



**CUYAHOGA COUNTY LAND REUTILIZATION CORPORATION  
CUYAHOGA COUNTY**

**REGULAR AUDIT**

**FOR THE YEAR ENDED DECEMBER 31, 2009**



**Dave Yost • Auditor of State**



**CUYAHOGA COUNTY LAND REUTILIZATION CORPORATION  
CUYAHOGA COUNTY**

**TABLE OF CONTENTS**

<b><u>TITLE</u></b>	<b><u>PAGE</u></b>
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets .....	9
Statement of Activities .....	10
Fund Financial Statements:	
Balance Sheet .....	11
Reconciliation of Total Governmental Fund Balance to Net Assets of Governmental Activities.....	12
Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Fund.....	13
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Fund to the Statement of Activities.....	14
Notes to the Basic Financial Statements.....	15
Supplemental Information:	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual – General Fund.....	25
Notes to the Supplemental Information .....	26
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	27

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# Dave Yost • Auditor of State

## 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 initial year of operations ended December 31, 2009, 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, 2009, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 17, 2011, 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. This statement was 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.

A handwritten signature in black ink, appearing to read "Dave Yost", with a stylized, flowing script.

**Dave Yost**  
Auditor of State

May 17, 2011

## **Cuyahoga County Land Reutilization Corporation**

### *Management's Discussion and Analysis*

*For the Year Ended December 31, 2009*

*Unaudited*

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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, 2009. 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 2009 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.
- The Corporation began its operations with the following key personnel: President; Chief Operating Officer; Director of Acquisition, Disposition and Development; Director of Programs and Property Management; Controller/Treasurer; Vice President, Legal Affairs; Director of IT and Special Projects; Assistant Controller/Officer Manager; and Administrative Assistant.
- Two more additional positions were added in November, 2009. The two positions were Field Service Supervisor and Acquisitions Manager.
- The Corporation acquired 35 properties and disposed of one in 2009.

### **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, 2009*  
*Unaudited*

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**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 of Year and Year's End

**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 our Corporation users. 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, 2009*  
*Unaudited*

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**The Cuyahoga County Land Reutilization Corporation as a Whole**

Recall the Statement of Net Assets looks at the Corporation as a whole. Table 1 provides a summary of the Corporation's net assets for 2009. 2009 was the initial year of operations. Comparative information will be presented in future years as information becomes available.

**Table 1**  
**Net Assets**

	<u>2009</u>
<b>Assets</b>	
Current and Other Assets	\$3,282,144
Depreciable Capital Assets	<u>77,277</u>
<i>Total Assets</i>	<u>3,359,421</u>
<b>Liabilities</b>	
Current and Other Liabilities	<u>53,652</u>
<b>Net Assets</b>	
Invested in Capital Assets	77,277
Unrestricted	<u>3,228,492</u>
<i>Net Assets</i>	<u><u>\$3,305,769</u></u>

Cash collected by the Corporation is deposited into a checking account for operations purposes along with the majority of the funds kept in savings accounts currently paying interest at 1.5 percent to maximize the Corporation's funds. \$2,080,000 of the cash collected was received in December 2009.

Receivables at December 31, 2009, consisted of funds due from the County Treasurer and funds due from the Neighborhood Stabilization Program (NSP-1) grant. Allowance for doubtful accounts were not recorded because all receivables are expected to be collected.

**Cuyahoga County Land Reutilization Corporation**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2009*  
*Unaudited*

**Table 2**  
**Changes in Net Assets**

	<u>2009</u>
<b>Revenues</b>	
General Revenues	
Intergovernmental	\$4,019,850
Operating Grants	129,042
Contributions and Donations	22,641
Interest	499
Miscellaneous	<u>17,202</u>
<i>Total General Revenues</i>	<u>4,189,234</u>
<b>Program Expenses</b>	
Professional and Contract Services	294,327
Indirect Salaries	443,852
Administration	143,002
Miscellaneous	<u>2,284</u>
<i>Total Program Expenses</i>	<u>883,465</u>
<i>Increase in Net Assets</i>	3,305,769
<i>Net Assets, Beginning of Year</i>	<u>0</u>
<i>Net Assets, End of Year</i>	<u><u>\$3,305,769</u></u>

The Corporation's revenues were \$4,189,234 and its expenses were \$883,465 for 2009. Since this is the Corporation's first year of operation, there were no revenues or expenses prior to June 2009.

