



Hamilton County
Landbank

Hamilton County Land Reutilization Corporation
Independent Auditor's Report and Financial Statements
December 31, 2021 and 2020

OHIO AUDITOR OF STATE
KEITH FABER



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Board of Directors
Hamilton County Land Reutilization Corporation
3 E. Fourth Street
Cincinnati, Ohio 45202

We have reviewed the *Independent Auditor's Report* of the Hamilton County Land Reutilization Corporation, Hamilton County, prepared by BKD, LLP, for the audit period January 1, 2021 through December 31, 2021. 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 09, 2022

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Hamilton County Land Reutilization Corporation

December 31, 2021 and 2020

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Independent Auditor's Report

Board of Directors
Hamilton County Land Reutilization Corporation
Cincinnati, Ohio

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities and the general fund of Hamilton County Land Reutilization Corporation (Corporation), as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and general fund of the Corporation, as of December 31, 2021 and 2020, and the respective changes in financial position, for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are required to be independent of the Corporation, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Corporation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 24, 2022, 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 24, 2022

Hamilton County Land Reutilization Corporation

Management's Discussion and Analysis

Years Ended December 31, 2021, 2020 and 2019

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, 2021, 2020 and 2019. 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, 2021:

- Total revenues were \$4.1 million, an increase of \$328,439 or 9% from the prior year end, and primarily the result of a \$426,755 increase in operating grants led by demolition and remediation projects.
- The Corporation received \$4.9 million from the sale of approximately 160 properties during the year. The related cost of sales was \$6.6 million for a net loss (subsidy) of \$1.7 million which is included in program expenditures.
- Cash and cash equivalents decreased to \$904,509 compared to \$1.5 million at the prior year end, as a result of the Corporation's investment in real estate holdings and reduction in notes payable.
- The Corporation sold stabilized properties in the West End neighborhood of Cincinnati, resulting in notes payable decreasing to \$732,258 compared to \$1.2 million 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, 2021, 2020 and 2019

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, 2021, 2020 and 2019

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, 2021, 2020 and 2019.

| Net Position | | | |
|--------------------------------|-----------------------------|-----------------------------|-----------------------------|
| Governmental Activities | | | |
| | 2021 | 2020 | 2019 |
| Assets | | | |
| Current and other assets | \$ 12,243,786 | \$ 13,964,824 | \$ 13,819,248 |
| Total assets | <u>12,243,786</u> | <u>13,964,824</u> | <u>13,819,248</u> |
| Liabilities | | | |
| Current liabilities | 2,009,258 | 1,381,337 | 1,901,075 |
| Long-term liabilities | <u>-</u> | <u>1,154,055</u> | <u>673,868</u> |
| Total liabilities | <u>2,009,258</u> | <u>2,535,392</u> | <u>2,574,943</u> |
| Net Position | | | |
| Restricted | - | 50,000 | - |
| Unrestricted | <u>10,234,528</u> | <u>11,379,432</u> | <u>11,244,305</u> |
| Total net position | <u><u>\$ 10,234,528</u></u> | <u><u>\$ 11,429,432</u></u> | <u><u>\$ 11,244,305</u></u> |

Net Position

The net position of all governmental activities decreased \$1.2 million, or 10%, from the prior year end resulting in a net position of \$10.2 million at December 31, 2021. In comparison, net position in 2020 increased by \$185,127 or 2% from 2019.

Assets

Current and other assets at December 31, 2021 decreased \$1.7 million, or 12%, from the prior year end. The decrease results from a \$1.9 million decrease in assets held for sale, and a \$569,183 decrease in cash and cash equivalents, offset by a \$673,271 increase in receivables.

In comparison, 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.

Liabilities

Liabilities consist of accounts payable to vendors, notes payable and unearned revenue. As of December 31, 2021, the Corporation had liabilities totaling \$2.0 million, which was a decrease of \$526,134 or 21% from the prior year end. The decrease results primarily from a \$94,808 decrease in unearned revenue and \$422,597 decrease in notes payable.

Hamilton County Land Reutilization Corporation

Management's Discussion and Analysis Years Ended December 31, 2021, 2020 and 2019

For the prior year, liabilities decreased \$39,551 or 2% from the prior period. The decrease was due to 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.

Changes in Net Position Governmental Activities

| | <u>2021</u> | <u>2020</u> | <u>2019</u> |
|--|----------------------|----------------------|----------------------|
| Revenues | | | |
| Program Revenues | | | |
| Intergovernmental | \$ 2,559,781 | \$ 2,394,724 | \$ 2,370,966 |
| Operating grants | 1,450,130 | 1,023,355 | 6,239,244 |
| Gain on property sales | - | - | 450,738 |
| Interest and other | <u>43,956</u> | <u>307,349</u> | <u>84,704</u> |
| Total revenues | <u>4,053,867</u> | <u>3,725,428</u> | <u>9,145,652</u> |
| Expenses | | | |
| Program Expenses | | | |
| Professional and contract services | 3,674,290 | 2,205,927 | 3,850,017 |
| Administration and other | <u>1,574,481</u> | <u>1,334,374</u> | <u>1,912,330</u> |
| Total expenses | <u>5,248,771</u> | <u>3,540,301</u> | <u>5,762,347</u> |
| Change in Net Position | (1,194,904) | 185,127 | 3,383,305 |
| Net Position, Beginning of Year | <u>11,429,432</u> | <u>11,244,305</u> | <u>7,861,000</u> |
| Net Position, End of Year | <u>\$ 10,234,528</u> | <u>\$ 11,429,432</u> | <u>\$ 11,244,305</u> |

