



**CUYAHOGA COUNTY LAND REUTILIZATION CORPORATION  
CUYAHOGA COUNTY**

**SINGLE AUDIT**

**FOR THE YEAR ENDED DECEMBER 31, 2010**



**Dave Yost • Auditor of State**



**CUYAHOGA COUNTY LAND REUTILIZATION CORPORATION  
CUYAHOGA COUNTY**

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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 year ended December 31, 2010, 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, 2010, 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 October 27, 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. 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 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.

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

**Dave Yost**  
Auditor of State

October 27, 2011

## **Cuyahoga County Land Reutilization Corporation**

### *Management's Discussion and Analysis*

*For the Year Ended December 31, 2010*

*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, 2010. 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 2010 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 entered into a Consortium agreement 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. 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. The remaining portion of the grant will be subgranted by the Corporation to the entities mentioned above.
- During 2010, the Corporation issued a \$9,000,000 tax exempt bond with a seven year maturity.
- The Corporation acquired 504 properties and disposed of 80 in 2010.

### **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, 2010*  
*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 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, 2010*  
*Unaudited*

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**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 2010 and 2009.

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

	2010	2009
<b>Assets</b>		
Current and Other Assets	\$16,711,777	\$3,282,144
Depreciable Capital Assets	80,353	77,277
<i>Total Assets</i>	<u>16,792,130</u>	<u>3,359,421</u>
<b>Liabilities</b>		
Current and Other Liabilities	986,555	53,652
Long-Term Liabilities:		
Due Within One Year	1,157,439	0
Due In More Than One Year	7,849,745	0
<i>Total Liabilities</i>	<u>9,993,739</u>	<u>53,652</u>
<b>Net Assets</b>		
Invested in Capital Assets, Net		
of Related Debt	73,169	77,277
Unrestricted	6,725,222	3,228,492
<i>Net Assets</i>	<u>\$6,798,391</u>	<u>\$3,305,769</u>

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 1.5 percent to maximize the Corporation's funds. During 2010, cash and cash equivalents increased from \$3,033,853 to \$13,821,171.

Receivables at December 31, 2010, consisted of funds due from the County Treasurer, funds due from the Environmental Protection Agency and U.S. Department of Housing and Urban Development 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 2010 and 2009 can be observed in Table 2.

**Cuyahoga County Land Reutilization Corporation**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2010*  
*Unaudited*

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

	2010	2009
<b>Revenues</b>		
General Revenues		
Intergovernmental	\$6,676,493	\$4,019,850
Operating Grants	961,845	129,042
Charges for Services	507,095	0
Contributions and Donations	100	22,641
Interest	30,359	499
Miscellaneous	55,989	17,202
<i>Total General Revenues</i>	<u>8,231,881</u>	<u>4,189,234</u>
<b>Program Expenses</b>		
Professional and Contract Services	2,585,176	294,327
Indirect Salaries	1,138,391	443,852
Administration	856,807	143,002
Miscellaneous	131,452	2,284
Interest and Fiscal Charges	27,433	0
<i>Total Program Expenses</i>	<u>4,739,259</u>	<u>883,465</u>
<i>Increase in Net Assets</i>	3,492,622	3,305,769
<i>Net Assets Beginning of Year</i>	<u>3,305,769</u>	<u>0</u>
<i>Net Assets End of Year</i>	<u><u>\$6,798,391</u></u>	<u><u>\$3,305,769</u></u>

Revenues increased due to increased charges for fees and intergovernmental revenues from the County. The largest expense is related to professional and contract services. Professional and contract services increased \$2,290,849. Since 2009 was the Corporation's first year of operations the professional and contract services amount of \$294,327 was only for six months of operations.

The Corporation's main revenue source is the 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 \$8,231,881 and expenditures of \$4,713,066.

**Cuyahoga County Land Reutilization Corporation**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2010*  
*Unaudited*

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**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 2010, 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 \$30,731,532, and the actual revenue was \$16,902,584. The major factor contributing to the decrease of actual revenues over original and final budgeted revenues was a decrease in operating income from the County over the Corporation's estimates and budgeting for grants which were not fully received during 2010. Actual expenditures were \$15,442,201 less than the final budget estimates due to conservative budgeting and budgeting for grants which were not fully received during 2010.

**Capital Assets**

During 2010, the Corporation had \$80,353 of furniture and equipment. See Note 6 of the basic financial statements for additional information on capital assets.

