



**CUYAHOGA COUNTY LAND REUTILIZATION CORPORATION
CUYAHOGA COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2012



Dave Yost • Auditor of State

**CUYAHOGA COUNTY LAND REUTILIZATION CORPORATION
CUYAHOGA COUNTY**

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INDEPENDENT AUDITOR'S REPORT

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

To the Board of Directors:

Report on the Financial Statements

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, 2012, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Corporation's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Corporation's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require 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 applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Supplementary and Other Information

Our audit was conducted to opine on 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 and the Federal Award Expenditures Schedule present additional analysis and are 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 Award Expenditures 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. We subjected these statements and schedules 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, and other additional procedures 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 19, 2013, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control over financial reporting and compliance.

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
Columbus, Ohio

September 19, 2013

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Cuyahoga County Land Reutilization Corporation
Management's Discussion and Analysis
For the Year Ended December 31, 2012
Unaudited

The discussion and analysis of Cuyahoga County Land Reutilization Corporation's (the Corporation) financial performance provides an overall review of the Corporation's financial activities for the year ended December 31, 2012. 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 2012 are as follows:

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

Using this Annual Financial Report

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

The Statement of Net Position 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 position 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, 2012
Unaudited

Reporting on the Corporation as a Whole

Statement of Net Position and the Statement of Activities

The Statement of Net Position 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 position and the changes in those assets. The change in net position 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 Position and the Statement of Activities are divided into the following categories:

- Assets
- Liabilities
- Net Position (Assets minus Liabilities)
- Program Expenses and Revenues
- General Revenues
- Net Position 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 Position 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, 2012
Unaudited

The Cuyahoga County Land Reutilization Corporation as a Whole

Recall that the Statement of Net Position looks at the Corporation as a whole. Table 1 provides a summary of the Corporation's net position for 2012 and 2011.

Table 1
Net Position

	2012	2011
Assets		
Current and Other Assets	\$29,620,019	\$20,890,198
Depreciable Capital Assets	96,919	96,383
<i>Total Assets</i>	<u>29,716,938</u>	<u>20,986,581</u>
Liabilities		
Current and Other Liabilities	3,642,977	543,946
Long-Term Liabilities:		
Due Within One Year	1,237,008	1,187,737
Due In More Than One Year	5,425,000	6,662,008
<i>Total Liabilities</i>	<u>10,304,985</u>	<u>8,393,691</u>
Net Position		
Net Investment in Capital Assets	94,911	91,638
Unrestricted	19,317,042	12,501,252
<i>Net Position</i>	<u>\$19,411,953</u>	<u>\$12,592,890</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 0.15 percent to maximize the Corporation's funds. During 2012, cash and cash equivalents increased from \$11,853,158 to \$13,532,328.

Receivables at December 31, 2012, consisted of funds due from the County Fiscal Officer, funds due from the Neighborhood Stabilization Program-III, Environmental Protection Agency, and the Ohio Attorney General Demolition 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 position between 2012 and 2011 can be observed in Table 2.

Cuyahoga County Land Reutilization Corporation
Management's Discussion and Analysis
For the Year Ended December 31, 2012
Unaudited

Table 2
Changes in Net Position

	2012	2011
Revenues		
General Revenues		
Intergovernmental	\$7,000,000	\$4,711,179
Operating Grants	25,823,602	16,576,842
Charges for Services	0	175,000
Interest	20,024	58,620
Miscellaneous	1,171,912	401,193
<i>Total General Revenues</i>	<u>34,015,538</u>	<u>21,922,834</u>
Program Expenses		
Professional and Contract Services	23,909,986	13,499,404
Indirect Salaries	2,236,383	1,796,827
Administration	751,128	453,768
Interest and Fiscal Charges	298,978	378,336
<i>Total Program Expenses</i>	<u>27,196,475</u>	<u>16,128,335</u>
<i>Increase in Net Position</i>	6,819,063	5,794,499
<i>Net Position Beginning of Year</i>	<u>12,592,890</u>	<u>6,798,391</u>
<i>Net Position End of Year</i>	<u><u>\$19,411,953</u></u>	<u><u>\$12,592,890</u></u>

Revenues increased due to increased operating grants from the County and Federal grants related to the Consortium. The largest expense is related to professional and contract services. Professional and contract services increased due to acquiring more properties during 2012 and more expenses related to the Federal grants received and used by the Consortium mentioned previously.

