



Dave Yost • Auditor of State

**CUYAHOGA COUNTY LAND REUTILIZATION CORPORATION
CUYAHOGA COUNTY**

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INDEPENDENT ACCOUNTANTS' REPORT

Cuyahoga County Land Reutilization Corporation
Cuyahoga County
323 West Lakeside Avenue, Suite 160
Cleveland, Ohio 44113

To the Board of Directors:

We have audited the accompanying financial statements of the governmental activities and the General Fund of the Cuyahoga County Land Reutilization Corporation, Cuyahoga County, Ohio (the Corporation), as of and for the year ended December 31, 2011, which collectively comprise the Corporation's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the General Fund, of the Cuyahoga County Land Reutilization Corporation, Cuyahoga County, Ohio, as of December 31, 2011, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during 2011 the Cuyahoga County Land Reutilization Corporation adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 27, 2012, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis* as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential 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 other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the Corporation's basic financial statements taken as a whole. The *Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual – General Fund* provides additional analysis and is not a required part of the basic financial statements. The federal awards expenditure schedule provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual – General Fund and the federal awards expenditure schedule are management's responsibility, and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. These statements and schedules were subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Dave Yost
Auditor of State

August 27, 2012

Cuyahoga County Land Reutilization Corporation
Management's Discussion and Analysis
For the Year Ended December 31, 2011
Unaudited

The discussion and analysis of Cuyahoga County Land Reutilization Corporation's (the Corporation) financial performance provides an overall review of the Corporation's financial activities for the year ended December 31, 2011. The intent of this discussion and analysis is to look at the Corporation's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the Corporation's financial performance.

Financial Highlights

Key Financial highlights for 2011 are as follows:

- The Corporation is focused on three interrelated principles: returning property to productive use, returning property to the tax duplicate, and accelerating economic or housing activity in Cuyahoga County communities. The Corporation works cooperatively with cities, other units of government, lenders, and individual property owners, to acquire troubled real estate and return it to productive use.
- During 2010, the Corporation entered into a Consortium agreement with the City of Cleveland, Cuyahoga County Department of Development, and the Cuyahoga Metropolitan Housing Authority. The Consortium was awarded \$40,841,390 in Federal grants to demolish blighted homes and renovate others in neighborhoods throughout the county. The Corporation's share of the grant is \$4,595,333. The remaining portion of the grant is being subgranted by the Corporation to the entities mentioned above.

Using this Annual Financial Report

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

The Statement of Net Assets and Statement of Activities provide information about the activities of the whole Corporation, presenting both an aggregate view of the Corporation's finances and a longer-term view of those assets. The Statement of Activities shows changes to net assets related to each department of the Corporation. Fund financial statements tell how services were financed in the short-term as well as what dollars remain for future spending.

Cuyahoga County Land Reutilization Corporation
Management's Discussion and Analysis
For the Year Ended December 31, 2011
Unaudited

Reporting on the Corporation as a Whole

Statement of Net Assets and the Statement of Activities

The Statement of Net Assets and Statement of Activities include all assets and liabilities using the accrual basis of accounting similar to the accounting method used by the private sector. The basis for this accounting takes into account all of the current year's revenues and expenses regardless of when the cash was received or paid.

These two statements report the Corporation's net assets and the changes in those assets. The change in net assets is important because it tells the reader whether, for the Corporation as a whole, the financial position of the Corporation has improved or diminished. However, in evaluating the overall position of the Corporation, non-financial information such as the condition of the Corporation's capital assets will also need to be evaluated.

The Statement of Net Assets and the Statement of Activities are divided into the following categories:

- Assets
- Liabilities
- Net Assets (Assets minus Liabilities)
- Program Expenses and Revenues
- General Revenues
- Net Assets Beginning and End of Year

Reporting on the Corporation's Most Significant Fund

Governmental Fund

The presentation for the Corporation's only fund, the 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. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future on services provided to the Corporation's government constituents. The relationship (or difference) between governmental activities (reported on the Statement of Net Assets and the Statement of Activities) and the general fund is reconciled in the financial statements.

Cuyahoga County Land Reutilization Corporation
Management's Discussion and Analysis
For the Year Ended December 31, 2011
Unaudited

The Cuyahoga County Land Reutilization Corporation as a Whole

Recall that the Statement of Net Assets looks at the Corporation as a whole. Table 1 provides a summary of the Corporation's net assets for 2011 and 2010.

Table 1
Net Assets

	2011	2010
Assets		
Current and Other Assets	\$20,890,198	\$16,711,777
Depreciable Capital Assets	96,383	80,353
<i>Total Assets</i>	20,986,581	16,792,130
Liabilities		
Current and Other Liabilities	543,946	986,555
Long-Term Liabilities:		
Due Within One Year	1,187,737	1,157,439
Due In More Than One Year	6,662,008	7,849,745
<i>Total Liabilities</i>	8,393,691	9,993,739
Net Assets		
Invested in Capital Assets, Net		
of Related Debt	91,638	73,169
Unrestricted	12,501,252	6,725,222
<i>Net Assets</i>	\$12,592,890	\$6,798,391

Cash collected by the Corporation is deposited into a checking account for operating purposes along with the majority of the funds kept in savings accounts currently paying interest at 0.29 percent to maximize the Corporation's funds. During 2011, cash and cash equivalents decreased from \$13,821,171 to \$11,853,158.