**Debt**

At the end of 2010, the Corporation had \$9,000,000 in bonds and \$7,184 in a capital lease, with \$1,157,439 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, 2010*

	Governmental Activities
<b>Assets</b>	
Cash and Cash Equivalents	\$11,426,431
Cash Equivalents Held by Trustee	2,394,740
Accounts Receivable	173
Intergovernmental Receivable	937,254
Prepaid Items	60,595
Loans Receivable	500,000
Assets Held for Resale	1,392,584
Depreciable Capital Assets, Net	80,353
<i>Total Assets</i>	<u>16,792,130</u>
<b>Liabilities</b>	
Accounts Payable	591,074
Accrued Wages	3,840
Vacation Benefits Payable	33,366
Intergovernmental Payable	156,137
Deferred Revenue	175,000
Accrued Interest Payable	27,138
Long-Term Liabilities:	
Due Within One Year	1,157,439
Due In More Than One Year	7,849,745
<i>Total Liabilities</i>	<u>9,993,739</u>
<b>Net Assets</b>	
Invested in Capital Assets, Net of Related Debt	73,169
Unrestricted	6,725,222
<i>Total Net Assets</i>	<u><u>\$6,798,391</u></u>

See accompanying notes to the basic financial statements

# Cuyahoga County Land Reutilization Corporation

## Statement of Activities

For the Year Ended December 31, 2010

	Governmental Activities
<b>Expenses:</b>	
Land Reutilization	
Professional and Contract Services	\$2,585,176
Indirect Salaries	1,138,391
Administration	856,807
Miscellaneous	131,452
Interest and Fiscal Charges	27,433
<i>Total Program Expenses</i>	<u>4,739,259</u>
<b>General Revenue:</b>	
Intergovernmental	6,676,493
Operating Grants	961,845
Charges for Services	507,095
Contributions and Donations	100
Interest	30,359
Miscellaneous	55,989
<i>Total General Revenues</i>	<u>8,231,881</u>
<i>Increase in Net Assets</i>	3,492,622
<i>Net Assets Beginning of Year</i>	<u>3,305,769</u>
<i>Net Assets End of Year</i>	<u><u>\$6,798,391</u></u>

See accompanying notes to the basic financial statements

**Cuyahoga County Land Reutilization Corporation**

*Balance Sheet*

*Governmental Fund*

*December 31, 2010*

	General Fund
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$11,426,431
Accounts Receivable	173
Intergovernmental Receivable	937,254
Prepaid Items	60,595
Loans Receivable	500,000
Assets Held for Resale	1,392,584
Restricted Assets:	
Cash Equivalents Held by Trustee	2,394,740
<i>Total Assets</i>	<u><u>\$16,711,777</u></u>
<b>Liabilities and Fund Balance</b>	
<i>Liabilities:</i>	
Accounts Payable	\$591,074
Accrued Wages	3,840
Intergovernmental Payable	156,137
Deferred Revenue	175,000
<i>Total Liabilities</i>	<u>926,051</u>
<b>Fund Balance</b>	
Reserved for Loans Receivable	500,000
Reserved for Assets Held for Resale	1,392,584
Unreserved, Undesignated	13,893,142
<i>Total Fund Balance</i>	<u>15,785,726</u>
<i>Total Liabilities and Fund Balance</i>	<u><u>\$16,711,777</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, 2010*

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<b>Total Governmental Fund Balances</b>	<b>\$15,785,726</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.	80,353
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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.	(33,366)
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Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.	(27,138)
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Long-term liabilities are not due and payable in the current period and  
therefore are not reported in the funds:

General Obligation Bonds	(9,000,000)	
Capital Leases	(7,184)	
Total		<u>(9,007,184)</u>

<i>Net Assets of Governmental Activities</i>	<u><u>\$6,798,391</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, 2010*

	General Fund
<b>Revenues</b>	
Intergovernmental	\$6,676,493
Operating Grants	961,845
Interest	30,359
Charges for Services	507,095
Contributions and Donations	100
Other	55,989
<i>Total Revenues</i>	<u>8,231,881</u>
<b>Expenditures</b>	
Professional and Contract Services	2,585,176
Indirect Salaries	1,135,507
Administration	851,946
Other	131,452
Capital Outlay	7,937
Debt Service:	
Principal Retirement	753
Interest and Fiscal Charges	295
<i>Total Expenditures</i>	<u>4,713,066</u>
<i>Excess of Revenues Over Expenditures</i>	<u>3,518,815</u>
<b>Other Financing Sources</b>	
Inception of Capital Lease	7,937
Special Receipt Bonds Issued	9,000,000
<i>Total Other Financing Sources</i>	<u>9,007,937</u>
<i>Net Change in Fund Balances</i>	12,526,752
<i>Fund Balances Beginning of Year</i>	<u>3,258,974</u>
<i>Fund Balances End of Year</i>	<u><u>\$15,785,726</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, 2010*

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<b>Net Change in Fund Balance -Total Governmental Fund</b>	<b>\$12,526,752</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	7,937	
Current Year Depreciation	<u>(4,861)</u>	
Total		3,076

Other financing sources in the governmental funds increase long-term liabilities in the statement of net assets.

Special Receipt Bonds Issued	(9,000,000)	
Capital Lease	<u>(7,937)</u>	
Total		(9,007,937)

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	(27,138)
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Repayment of lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	753
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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.	<u>(2,884)</u>
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<i>Change in Net Assets of Governmental Activities</i>	<u><u>\$3,492,622</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, 2010*

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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. Voters in the County approved in the General Election of 2009 a county charter replacing the Board of County Commissioners with an elected County Executive and an 11 member elected council. The Charter became effective on January 1, 2011. Provisions in the county charter necessitate changes in membership to the Board of Directors commencing January 1, 2011 consistent with the county charter.