The main revenue source is from the County Treasurer from penalties collected on delinquent property taxes and interest on those delinquencies.

### **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 \$4,189,234 and expenditures of \$930,260.

### **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.

**Cuyahoga County Land Reutilization Corporation**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2009*  
*Unaudited*

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During the course of 2009 the Corporation amended its general fund budget. All recommendations for a budget change come from the Corporation Treasurer 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 \$3,102,350, and the actual revenue was \$4,020,342. The major factor contributing to the increase of actual revenues over original and final budgeted revenues was an increase in operating income from Cuyahoga County over the Corporation's estimates. Actual expenditures were \$578,964 less than the final budget estimates due to conservative budgeting.

**Capital Assets**

During 2009, the Corporation had \$77,277 of furniture and equipment. See Note 6 of the basic financial statements for additional information on capital assets.

**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.

In doing so, the Corporation is currently internally developing software ("Property Profiles") that would allow staff to review, evaluate, and select property strategically located in the County that would provide a catalyst in re-establishing the County's properties to higher marketable values with the fewest number of staff.

Within these same efforts, the Corporation will be beginning to negotiate (April, 2011) a new line of credit for up to \$5 million with a local financial institution to allow a leveraging of its funds to meet its goals.

**Contacting the Corporation's Financial Office**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors 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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## Basic Financial Statements

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**Cuyahoga County Land Reutilization Corporation**

*Statement of Net Assets*

*For the Year Ended December 31, 2009*

	Governmental Activities
<b>Assets</b>	
Cash and Cash Equivalents	\$3,033,853
Accounts Receivable	39,850
Intergovernmental Receivable	129,042
Prepaid Items	47,855
Assets Held for Resale	31,544
Depreciable Capital Assets, Net	77,277
<i>Total Assets</i>	<u>3,359,421</u>
<b>Liabilities</b>	
Accounts Payable	23,170
Vacation Benefits Payable	30,482
<i>Total Liabilities</i>	<u>53,652</u>
<b>Net Assets</b>	
Invested in Capital Assets	77,277
Unrestricted	3,228,492
<i>Total Net Assets</i>	<u><u>\$3,305,769</u></u>

See accompanying notes to the basic financial statements

**Cuyahoga County Land Reutilization Corporation**

*Statement of Activities*

*For the Year Ended December 31, 2009*

	<u>Governmental Activities</u>
<b>Expenses:</b>	
Land Reutilization	
Professional and Contract Services	\$294,327
Indirect Salaries	443,852
Administration	143,002
Miscellaneous	<u>2,284</u>
<i>Total Program Expenses</i>	<u>883,465</u>
 <b>General Revenue:</b>	
Intergovernmental	4,019,850
Operating Grants	129,042
Contributions and Donations	22,641
Interest	499
Miscellaneous	<u>17,202</u>
<i>Total General Revenues</i>	<u>4,189,234</u>
<i>Increase in Net Assets</i>	3,305,769
 <i>Net Assets, Beginning of Year</i>	<u>0</u>
 <i>Net Assets, End of Year</i>	<u><u>\$3,305,769</u></u>

See accompanying notes to the basic financial statements

**Cuyahoga County Land Reutilization Corporation**

*Balance Sheet*

*Governmental Fund*

*December 31, 2009*

	General Fund
<b>Assets</b>	
<i>Current Assets:</i>	
Equity in Pooled Cash and Cash Equivalents	\$3,033,853
Accounts Receivable	39,850
Intergovernmental Receivable	129,042
Prepaid Items	47,855
Assets Held for Resale	31,544
<i>Total Assets</i>	<u>\$3,282,144</u>
<b>Liabilities and Fund Balance</b>	
Accounts Payable	<u>\$23,170</u>
<b>Fund Balance</b>	
Reserved for Assets Held for Resale	31,544
Unreserved, Undesignated	<u>3,227,430</u>
<i>Total Fund Balance</i>	<u>3,258,974</u>
<i>Total Liabilities and Fund Balance</i>	<u>\$3,282,144</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, 2009*

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<b>Total Governmental Fund Balances</b>	<b>\$3,258,974</b>
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*Amounts reported for governmental activities in the  
statement of net assets are different because:*

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	77,277
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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.	<u>(30,482)</u>
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<i>Net Assets of Governmental Activities</i>	<u><u>\$3,305,769</u></u>
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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, 2009*