Receivables at December 31, 2011, consisted of funds due from the County Treasurer, funds due from the Neighborhood Stabilization Program-1, Economic Development Initiative, and Enterprise grants and loans. Allowance for doubtful accounts were not recorded because all receivables are expected to be collected. Further details of the changes in net assets between 2011 and 2010 can be observed in Table 2.

Cuyahoga County Land Reutilization Corporation
Management's Discussion and Analysis
For the Year Ended December 31, 2011
Unaudited

Table 2
Changes in Net Assets

	2011	2010
Revenues		
General Revenues		
Intergovernmental	\$4,711,179	\$6,676,493
Operating Grants	16,576,842	961,845
Charges for Services	175,000	507,095
Contributions and Donations	0	100
Interest	58,620	30,359
Miscellaneous	401,193	55,989
<i>Total General Revenues</i>	<u>21,922,834</u>	<u>8,231,881</u>
Program Expenses		
Professional and Contract Services	13,499,404	2,585,176
Indirect Salaries	1,796,827	1,138,391
Administration	453,768	856,807
Miscellaneous	0	131,452
Interest and Fiscal Charges	378,336	27,433
<i>Total Program Expenses</i>	<u>16,128,335</u>	<u>4,739,259</u>
<i>Increase in Net Assets</i>	5,794,499	3,492,622
<i>Net Assets Beginning of Year</i>	<u>6,798,391</u>	<u>3,305,769</u>
<i>Net Assets End of Year</i>	<u><u>\$12,592,890</u></u>	<u><u>\$6,798,391</u></u>

Revenues increased due to increased operating grants from the County and Federal grants related to the Consortium. The largest expense is related to professional and contract services. Professional and contract services increased due to acquiring more properties during 2011 and more expenses related to the Federal grants received and used by the Consortium mentioned previously.

The Corporation's main revenue sources are Federal grants and penalties on late paid delinquent property taxes and interest on those delinquencies collected and distributed to the Corporation by the County Treasurer.

The Corporation's Fund

Information about the Corporation's governmental fund begins on page 11. This fund is accounted for using the modified accrual basis of accounting. The Corporation had governmental revenues of \$21,922,834 and expenditures of \$17,307,804.

Cuyahoga County Land Reutilization Corporation
Management's Discussion and Analysis
For the Year Ended December 31, 2011
Unaudited

Budgeting Highlights

There are no budgetary requirements for the Corporation identified in the Ohio Revised Code. The Corporation's budget is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The budgetary process that is followed is for control purposes.

During the course of 2011, the Corporation amended its general fund budget. All recommendations for a budget change come from the Corporation's Director of Finance to the Board of Directors for resolution enactment on the change. The general fund is monitored closely looking for possible revenue shortfalls or over spending by individual departments.

Original and final budgeted revenues for the general fund were \$24,591,590, and the actual revenue was \$22,548,862. The major factor contributing to the decrease of actual revenues as compared to original and final budgeted revenues was a decrease in operating income from the County below the Corporation's estimates and budgeting for grants which were not fully received during 2011. Actual expenditures were \$5,134,705 less than the final budget estimates due to conservative budgeting and budgeting for grants which were not fully received during 2011.

Capital Assets

During 2011, the Corporation had \$96,383 of furniture and equipment. See Note 6 of the basic financial statements for additional information on capital assets.

Debt

At the end of 2011, the Corporation had \$7,845,000 in bonds and \$4,745 in a capital lease, with \$1,187,737 due within one year. See Note 9 of the basic financial statements for additional information on debt.

Current Financial Related Activities

The Corporation, in its continuing efforts to keep its operational and administrative costs down, has developed an operational policy to provide its staff with the best possible technologically advanced equipment and software available at a reasonable cost in order to assist their efforts in providing the most effective and cost efficient means of operation to meet the Corporation's goals and mission.

Contacting the Corporation's Financial Office

This financial report is designed to provide the citizens, taxpayers, investors, and creditors of the Corporation with a general overview of the Corporation's finances and to reflect the Corporation's accountability for the monies it receives. Questions concerning any of this information in this report or requests for additional information should be directed to Michael DiMartino, Director of Finance, Cuyahoga County Land Reutilization Corporation, 323 West Lakeside Avenue, Suite 160, Cleveland, Ohio 44113.

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Cuyahoga County Land Reutilization Corporation

Statement of Net Assets

For the Year Ended December 31, 2011

	<u>Governmental Activities</u>
Assets	
Cash and Cash Equivalents	\$9,458,500
Cash Equivalents Held by Trustee	2,394,658
Intergovernmental Receivable	136,226
Prepaid Items	64,029
Loans Receivable	500,000
Assets Held for Resale	8,336,785
Depreciable Capital Assets, Net	<u>96,383</u>
<i>Total Assets</i>	<u>20,986,581</u>
Liabilities	
Accounts Payable	451,484
Vacation Benefits Payable	29,008
Intergovernmental Payable	37,958
Accrued Interest Payable	25,496
Long-Term Liabilities:	
Due Within One Year	1,187,737
Due In More Than One Year	<u>6,662,008</u>
<i>Total Liabilities</i>	<u>8,393,691</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	91,638
Unrestricted	<u>12,501,252</u>
<i>Total Net Assets</i>	<u><u>\$12,592,890</u></u>