Program Revenues

Program revenues for 2021 were \$4.1 million, an increase of \$328,439, or 9%, from the prior year. The higher revenue was led by a \$426,755 increase in operating grants, which includes a \$629,279 increase in state grants for demolition and remediation, offset by a \$202,504 decline in corporate and other grants.

In 2020, program revenues were \$3.7 million, a decrease of \$5.4 million, or 59%, from the prior year. The 2020 decrease largely resulted from 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 grants.

Hamilton County Land Reutilization Corporation

Management's Discussion and Analysis

Years Ended December 31, 2021, 2020 and 2019

Program and Administration Expenses

Total expense in 2021 was \$5.2 million, an increase of \$1.7 million, or 48%, from the prior year. Program expense increased \$1.5 million due to a \$1.2 million increase in subsidy on the sale of property with the remaining increase primarily in demolition and remediation program expenditures. Administration and other expense increased \$240,107 from the prior year primarily due to other charges, which includes: certain grant disbursements, release of claims, cancellation of grant program reimbursements, and cost incurred on properties after their sale date.

In comparison, total expenses in 2020 totaled \$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.

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 2022 budget includes \$2.2 million in DTAC funds reflected under intergovernmental revenues.

The City of Cincinnati is expected to provide grant revenue of \$1.1 million in 2022 for stabilization projects and subsidy on home sales in the City's Price Hill and Madisonville neighborhoods.

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 2022. The Corporation budgeted \$230,000 of state remediation grant revenue in 2022 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 \$1.4 million of state subrecipient demolition grant revenue in 2022 for this project.

The Corporation is planning \$500,000 of grant funds in 2022 for demolition and site revitalization funding through the Ohio Department of Development.

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, Chief Financial Officer, at 513-621-3000.

Hamilton County Land Reutilization Corporation
Governmental Fund Balance Sheet and Statement of Net Position
December 31, 2021

| Assets | General Fund | Adjustments | Statement of Net Position |
|--|-------------------------|----------------------|--------------------------------------|
| | <hr/> | <hr/> | <hr/> |
| Cash and cash equivalents | \$ 904,509 | \$ - | \$ 904,509 |
| Accounts receivable | 1,338,209 | - | 1,338,209 |
| Note receivable | 24,967 | - | 24,967 |
| Assets held for sale | 9,831,009 | - | 9,831,009 |
| Prepaid and other | 145,092 | - | 145,092 |
| | <hr/> | <hr/> | <hr/> |
| Total assets | <u>\$ 12,243,786</u> | <u>\$ -</u> | <u>\$ 12,243,786</u> |
| | | | |
| Liabilities | | | |
| Accounts payable | \$ 987,620 | \$ - | \$ 987,620 |
| Unearned revenue | 289,380 | - | 289,380 |
| Notes payable | 732,258 | - | 732,258 |
| | <hr/> | <hr/> | <hr/> |
| Total liabilities | <u>2,009,258</u> | <u>-</u> | <u>2,009,258</u> |
| | | | |
| Deferred Inflows of Resources - Grant Revenue | | | |
| | <u>1,016,312</u> | <u>(1,016,312)</u> | <u>-</u> |
| | | | |
| Fund Balance | | | |
| Nonspendable | 9,996,167 | (9,996,167) | - |
| Unassigned | (777,951) | 777,951 | - |
| | <hr/> | <hr/> | <hr/> |
| Total fund balance | <u>9,218,216</u> | <u>(9,218,216)</u> | <u>-</u> |
| | | | |
| Total liabilities, deferred inflows of resources and fund balance | <u>\$ 12,243,786</u> | | |
| | | | |
| Net Position | | | |
| Unrestricted | | <u>10,234,528</u> | <u>10,234,528</u> |
| Total net position | | <u>\$ 10,234,528</u> | <u>\$ 10,234,528</u> |