	General Fund
<b>Revenues</b>	
Intergovernmental	\$4,019,850
Operating Grants	129,042
Interest	499
Contributions and Donations	22,641
Other	17,202
<i>Total Revenues</i>	<u>4,189,234</u>
<b>Expenditures</b>	
Professional and Contract Services	294,327
Indirect Salaries	413,370
Administration	220,279
Other	2,284
<i>Total Expenditures</i>	<u>930,260</u>
<i>Net Change in Fund Balances</i>	3,258,974
<i>Fund Balances Beginning of Year</i>	<u>0</u>
<i>Fund Balances End of Year</i>	<u><u>\$3,258,974</u></u>

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, 2009*

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<b>Net Change in Fund Balance -Total Governmental Fund</b>	<b>\$3,258,974</b>
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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	112,388	
Current Year Depreciation	<u>(35,111)</u>	
Total		77,277

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.	<u>(30,482)</u>
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<i>Change in Net Assets of Governmental Activities</i>	<u><u>\$3,305,769</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, 2009*

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### **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, two County Commissioners, and four other public officials. 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 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 Auditor, third parties, and through donation. 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, 2009*

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### 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, 2009*

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#### ***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, 2009*

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#### 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. 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 25.

#### ***Cash and Cash Equivalents***

To improve cash management, cash received by the Corporation is pooled. Monies for all funds are maintained in this pool. 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.

#### ***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 the Corporation which will be sold for rehabilitation purposes. This amount is offset by a fund balance reserve on the governmental fund financial statements.

#### ***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.

## **Cuyahoga County Land Reutilization Corporation**

### *Notes To The Basic Financial Statements*

*For The Year Ended December 31, 2009*

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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 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 Reserves***

The Corporation reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent expendable resources and therefore are not available for appropriation or expenditure. Fund balance reserves have been established for assets held for resale.

#### ***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.

#### ***Intergovernmental Revenue***

The Corporation receives operating income from Cuyahoga County. This money is the penalties and interest on unpaid and delinquent property taxes. 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.

## **Cuyahoga County Land Reutilization Corporation**

### *Notes To The Basic Financial Statements*

*For The Year Ended December 31, 2009*

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#### ***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.

#### **Note 3 – Changes in Accounting Principles**

For 2009, the Corporation has implemented Governmental Accounting Standard Board (GASB) Statement No. 52, “Land and Other Real Estate Held as Investments by Endowments”, Statement No. 53, “Accounting and Financial Reporting for Derivative Instruments”, Statement No. 55, “The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments,” Statement No. 56, “Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards”, and Statement No. 58, “Accounting and Financial Reporting for Chapter 9 Bankruptcies”.

GASB Statement No. 52 establishes consistent standards for the reporting of land and other real estate held as investments by essentially similar entities. It requires endowments to report their land and other real estate investments at fair value. Governments are also required to report the changes in fair value as investment income and to disclose the methods and significant assumptions employed to determine fair value. The implementation of this Statement did not result in any change in the Corporation’s financial statements.

GASB Statement No. 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. It requires governments to measure derivative instruments, with the exception of synthetic guaranteed investment contracts that are fully benefit-responsive, at fair value in their economic resources measurement focus financial statements. The implementation of this statement did not result in any change in the Corporation’s financial statements.

GASB Statement No. 55 incorporates the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the GASB authoritative literature. The GAAP hierarchy consists of the sources of accounting principles used in the preparation of financial statements of state and local governmental entities that are presented in conformity with GAAP, and the framework for selecting those principles. The implementation of this Statement did not result in any change in the Corporation’s financial statements.

GASB Statement No. 56 incorporates accounting and financial reporting guidance previously only contained in the American Institute of Certified Public Accountants’ and auditing literature into the GASB’s accounting and financial reporting literature for state and local governments. The statement’s guidance addresses related party transactions, going concern considerations, and subsequent events from the AICPA literature. The implementation of this Statement did not result in any change in the Corporation’s financial statements.

GASB Statement No. 58 provides accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. The requirements in this Statement will provide more consistent recognition, measurement, display, and disclosure guidance for governments that file for Chapter 9 bankruptcy. The implementation of this statement did not result in any change in the Corporation’s financial statements.