See accompanying notes to the basic financial statements

Cuyahoga County Land Reutilization Corporation

Statement of Activities

For the Year Ended December 31, 2011

	<u>Governmental Activities</u>
Expenses:	
Land Reutilization	
Professional and Contract Services	\$13,499,404
Indirect Salaries	1,796,827
Administration	453,768
Interest and Fiscal Charges	378,336
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<i>Total Program Expenses</i>	16,128,335
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General Revenue:	
Intergovernmental	4,711,179
Operating Grants	16,576,842
Charges for Services	175,000
Interest	58,620
Miscellaneous	401,193
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<i>Total General Revenues</i>	21,922,834
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<i>Increase in Net Assets</i>	5,794,499
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<i>Net Assets Beginning of Year</i>	6,798,391
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<i>Net Assets End of Year</i>	<u>\$12,592,890</u>

See accompanying notes to the basic financial statements

Cuyahoga County Land Reutilization Corporation

Balance Sheet

Governmental Fund

December 31, 2011

	<u>General Fund</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$9,458,500
Intergovernmental Receivable	136,226
Prepaid Items	64,029
Loans Receivable	500,000
Assets Held for Resale	8,336,785
Restricted Assets:	
Cash Equivalents Held by Trustee	<u>2,394,658</u>
 <i>Total Assets</i>	 <u><u>\$20,890,198</u></u>
 Liabilities and Fund Balance	
<i>Liabilities:</i>	
Accounts Payable	\$451,484
Intergovernmental Payable	<u>37,958</u>
 <i>Total Liabilities</i>	 <u>489,442</u>
 Fund Balance	
Nonspendable	8,900,814
Restricted	2,394,658
Unassigned	<u>9,105,284</u>
 <i>Total Fund Balance</i>	 <u>20,400,756</u>
 <i>Total Liabilities and Fund Balance</i>	 <u><u>\$20,890,198</u></u>

See accompanying notes to the basic financial statements

Cuyahoga County Land Reutilization Corporation
Reconciliation of Total Governmental Fund Balance to
Net Assets of Governmental Activities
December 31, 2011

Total Governmental Fund Balances	\$20,400,756
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	96,383
Vacation benefits payable is a contractually required benefit not expected to be paid with expendable available financial resources and therefore not reported in the funds.	(29,008)
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.	(25,496)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
General Obligation Bonds	(7,845,000)
Capital Leases	(4,745)
Total	(7,849,745)
 <i>Net Assets of Governmental Activities</i>	 \$12,592,890

See accompanying notes to the basic financial statements

Cuyahoga County Land Reutilization Corporation
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Fund
For the Year Ended December 31, 2011

	General Fund
Revenues	
Intergovernmental	\$4,711,179
Operating Grants	16,576,842
Interest	58,620
Charges for Services	175,000
Other	401,193
	21,922,834
<i>Total Revenues</i>	<i>21,922,834</i>
Expenditures	
Professional and Contract Services	13,499,404
Indirect Salaries	1,801,185
Administration	469,798
Debt Service:	
Principal Retirement	1,157,439
Interest and Fiscal Charges	379,978
	17,307,804
<i>Total Expenditures</i>	<i>17,307,804</i>
<i>Net Change in Fund Balances</i>	<i>4,615,030</i>
<i>Fund Balance Beginning of Year</i>	<i>15,785,726</i>
<i>Fund Balance End of Year</i>	<i>\$20,400,756</i>

See accompanying notes to the basic financial statements

Cuyahoga County Land Reutilization Corporation
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balance of Governmental Fund to the Statement of Activities
For the Year Ended December 31, 2011*

Net Change in Fund Balance -Total Governmental Fund	\$4,615,030
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*Amounts reported for governmental activities in the
statement of activities are different because:*

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.

Capital Asset Additions	30,106	
Current Year Depreciation	(14,076)	
Total		16,030

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	1,642
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Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	1,157,439
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Some expenses reported in the statement of activities, such as vacation benefits payable, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	4,358
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<i>Change in Net Assets of Governmental Activities</i>	<u><u>\$5,794,499</u></u>
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See accompanying notes to the basic financial statements

Cuyahoga County Land Reutilization Corporation

Notes To The Basic Financial Statements

For The Year Ended December 31, 2011

Note 1 - Reporting Entity and Basis of Presentation

Cuyahoga County Land Reutilization Corporation (the Corporation) is a body corporate and politic organized on April 16, 2009, by the Board of County Commissioners of Cuyahoga County (BOCC), under the authority of Chapter 1724, Ohio Revised Code.

The Corporation's governing body is a seven member Board of Directors, consisting of the County Treasurer, the County Executive or their designee, a member of the County Council, two representatives of the City of Cleveland, and the remaining members selected by the County Executive, County Treasurer, and County Council representative. The Corporation is classified as a related organization of Cuyahoga County for reporting purposes, in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14 as amended by GASB Statement No. 39. The Board resolved to expand its membership to nine on October 28, 2011. The process of selecting additional members is pending.

The Corporation is dedicated to strategically acquiring tax foreclosed property and other foreclosed property from the Board of Revision, Sheriff's Sale, Bank Real Estate Owned, County Fiscal Officer, third parties, and through donations. The Corporation then strives to put the properties back to productive use.

The reporting entity for the Corporation is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Corporation and any other organizations that would need to be included to ensure the financial statements of the Corporation are not misleading.