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 |
| | <u>13,964,824</u> | <u>-</u> | <u>13,964,824</u> |
| 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 |
| | <u>1,381,337</u> | <u>1,154,055</u> | <u>2,535,392</u> |
| 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) | - |
| | <u>12,192,816</u> | <u>(12,192,816)</u> | <u>-</u> |
| 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 |
| | | <u>11,429,432</u> | <u>11,379,432</u> |
| Total net position | | <u>\$ 11,429,432</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, 2021

| | General Fund | Adjustments | Statement of Activities |
|---|-------------------------|--------------------|------------------------------------|
| Revenues | | | |
| Intergovernmental revenue | \$ 2,559,781 | \$ - | \$ 2,559,781 |
| Operating grants | 92,232 | 1,357,898 | 1,450,130 |
| Interest and other revenue | 43,956 | - | 43,956 |
| Other financing sources | 13,482 | (13,482) | - |
| Total revenues | 2,709,451 | 1,344,416 | 4,053,867 |
| Expenditures/Expense | | | |
| Program expenditures/expenses - | | | |
| Professional and contract services | 3,674,290 | - | 3,674,290 |
| Administration | 905,481 | - | 905,481 |
| Other charges | 669,000 | - | 669,000 |
| Other financing uses | 435,280 | (435,280) | - |
| Total expenditures/expenses | 5,684,051 | (435,280) | 5,248,771 |
| Change in Fund Balance/Net Position | (2,974,600) | 1,779,696 | (1,194,904) |
| Fund Balance/Net Position, Beginning of Year | 12,192,816 | (763,384) | 11,429,432 |
| Fund Balance/Net Position, End of Year | \$ 9,218,216 | \$ 1,016,312 | \$ 10,234,528 |

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/Expense | | | |
| Program expenditures/expenses - | | | |
| 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

Notes to Basic Financial Statements

December 31, 2021 and 2020

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 municipal representatives, two township representatives, 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, 2021 and 2020

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, 2021 and 2020

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, 2021 and 2020, 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, 2021 and 2020, \$0 and \$50,000, respectively, of the Corporation's net position was restricted by donors. All remaining net assets as of December 31, 2021 and 2020 were unrestricted.

Hamilton County Land Reutilization Corporation

Notes to Basic Financial Statements

December 31, 2021 and 2020

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, 2021 and 2020

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, 2021 and 2020.

| | <u>2021</u> | <u>2020</u> |
|-----------------|-------------|--------------|
| Carrying amount | \$ 904,509 | \$ 1,473,692 |
| Bank balance | 956,205 | 1,586,569 |
| 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, 2021 and 2020

Note 3: Receivables

The table below summarizes the Corporation's account receivables as of December 31, 2021 and 2020. Receivables from the state relate to the remediation and demolition of an industrial site and an abandoned gas station cleanup project. Local government receivables relate to City of Cincinnati reimbursable grant funds on demolition and stabilization projects. 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>2021</u> | <u>2020</u> |
|----------------------------------|---------------------|-------------------|
| State of Ohio and state agencies | \$ 899,483 | \$ 519,149 |
| Local government | 110,219 | 957 |
| Other | <u>328,507</u> | <u>144,832</u> |
| Total accounts receivable | <u>\$ 1,338,209</u> | <u>\$ 664,938</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 2021, the Corporation recorded program expense of \$314,767 to adjust the value of certain properties to their net realizable values. In 2020, the cost-to-market adjustment was \$573,696.

As of December 31, 2021 and 2020, the Corporation held title to approximately 970 and 950 properties, respectively. In 2021, the Corporation filed no nuisance abatement liens against properties. In 2020, the Corporation filed two nuisance abatement liens against properties totaling \$255,953 to recover stabilization costs previously incurred.

Hamilton County Land Reutilization Corporation

Notes to Basic Financial Statements

December 31, 2021 and 2020

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, 2021 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, as of December 31, 2020, there were notes payable under the NIP program of \$800, consisting of 8 mortgage loans on vacant, blighted, residential properties. These zero percent interest loans were financed by The Port at \$100 per property and were secured by liens placed against the property. The NIP demolition program concluded in 2021 and all remaining notes were paid in full in July 2021.

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 2021 for another one-year term expiring July 31, 2022. The interest rate is 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, 2021 and 2020, there were no outstanding amounts on the line of credit and the interest rate was 4.41% and 3.00%, respectively.

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, 2021 and 2020, the Corporation had \$0 notes outstanding with The Port's housing revolving loan fund.

Hamilton County Land Reutilization Corporation

Notes to Basic Financial Statements December 31, 2021 and 2020

In 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 5.875% with monthly interest payments, are secured by property liens, and mature on March 1, 2022. As of December 31, 2021 and 2020, the Corporation had notes outstanding with IFF in the amounts of \$718,776 and \$1,154,055, respectively. The IFF note was paid in full in February 2022.

In September 2021, the Corporation obtained a commitment from Cincinnati Development Fund (CDF) to provide loan funds up to \$750,000 for the purpose of constructing residential housing in the City's Mount Auburn neighborhood. The notes have a fixed annual interest rate of 4.00% with monthly interest payments, are secured by property liens, and mature on September 2, 2022. As of December 31, 2021, the Corporation had notes outstanding with CDF in the amount of \$13,482.

**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 Hamilton County Land Reutilization Corporation (Corporation), as of and for the year ended December 31, 2021, 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 24, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the Corporation's 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, and therefore, material weaknesses or significant deficiencies may exist that were not identified.

Report on 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 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 result 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 24, 2022

Hamilton County Land Reutilization Corporation
Schedule of Findings and Responses
Year Ended December 31, 2021

| Reference Number | Finding | Questioned Costs |
|-----------------------------|----------------|-----------------------------|
|-----------------------------|----------------|-----------------------------|

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 6/21/2022

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

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