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

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 \$34,015,538 and expenditures of \$28,356,742.

Cuyahoga County Land Reutilization Corporation
Management's Discussion and Analysis
For the Year Ended December 31, 2012
Unaudited

Budgeting Highlights

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

During the course of 2012, 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 \$32,098,699, and the actual revenue was \$33,728,286. The major factor contributing to the increase of actual revenues as compared to original and final budgeted revenues was an increase in grant income from the County above the Corporation's estimates. Actual expenditures were \$2,021,037 less than the final budget estimates due to conservative budgeting.

Capital Assets

During 2012, the Corporation had \$96,919 of furniture and equipment. See Note 6 of the basic financial statements for additional information on capital assets.

Debt

At the end of 2012, the Corporation had \$6,660,000 in bonds and \$2,008 in a capital lease, with \$1,237,008 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.

Cuyahoga County Land Reutilization Corporation

Statement of Net Position

For the Year Ended December 31, 2012

	Governmental Activities
Assets	
Cash and Cash Equivalents	\$11,136,540
Cash Equivalents Held by Trustee	2,395,788
Accounts Receivable	7,550
Intergovernmental Receivable	415,928
Prepaid Items	50,734
Loans Receivable	630,000
Assets Held for Resale	14,983,479
Depreciable Capital Assets, Net	96,919
<i>Total Assets</i>	<u>29,716,938</u>
Liabilities	
Accounts Payable	1,570,356
Accrued Wages	241,527
Vacation Benefits Payable	60,865
Intergovernmental Payable	1,748,584
Accrued Interest Payable	21,645
Long-Term Liabilities:	
Due Within One Year	1,237,008
Due In More Than One Year	5,425,000
<i>Total Liabilities</i>	<u>10,304,985</u>
Net Position	
Net Investment in Capital Assets	94,911
Unrestricted	19,317,042
<i>Total Net Position</i>	<u><u>\$19,411,953</u></u>

See accompanying notes to the basic financial statements

Cuyahoga County Land Reutilization Corporation

Statement of Activities

For the Year Ended December 31, 2012

	Governmental Activities
Expenses:	
Land Reutilization	
Professional and Contract Services	\$23,909,986
Indirect Salaries	2,236,383
Administration	751,128
Interest and Fiscal Charges	298,978
<i>Total Program Expenses</i>	<u>27,196,475</u>
General Revenue:	
Intergovernmental	7,000,000
Operating Grants	25,823,602
Interest	20,024
Miscellaneous	1,171,912
<i>Total General Revenues</i>	<u>34,015,538</u>
<i>Increase in Net Position</i>	6,819,063
<i>Net Position Beginning of Year</i>	<u>12,592,890</u>
<i>Net Position End of Year</i>	<u><u>\$19,411,953</u></u>

See accompanying notes to the basic financial statements

Cuyahoga County Land Reutilization Corporation

Balance Sheet

Governmental Fund

December 31, 2012

	General Fund
Assets	
Equity in Pooled Cash and Cash Equivalents	\$11,136,540
Accounts Receivable	7,550
Intergovernmental Receivable	415,928
Prepaid Items	50,734
Loans Receivable	630,000
Assets Held for Resale	14,983,479
Restricted Assets:	
Cash Equivalents Held by Trustee	2,395,788
<i>Total Assets</i>	<u>\$29,620,019</u>
Liabilities and Fund Balance	
<i>Liabilities:</i>	
Accounts Payable	\$1,570,356
Accrued Wages	241,527
Intergovernmental Payable	1,748,584
<i>Total Liabilities</i>	<u>3,560,467</u>
Fund Balance	
Nonspendable	15,664,213
Restricted	2,395,788
Unassigned	7,999,551
<i>Total Fund Balance</i>	<u>26,059,552</u>
<i>Total Liabilities and Fund Balance</i>	<u>\$29,620,019</u>