Component units are legally separate organizations for which the Corporation is financially accountable. The Corporation is financially accountable for an organization if the Corporation appoints a voting majority of the organization's governing board; and 1) the Corporation is able to significantly influence the programs or services performed or provided by the organization; or 2) the Corporation is legally entitled to or can otherwise access the organization's resources; the Corporation is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Corporation is obligated for the debt of the organization. Component units may also include organizations for which the Corporation authorizes the issuance of debt, or the levying of taxes, or determines the budget. There are no component units included as part of this report.

Note 2 - Summary of Significant Accounting Policies

The financial statements of the Corporation have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Corporation also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989 to its governmental activities unless those pronouncements conflict with or contradict GASB pronouncements. The more significant of the Corporation's accounting policies are described below.

Basis of Presentation

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

Cuyahoga County Land Reutilization Corporation

Notes To The Basic Financial Statements

For The Year Ended December 31, 2011

Government-Wide Financial Statements

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

The statement of net assets presents 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 each program or function of the Corporation's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the Corporation, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental program is self-financing or draws from the general revenues of the Corporation.

Fund Financial Statements

During the year, the Corporation segregates transactions related to certain Corporation functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Corporation at this more detailed level. The Corporation's general fund is its only governmental fund.

Fund Accounting

The Corporation uses fund accounting to segregate cash and investments that are restricted as to use. A fund is a separate accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and attaining certain objectives in accordance with special regulations, restrictions or limitations.

For financial statement presentation purposes, the Corporation's fund is classified as governmental.

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 following is the Corporation's only governmental fund:

General Fund The general fund accounts for all financial resources that are received from the County Treasurer from penalties collected on delinquent property taxes and interest on those delinquencies. 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.

Cuyahoga County Land Reutilization Corporation

Notes To The Basic Financial Statements

For The Year Ended December 31, 2011

Measurement Focus

Government-Wide Financial Statements

The government-wide financial statements are prepared using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the Corporation are included on the Statement of Net Assets. The Statement of Activities presents increases (i.e., revenues) and decreases (i.e., expenses) in total net assets.

Fund Financial Statements

The general fund is accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balance reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for the general fund.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. The general fund uses the modified accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue and in the presentation of expenses versus expenditures.

Revenues - Exchange and Nonexchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available. Available means that the resources will be collected within the current year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. For the Corporation, available means expected to be received within sixty days of year-end.

Nonexchange transactions, in which the Corporation receives value without directly giving equal value in return, include grants, entitlements and donations. Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the Corporation must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Corporation on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, interest and grants revenue sources are considered to be both measurable and available at year-end.

Cuyahoga County Land Reutilization Corporation

Notes To The Basic Financial Statements

For The Year Ended December 31, 2011

Deferred Revenue

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements are met are recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

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 prior to the beginning of the fiscal year. Appropriations and subsequent amendments are approved by the Board of Directors during the year as required. See supplemental information on page 27.

Cash and Cash Equivalents

To improve cash management, cash received by the Corporation is pooled. Individual fund integrity is maintained through the Corporation's records. The Corporation had no investments during the year or at the end of the year.

Investments with an original maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents.

The Corporation utilizes a trustee to hold monies set aside under the provisions of the debt agreement. The balance in this account is presented on the balance sheet as "restricted assets – cash equivalents held by trustee".

Prepaid Items

Payments made to vendors for services that will benefit periods beyond the current year, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount at the time of purchase and reflecting the expenditure/expense in the year in which the services are consumed.

Assets Held for Resale

Assets held for resale represent properties purchased by or donated to the Corporation. These properties are valued based upon the purchase price plus any costs of maintenance, rehabilitation, or demolition of homes on the properties. The Corporation holds the properties until the home is either sold to a new homeowner, sold to an individual who will rehabilitate the home, or the home on the property is demolished. Properties with demolished homes are held until they can be merged with adjacent parcels for development or green space projects, or the lots are sold to the owners of adjacent parcels for a nominal cost.

Cuyahoga County Land Reutilization Corporation

Notes To The Basic Financial Statements

For The Year Ended December 31, 2011

Capital Assets

The Corporation's only capital assets are general capital assets. General capital assets are capital assets which are associated with and generally arise from governmental activities. General capital assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the financial statements of the general fund.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received.

All capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method for furniture and equipment over useful lives of five to fifteen years.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

Governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the fund. However, compensated absences are reported as a liability in the fund financial statements only to the extent payments come due each period upon the occurrence of employee resignations and retirements.

Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the Corporation will compensate the employees for the benefits through paid time off or some other means. The Corporation records a liability for all accumulated unused vacation time when earned for all employees with more than six months of service. Since the Corporation's employee policy limits the accrual of vacation time to six months from the employee's anniversary date, the outstanding liability is recorded as "vacation benefits payable" on the statement of net assets rather than as a long-term liability.

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Corporation is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans, loans receivable, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed, or assigned.

Restricted Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions.

Cuyahoga County Land Reutilization Corporation

Notes To The Basic Financial Statements

For The Year Ended December 31, 2011

Committed The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (resolution) of the Board. Those committed amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned Amounts in the assigned fund balance classification are intended to be used by the Corporation for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by the Board or a Corporation official delegated that authority, or by State Statute.

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

The Corporation applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets.

Intergovernmental Revenue

The Corporation receives operating income through Cuyahoga County. This money represents the penalties and interest on current unpaid and delinquent property taxes once these taxes are paid. Pursuant to ORC 321.263, these penalty and interest monies are collected by the County when taxes are paid and then are paid to the Corporation upon the Corporation's written request.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from these estimates.

Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Corporation Administration and that are either unusual in nature or infrequent in occurrence. The Corporation had no extraordinary or special items during 2011.

Cuyahoga County Land Reutilization Corporation

Notes To The Basic Financial Statements

For The Year Ended December 31, 2011

Note 3 – Changes in Accounting Principles

For 2011, the Corporation has implemented Governmental Accounting Standard Board (GASB) Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions” and Statement No. 59, “Financial Instruments Omnibus”.

GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that compromise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The implementation of this statement did not result in any change in the Corporation’s financial statements.

GASB Statement No. 59 addresses significant practice issues that have arisen when accounting for financial instruments and external investment pools. The implementation of this statement did not result in any change in the Corporation’s financial statements.

Note 4 - Deposits and Investments

Monies held by the Corporation are classified by State Statute into two categories, active and inactive. Active monies are public monies determined to be necessary to meet current demand upon the Corporation treasury. Active monies must be maintained either as cash in the Corporation treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Protection of the Corporation's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Monies held by the Corporation, which are not considered active, are classified as inactive. Inactive monies may be deposited or invested in the following securities provided a written investment policy has been filed with the Ohio Auditor of State:

1. United States Treasury Bills, Bonds, Notes, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to payment of principal and interest by the United States, or any book entry, zero-coupon United States treasury security that is a direct obligation of the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

Cuyahoga County Land Reutilization Corporation

Notes To The Basic Financial Statements

For The Year Ended December 31, 2011

4. Bond and other obligations of the State of Ohio or its political subdivisions, provided that such political subdivisions are located wholly or partly within the Corporation;
5. Time certificates of deposits or savings or deposit accounts, including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) above and repurchase agreements secured by such obligations, provided that these investments are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio);
8. Securities lending agreements in which the Corporation lends securities and the eligible institution agrees to simultaneously exchange similar securities or cash, equal value for equal value;
9. Up to twenty-five percent of the Corporation's average portfolio in either of the following:
 - a. Commercial paper notes in entities incorporated under the laws of Ohio or any other State that have assets exceeding five hundred million dollars rated at the time of purchase, which are rated in the highest qualification established by two nationally recognized standard rating services, which do not exceed ten percent of the value of the outstanding commercial paper of the issuing corporation and which mature within 270 days after purchase;
 - b. Bankers acceptances eligible for purchase by the federal reserve system and which mature within 180 days after purchase.
10. Fifteen percent of the Corporation's average portfolio in notes issued by U.S. corporations or by depository institutions that are doing business under authority granted by the U.S. provided that the notes are rated in the second highest or higher category by at least two nationally recognized standard rating services at the time of purchase and the notes mature within two years from the date of purchase.
11. No-load money market mutual funds rated in the highest category at the time of purchase by at least one nationally recognized standard rating service consisting exclusively of obligations guaranteed by the United States, securities issued by a federal government agency or instrumentality, and/or highly rated commercial paper.
12. One percent of the Corporation's average portfolio in debt interests rated at the time of purchase in the three highest categories by two nationally recognized standard rating services and issued by foreign nations diplomatically recognized by the United States government.

Reverse repurchase agreements, investments in derivatives, and investments in stripped principal or interest obligations that are not issued or guaranteed by the United States are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. Other than corporate notes, commercial paper, and bankers acceptances, an investment must mature within five years from the date of settlement unless matched to a specific obligation or debt of the Corporation. Investments must be purchased with the expectation that they will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Cuyahoga County Land Reutilization Corporation

Notes To The Basic Financial Statements

For The Year Ended December 31, 2011

Deposits

Custodial credit risk is the risk that in the event of bank failure, the Corporation's deposits may not be returned to it. Protection of the Corporation's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution, by surety company bonds or by a single collateral pool established by the financial institution. In accordance with Chapter 135 of the Ohio Revised Code, any public depository receiving deposits pursuant to an award of Corporation's fund shall be required to pledge security for repayment of all public moneys. The Corporation has no investment policy dealing with deposit custodial risk beyond the requirement in State Statute that requires securities purchased pursuant to this division shall be delivered into the custody of the Director of Finance or an agent designated by the Director of Finance.

At year-end, the carrying amount of the Corporation's deposits was \$11,853,158 and the bank balance was \$18,004,972. Of the uninsured bank balance of \$254,862, all was collateralized with securities held by the pledging institution's trust department, not in the Corporation's name.

Note 5 - Risk Management

The Corporation is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2011, the Corporation contracted with Zito Insurance Agency for various types of insurance as follows:

Type	Coverage
General Aggregate	\$2,000,000
Liability Property	1,000,000
Commercial General Liability	1,000,000
Personal Injury	1,000,000
Business Personal Property	100,000
Ohio Employers Liability	1,000,000
Directors/Officers Liability	2,000,000
Employment Practices Liability	1,000,000
Employee Dishonesty	100,000
Employee Benefits Liability	1,000,000
Umbrella Coverage	5,000,000

Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years and there was no significant change in insurance coverage from the prior year.

