ohio

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the 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, 2013 and 2012, and the related notes to the financial statements which collectively comprise the Corporation's basic financial statements, and have issued our report thereon dated July 21, 2014.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Corporation's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses as defined above. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

We noted certain matters that we reported to the Corporation's management in a separate letter dated July 21, 2014.

Purpose of this Report

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

BKD, LLP

Cincinnati, Ohio
July 21, 2014

Hamilton County Land Reutilization Corporation
Schedule of Findings and Responses
Years Ended December 31, 2013 and 2012

**Reference
Number**

Finding

No matters are reportable.

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Dave Yost • Auditor of State

HAMILTON COUNTY LAND REUTILIZATION CORPORATION

HAMILTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
SEPTEMBER 18, 2014**