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 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, 2010*

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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, 2010*

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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, 2010*

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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 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 26.

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

## **Cuyahoga County Land Reutilization Corporation**

### *Notes To The Basic Financial Statements*

*For The Year Ended December 31, 2010*

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#### ***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 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 loans receivable and 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, 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.

## **Cuyahoga County Land Reutilization Corporation**

*Notes To The Basic Financial Statements*

*For The Year Ended December 31, 2010*

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### ***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 2010.

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

For 2010, the Corporation has implemented Governmental Accounting Standard Board (GASB) Statement No. 51, “Accounting and Reporting for Intangible Assets.” GASB Statement No. 51 establishes accounting and financial reporting of such assets to reduce inconsistencies, thereby enhancing the comparability of accounting and financial reporting of such assets among state and local governments. The implementation of this statement did not result in any change to 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;



## **Cuyahoga County Land Reutilization Corporation**

### *Notes To The Basic Financial Statements*

*For The Year Ended December 31, 2010*

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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;
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.

## Cuyahoga County Land Reutilization Corporation

Notes To The Basic Financial Statements

For The Year Ended December 31, 2010

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.

### 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 2010, 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	75,000
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 2010, the Corporation's second year of operations, the settled claims have not exceeded commercial coverage.

### Note 6 - Capital Assets

A summary of changes in capital assets during 2010 follows:

	Balance 12/31/2009	Additions	Deletions	Balance 12/31/2010
Furniture and Equipment	\$112,388	\$7,937	\$0	\$120,325
Less Accumulated Depreciation	(35,111)	(4,861)	0	(39,972)
<i>Governmental Activities Capital Assets, Net</i>	<u>\$77,277</u>	<u>\$3,076</u>	<u>\$0</u>	<u>\$80,353</u>

## **Cuyahoga County Land Reutilization Corporation**

*Notes To The Basic Financial Statements*

*For The Year Ended December 31, 2010*

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### **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, 2010, consisted of funds due from the County Treasurer and funds due from the Neighborhood Stabilization Program-1 grant, the Neighborhood Stabilization Program-2 grant, the Environmental Protection Agency 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	\$796,454
Environmental Protection Agency Grant	86,017
Neighborhood Stabilization Program-2 Grant	54,783
Total Governmental Activities	<u>\$937,254</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, 2010

### Note 9 - Long-Term Obligations

The original issue date, interest rate, original issue amount and date of maturity of each of the Corporation's bond follows:

Debt Issue	Interest Rate	Original Issue Amount	Date of Maturity
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:

	Principal Outstanding 12/31/2009	Additions	(Reductions)	Principal Outstanding 12/31/2010	Amount Due in One Year
<b>Governmental Activities:</b>					
Special Receipt Bonds, Series 2010 A	\$0	\$9,000,000	\$0	\$9,000,000	\$1,155,000
Capital Lease	0	7,937	(753)	7,184	2,439
Total Governmental Activities	\$0	\$9,007,937	(\$753)	\$9,007,184	\$1,157,439

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, 2010, are as follows:

	Series 2010 A Bonds (Tax Exempt)	
	Principal	Interest
2011	\$1,155,000	\$338,325
2012	1,185,000	305,955
2013	1,235,000	259,740
2014	1,280,000	211,575
2015	1,330,000	161,655
2016-2017	2,815,000	165,750
Total	\$9,000,000	\$1,443,000

## Cuyahoga County Land Reutilization Corporation

Notes To The Basic Financial Statements

For The Year Ended December 31, 2010

### 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.

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

Furniture and Equipment	\$7,937
Less: Accumulated Depreciation:	<u>0</u>
Total Capital Assets, being depreciated, net	<u><u>\$7,937</u></u>

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

	Governmental Activities
2011	\$3,144
2012	3,144
2013	<u>2,096</u>
Total Minimum Lease Payments	8,384
Less: Amounts Representing Interest	<u>(1,200)</u>
Present Value of Minimum Lease Payments	<u><u>\$7,184</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. The case is currently still pending and 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 at December 31, 2010.

### Note 12 – Subsequent Event

In early 2011, a tax foreclosed property was transferred to the Corporation under Chapters R.C. 5722 and 323.65.01 et al. of the Revised Code. Unbeknownst to the Cuyahoga County Prosecutor, Treasurer and the Corporation, the delinquent tax payer had conveyed the property to a third party pursuant to an unrecorded land contract while the tax foreclosure was pending. Because neither the land contract vendor nor vendee recorded the land contract as required by law, the foreclosure proceeded to judgment and was proper in all respects whereby clear title passed to the Corporation. Nevertheless, out of an abundance of caution, when the Corporation learned of the unrecorded land contract after acquiring title, the Corporation filed a quiet title action in the Court of Common Pleas, Case No. CV 11-753092. The case is currently still pending.