Note 6 - Capital Assets

A summary of changes in capital assets during 2011 follows:

	Balance 12/31/2010	Additions	Deletions	Balance 12/31/2011
Furniture and Equipment	\$120,325	\$30,106	\$0	\$150,431
Less Accumulated Depreciation	(39,972)	(14,076)	0	(54,048)
<i>Governmental Activities Capital Assets, Net</i>	<u>\$80,353</u>	<u>\$16,030</u>	<u>\$0</u>	<u>\$96,383</u>

Cuyahoga County Land Reutilization Corporation

Notes To The Basic Financial Statements

For The Year Ended December 31, 2011

Note 7 – Employee Benefits

Compensated Absences

The Corporation employees earn vacation leave at varying rates based upon length of service. All employees may carry over accrued vacation time including any amounts resulting from the first year's employment, but all vacation time carried over from one calendar year must be used by the end of the following year, or it will be forfeited. Eligible employees hired prior to July 1, 2009, and eligible employees hired thereafter but who have worked continuously for at least six months may, conversely, ask that any unused vacation time be "cashed out" and paid to the employee. To "cash out", any unused carryover vacation time may be paid to the eligible employee if requested in writing no later than January 31 of the carry over year.

Health Insurance Benefits

The Corporation provides employee medical and prescription drug insurance through Medical Mutual of Ohio. Full-time employees contribute 10 percent of the annual premium and part-time staff contribute a pro-rata portion to a maximum of 50 percent. The insurance plans include deductibles ranging from zero to \$500 for single and zero to \$1,000 for family.

Social Security

All employees pay into Social Security. The Corporation's liability is 6.2 percent of wages.

Note 8 - Receivables

Receivables at December 31, 2011, consisted of funds due from the County Treasurer and funds due from the Neighborhood Stabilization Program-1 grant, the Economic Development Initiative grant, and the Enterprise grant and loans. Allowance for doubtful accounts were not recorded because all receivables are expected to be collected.

A summary of the principal items of governmental activities intergovernmental receivable follows:

<u>Governmental Activities</u>	<u>Amounts</u>
Neighborhood Stabilization Program-1 Grant	\$81,161
Economic Development Initiative Grant	33,975
Enterprise Grant	21,090
Total Governmental Activities	<u>\$136,226</u>

Loans receivable represents a loan to the Cleveland Housing Network. The loan bears an interest rate of 2.5 percent. The loan is to be repaid by July 1, 2020, with the first payment on October 1, 2015. Loans expected to be collected in more than one year are \$500,000.

Cuyahoga County Land Reutilization Corporation

Notes To The Basic Financial Statements

For The Year Ended December 31, 2011

Note 9 - Long-Term Obligations

The original issue date, interest rate, original issue amount and date of maturity of the Corporation's bonds are as follows:

<u>Debt Issue</u>	<u>Interest Rate</u>	<u>Original Issue Amount</u>	<u>Date of Maturity</u>
Special Receipts Bonds, Series 2010 A	3.9%	\$9,000,000	December 1, 2017

The changes in the Corporation's long-term obligations during the year consist of the following:

	<u>Principal Outstanding 12/31/2010</u>	<u>Additions</u>	<u>(Reductions)</u>	<u>Principal Outstanding 12/31/2011</u>	<u>Amount Due in One Year</u>
Governmental Activities:					
Special Receipt Bonds, Series 2010 A	\$9,000,000	\$0	(\$1,155,000)	\$7,845,000	\$1,185,000
Capital Lease	7,184	0	(2,439)	4,745	2,737
Total Governmental Activities	<u>\$9,007,184</u>	<u>\$0</u>	<u>(\$1,157,439)</u>	<u>\$7,849,745</u>	<u>\$1,187,737</u>

The Corporation issued \$9 million of Series "A" Special Receipts tax-exempt bonds on December 14, 2010 to one private investor (Capital One Funding LLC) with a seven year life. These bonds call for semi-annual interest payments at the rate of 3.9 percent per year and annual principal payments.

Principal and interest requirements to retire the debt outstanding at December 31, 2011, are as follows:

	<u>Series 2010 A Bonds (Tax Exempt)</u>	
	<u>Principal</u>	<u>Interest</u>
2012	\$1,185,000	\$305,955
2013	1,235,000	259,740
2014	1,280,000	211,575
2015	1,330,000	161,655
2016	1,380,000	109,785
2017	1,435,000	55,965
Total	<u>\$7,845,000</u>	<u>\$1,104,675</u>

Note 10 - Capital Leases

In 2010, the Corporation entered into a capital lease for a copier machine. This lease meets the criteria of a capital lease as defined by FASB Statement No. 13, "Accounting for Leases." Capital lease payments have been reclassified and are reflected as debt service expenditures in the general fund on the basic financial statements. These expenditures are reflected as program/function expenditures on a budgetary basis.

Cuyahoga County Land Reutilization Corporation

Notes To The Basic Financial Statements

For The Year Ended December 31, 2011

Capital assets acquired by lease have been capitalized and depreciated as follows:

Furniture and Equipment	\$7,937
Less: Accumulated Depreciation:	<u>(1,323)</u>
<i>Total Capital Assets, being depreciated, net</i>	<u><u>\$6,614</u></u>

The lease agreement provide for minimum, annual lease payments as follows:

	<u>Governmental Activities</u>
2012	\$3,143
2013	<u>2,096</u>
Total Minimum Lease Payments	5,239
Less: Amounts Representing Interest	<u>(494)</u>
Present Value of Minimum Lease Payments	<u><u>\$4,745</u></u>

Note 11 – Litigation

The Corporation is currently party to legal proceedings. An administrative appeal was filed by Parkview Federal Savings and Circle Development Group, Inc. against the Cuyahoga County Treasurer appealing the granting of a foreclosure decree for non-payment of real estate taxes, resulting in the subject property being transferred to the Corporation, Case No. CV 10-729846. As a result, the Corporation intervened as an interested party claiming that all parties were properly notified of the foreclosure, given an opportunity to be heard and that the taxes were never paid to this date, and that all legal foreclosure processes were followed whereby the Corporation became the sole, free and clear title holder of the property under Chapters R.C. 5722 and 323.65.01 et al. of the Revised Code.