See accompanying notes to the basic financial statements

Cuyahoga County Land Reutilization Corporation
Reconciliation of Total Governmental Fund Balance to
Net Position of Governmental Activities
December 31, 2012

Total Governmental Fund Balances	\$26,059,552
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*Amounts reported for governmental activities in the
statement of net position are different because:*

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	96,919
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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.	(60,865)
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Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.	(21,645)
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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	(6,660,000)	
Capital Leases	(2,008)	
Total	<u>(6,662,008)</u>	<u>(6,662,008)</u>

<i>Net Position of Governmental Activities</i>	<u><u>\$19,411,953</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, 2012

	General Fund
Revenues	
Intergovernmental	\$7,000,000
Operating Grants	25,823,602
Interest	20,024
Other	1,171,912
<i>Total Revenues</i>	<u>34,015,538</u>
Expenditures	
Professional and Contract Services	23,909,986
Indirect Salaries	2,204,526
Administration	751,664
Debt Service:	
Principal Retirement	1,187,737
Interest and Fiscal Charges	302,829
<i>Total Expenditures</i>	<u>28,356,742</u>
<i>Net Change in Fund Balances</i>	5,658,796
<i>Fund Balance Beginning of Year</i>	<u>20,400,756</u>
<i>Fund Balance End of Year</i>	<u><u>\$26,059,552</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, 2012*

Net Change in Fund Balance -Total Governmental Fund	\$5,658,796
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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	18,089
Current Year Depreciation	<u>(17,553)</u>

Total	536
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In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	3,851
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Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	1,187,737
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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>(31,857)</u>
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<i>Change in Net Position of Governmental Activities</i>	<u><u>\$6,819,063</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, 2012

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

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

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

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

Note 2 - Summary of Significant Accounting Policies

The financial statements of the Corporation have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The 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 position 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, 2012

Government-Wide Financial Statements

The statement of net position 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 position 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 deferred outflows of resources and liabilities and deferred inflows of resources 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 Fiscal Officer 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, 2012

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 position. The statement of activities presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position.

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, in the recording of deferred inflows/outflows of resources, 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, 2012

Deferred Outflows/Inflows of Resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time.

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 28.

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.

Cuyahoga County Land Reutilization Corporation

Notes To The Basic Financial Statements

For The Year Ended December 31, 2012

Assets Held for Resale

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

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 position 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 position rather than as a long-term liability.

Cuyahoga County Land Reutilization Corporation

Notes To The Basic Financial Statements

For The Year Ended December 31, 2012

Fund Balance

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

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

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

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

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

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

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

Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets consists 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. Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Cuyahoga County Land Reutilization Corporation

Notes To The Basic Financial Statements

For The Year Ended December 31, 2012

The Corporation applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

Intergovernmental Revenue

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

Estimates

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

Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Corporation Administration and that are either unusual in nature or infrequent in occurrence. The Corporation had no extraordinary or special items during 2012.

Note 3 – Changes in Accounting Principles

For 2012, the Corporation has implemented Governmental Accounting Standard Board (GASB) Statement No. 60, "Accounting and Financial Reporting for Service Concession Arrangements," Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB and AICPA Pronouncements," Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position," Statement No. 64, "Derivative Instruments: Application of Hedge Accounting Termination Provisions – an amendment of GASB Statement No. 53," Statement No. 65, "Items Previously Reported as Assets and Liabilities," and Statement No. 66, "Technical Corrections-2012-an amendment of GASB Statements No. 10 and No. 62."

GASB Statement No. 60 improves financial reporting by addressing issues related to service concession arrangements, which are a type of public-private or public-public partnership. The implementation of this statement did not result in any change in the Corporation's financial statements.

GASB Statement No. 62 incorporates into GASB's authoritative literature certain FASB and AICPA pronouncements issued on or before November 30, 1989. The implementation of this statement did not result in any change in the Corporation's financial statements.

GASB Statement No. 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related note disclosures. These changes were incorporated in the Corporation's 2012 financial statements; however, there was no effect on beginning net position/fund balance.