## **Cuyahoga County Land Reutilization Corporation**

*Notes To The Basic Financial Statements  
For The Year Ended December 31, 2009*

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### **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;
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;

## **Cuyahoga County Land Reutilization Corporation**

### *Notes To The Basic Financial Statements*

*For The Year Ended December 31, 2009*

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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, 2009

### 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 2009, 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	50,000
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

During 2009, the Corporation's first year of operations, the settled claims have not exceeded commercial coverage.

### Note 6 - Capital Assets

A summary of changes in capital assets during 2009 follows:

	Balance 12/31/2008	Additions	Deletions	Balance 12/31/2009
Furniture and Equipment	\$0	\$112,388	\$0	\$112,388
Less Accumulated Depreciation	0	(35,111)	0	(35,111)
<i>Governmental Activities Capital Assets, Net</i>	<u>\$0</u>	<u>\$77,277</u>	<u>\$0</u>	<u>\$77,277</u>

### 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.

## **Cuyahoga County Land Reutilization Corporation**

*Notes To The Basic Financial Statements*

*For The Year Ended December 31, 2009*

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### ***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, 2009, consisted of funds due from the County Treasurer and funds due from the Neighborhood Stabilization Program-1 grant. Allowance for doubtful accounts were not recorded because all receivables are expected to be collected.

### **Note 9 - Litigation**

The Corporation is not currently a party to any legal proceedings which would have a material impact on the financial statements.

### **Note 10 – Subsequent Events Note**

In 2010, the Corporation entered into a Consortium with the City of Cleveland, Cuyahoga County Department of Development, and the Cuyahoga Metropolitan Housing Authority. The Corporation is the fiscal agent for the Consortium. In January 2010, 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 was \$4,323,333.

In April 2010, the Corporation was awarded \$400,000 in federal grants from the Environmental Protection Agency to assess contaminated sites for environmental risks and potential redevelopment.

In November 2010, the Corporation purchased Financial Edge accounting software from Blackbaud and started implementation in March 2011.

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.

# 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, 2009*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Revenues</b>				
Operating Income from County	\$3,069,758	\$3,071,220	\$3,980,000	\$908,780
Contributions and Donations	17,463	17,471	22,641	5,170
Interest	385	385	499	114
Miscellaneous	14,744	13,274	17,202	3,928
<i>Total Revenues</i>	<u>3,102,350</u>	<u>3,102,350</u>	<u>4,020,342</u>	<u>917,992</u>
<b>Expenditures</b>				
Professional and Contract Services	557,644	449,475	283,242	166,233
Indirect Salaries	810,112	655,974	413,370	242,604
Administration	193,813	457,151	288,079	169,072
Other	3,884	2,853	1,798	1,055
<i>Total Expenditures</i>	<u>1,565,453</u>	<u>1,565,453</u>	<u>986,489</u>	<u>578,964</u>
<i>Net Change in Fund Balance</i>	<u>1,536,897</u>	<u>1,536,897</u>	<u>3,033,853</u>	<u>339,028</u>
<i>Fund Balance Beginning of Year</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$1,536,897</u>	<u>\$1,536,897</u>	<u>\$3,033,853</u>	<u>\$339,028</u>

See accompanying notes to the supplemental information

# Cuyahoga County Land Reutilization Corporation

*Notes to the Supplemental Information  
For the Year Ended December 31, 2009*

## **Note 1 – Budgetary Basis of Accounting**

### ***Budgetary Process***

The budgetary process that is followed by the Land Reutilization Corporation is for control purposes. 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 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 Statement 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).

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	\$3,258,974
Net Adjustment for Revenue Accruals	(168,892)
Net Adjustment for Expenditure Accruals	(56,229)
Budget Basis	<u><u>\$3,033,853</u></u>



# 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, Suite 160  
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 initial year of operations ended December 31, 2009, which collectively comprise the Corporation's basic financial statements and have issued our report thereon dated May 17, 2011. 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 did note certain matters not requiring inclusion in this report that we reported to the Corporation's management in a separate letter dated May 17, 2011.

We intend this report solely for the information and use of management, the Board of Directors, and others within the Corporation. We intend it for no one other than these specified parties.

A handwritten signature in black ink, appearing to read "Dave Yost". The signature is fluid and cursive, with a large loop at the end.

**Dave Yost**  
Auditor of State

May 17, 2011





# 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  
JUNE 9, 2011**