Since December 31, 2010, the trial court ruled in favor of Parkview Federal Savings and Circle Development, at which time the property in question was titled back to Parkview Federal Savings and Circle Development. The Corporation appealed the decision and this appeal is currently pending in the Eighth District Court of Appeals. In the opinion of management, the outcome of the case will not have a material adverse effect on the overall financial position of the corporation as of December 31, 2011 or thereafter.

Note 12 – Subsequent Events

In 2012, the Corporation commenced pre-demolition asbestos abatement on a property condemned by the City of Cleveland and declared to be a nuisance. During the asbestos abatement, the owner of the condemned property filed a lawsuit challenging the Corporation's right to demolish the property on the City of Cleveland's behalf. The case is currently pending. Settlement offers have been exchanged. In the opinion of management, the outcome of the case will not have a material adverse affect on the overall financial position of the Corporation as of December 31, 2011 or thereafter.

In May, 2012, Cuyahoga County was notified by the Ohio Attorney General that the County is eligible for a share of a \$75 million legal settlement. The money from this nationwide settlement with mortgage lenders will be used to demolish blighted properties. The Corporation will administer the funds for the County, which will include \$11,850,744 from the State, \$5,000,000 in matching funds from the County Prosecutor's Office, and \$6,350,746 in matching funds from the Corporation.

Supplemental Information

Cuyahoga County Land Reutilization Corporation
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Year Ended December 31, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$6,500,000	\$6,500,000	\$4,711,179	(\$1,788,821)
Grant Income	18,033,590	18,033,590	17,377,870	(655,720)
Interest	48,000	48,000	58,620	10,620
Miscellaneous	10,000	10,000	401,193	391,193
<i>Total Revenues</i>	<u>24,591,590</u>	<u>24,591,590</u>	<u>22,548,862</u>	<u>(2,042,728)</u>
Expenditures				
Current:				
Professional and Contract Services	26,665,210	26,665,210	21,422,403	5,242,807
Indirect Salaries	1,928,997	1,928,997	1,805,025	123,972
Administration	317,300	317,300	549,374	(232,074)
Total Current:	<u>28,911,507</u>	<u>28,911,507</u>	<u>23,776,802</u>	<u>5,134,705</u>
Debt Service:				
Principal Retirement	1,496,200	1,496,200	1,155,000	341,200
Interest and Fiscal Charges	5,000	5,000	379,272	(374,272)
Total Debt Service:	<u>1,501,200</u>	<u>1,501,200</u>	<u>1,534,272</u>	<u>(33,072)</u>
<i>Total Expenditures</i>	<u>30,412,707</u>	<u>30,412,707</u>	<u>25,311,074</u>	<u>5,101,633</u>
<i>Excess of Revenues Under Expenditures</i>	(5,821,117)	(5,821,117)	(2,762,212)	3,058,905
Other Financing Sources				
Proceeds of Sale of Assets Held for Resale	2,090,600	2,090,600	794,199	(1,296,401)
<i>Net Change in Fund Balance</i>	(3,730,517)	(3,730,517)	(1,968,013)	1,762,504
<i>Fund Balance Beginning of Year</i>	<u>13,821,171</u>	<u>13,821,171</u>	<u>13,821,171</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$10,090,654</u>	<u>\$10,090,654</u>	<u>\$11,853,158</u>	<u>\$1,762,504</u>

See accompanying notes to the supplemental information

Cuyahoga County Land Reutilization Corporation

*Notes to the Supplemental Information
For the Year Ended December 31, 2011*

Note 1 – Budgetary Basis of Accounting

Budgetary Process

The budgetary process that is followed by the Land Reutilization Corporation is for control purposes and is set forth in its Code of Regulations. At least thirty days prior to the end of each fiscal year, the President shall present to the Board of Directors the annual budget of the Corporation for the next succeeding fiscal year. The Board of Directors shall, at a regular or special meeting, conduct a public hearing on such budget and shall, at such meeting or at another meeting called for the purpose, adopt the annual budget which shall govern the expenditures of the Corporation during the fiscal year to which such budget applies. On and after the commencement of a fiscal year, the annual budget adopted for such fiscal year may be amended or supplemented by the Board of Directors as circumstances warrant. No binding monetary obligation of the Corporation shall be entered into unless there exists at the time in the applicable budget line item an unencumbered balance in an amount no less than lesser of (a) the amount of the monetary obligation to be incurred without either the amendment or supplement of such budget and line item by the Board of Directors and (b) the amount of the monetary obligation that will be due and payable in the fiscal year in which the monetary obligation is incurred. Nothing in this budgetary process shall be construed as prohibiting the President from approving the transfer of an unencumbered balance from any line item, account, or fund to a line item, account, or fund with respect to which an insufficient unencumbered balance exists when it is in the best interests of the Corporation to enter into the binding monetary obligation. In the event that due to unforeseen circumstances the annual budget has not been adopted and is not ready for adoption by the last day of the fiscal year immediately preceding the year of which such budget is to be effective, the Board of Directors may adopt a temporary budget governing fiscal matters for the first three months of the new fiscal year.

Budgetary Basis of Accounting

While the Land Reutilization Corporation is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis is based upon accounting for certain transactions on a basis of cash receipts and disbursements. The Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).

Cuyahoga County Land Reutilization Corporation

*Notes to the Supplemental Information
For the Year Ended December 31, 2011*

The following table summarizes the adjustments necessary to reconcile the GAAP basis statement to the budgetary basis statement for the general fund.

Net Change in Fund Balance	
GAAP Basis	\$4,615,030
Net Adjustment for Revenue Accruals	1,420,227
Net Adjustment for Expenditure Accruals	<u>(8,003,270)</u>
Budget Basis	<u><u>(\$1,968,013)</u></u>

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**CUYAHOGA COUNTY LAND REUTILIZATION CORPORATION
CUYAHOGA COUNTY**

**FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2011**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
<i>Direct Assistance:</i>			
ARRA Neighborhood Stabilization Program (NSP 2)	B-09-CN-OH-0032	14.256	\$17,397,399
<i>Passed Through: Cuyahoga County</i>			
Economic Development Initiative	B-09-SP-OH-0215	14.251	72,425
Neighborhood Stabilization Program (NSP 1)	B-08-UN-39-0002	14.218	<u>51,619</u>
Total U.S. Department of Housing and Urban Development			<u>17,521,443</u>
Total Federal Expenditures			<u><u>\$17,521,443</u></u>

The accompanying notes are an integral part of this schedule.

**CUYAHOGA COUNTY LAND REUTILIZATION CORPORATION
CUYAHOGA COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE
FISCAL YEAR ENDED DECEMBER 31, 2011**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Expenditures Schedule (the Schedule) reports the Cuyahoga County Land Reutilization Corporation's (the Corporation's) federal award programs' disbursements. The Schedule has been prepared on the cash basis of accounting.

NOTE B - SUBRECIPIENTS

The Corporation passes certain federal awards received from the United States Department of Housing and Urban Development to other governments or not-for-profit agencies (subrecipients). As Note A describes, the Corporation reports expenditures of Federal awards to subrecipients when paid in cash.

As a subrecipient, the Corporation has certain compliance responsibilities, such as monitoring its subrecipients to help assure they use these subawards as authorized by laws, regulations, and the provisions of contracts or grant agreements, and that subrecipients achieve the award's performance goals.



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Cuyahoga County Land Reutilization Corporation
Cuyahoga County
323 West Lakeside Avenue
Cleveland, Ohio 44113

To the Board of Directors:

We have audited the financial statements of the governmental activities and the General Fund of the Cuyahoga County Land Reutilization Corporation, Cuyahoga County, Ohio (the Corporation) as of and for the year ended December 31, 2011, which collectively comprise the Corporation's basic financial statements and have issued our report thereon dated August 27, 2012, wherein we noted the Corporation implemented Governmental Accounting Standards Board Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions". We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Corporation's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the Corporation's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Corporation's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the Corporation's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

Compliance and Other Matters

As part of reasonably assuring whether the Corporation's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect 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 an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We intend this report solely for the information and use of management, the Board of Directors, federal awarding agencies and pass-through entities and others within the Corporation. We intend it for no one other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive, flowing style.

Dave Yost
Auditor of State

August 27, 2012



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO ITS MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Cuyahoga County Land Reutilization Corporation
Cuyahoga County
323 West Lakeside Avenue, Suite 160
Cleveland, Ohio 44113

To the Board of Directors:

Compliance

We have audited the compliance of the Cuyahoga County Land Reutilization Corporation (the Corporation) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the Cuyahoga County Land Reutilization Corporation's major federal program for the year ended December 31, 2011. The *summary of auditor's results* section of the accompanying schedule of findings identifies the Corporation's major federal program. The Corporation's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to opine on the Corporation's compliance based on our audit.

Our compliance audit followed auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the Corporation's compliance with these requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Corporation's compliance with these requirements.

In our opinion, the Cuyahoga County Land Reutilization Corporation complied, in all material respects, with the requirements referred to above that could directly and materially affect its major federal program for the year ended December 31, 2011.

Internal Control Over Compliance

The Corporation's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Corporation's internal control over compliance with requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the Corporation's internal control over compliance.

Lausche Building, 615 Superior Ave., NW, Twelfth Floor, Cleveland, Ohio 44113-1801
Phone: 216-787-3665 or 800-626-2297 Fax: 216-787-3361

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A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

We intend this report solely for the information and use of management, the Board of Directors, others within the entity, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



Dave Yost
Auditor of State

August 27, 2012

**CUYAHOGA COUNTY LAND REUTILIZATION CORPORATION
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2011**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Neighborhood Stabilization Program 2, CFDA #14.256
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

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**CUYAHOGA COUNTY LAND REUTILIZATION CORPORATION
CUYAHOGA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A-133 § .315 (b)
DECEMBER 31, 2011**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2010-01	Finding for Recovery Repaid Under Audit – The Corporation was unable to provide adequate supporting documentation for various credit card purchases.	Yes	Corrected

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Dave Yost • Auditor of State

CUYAHOGA COUNTY LAND REUTILIZATION CORPORATION

CUYAHOGA 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, 2012**