



**CUYAHOGA COUNTY LAND REUTILIZATION CORPORATION  
CUYAHOGA COUNTY**

**REGULAR AUDIT**

**FOR THE YEAR ENDED DECEMBER 31, 2014**



**Dave Yost • Auditor of State**



**CUYAHOGA COUNTY LAND REUTILIZATION CORPORATION  
CUYAHOGA COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Auditor's Report .....	1
Management's Discussion and Analysis.....	5
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position .....	11
Statement of Activities .....	12
Fund Financial Statements:	
Balance Sheet – Governmental Fund .....	14
Reconciliation of Total Governmental Fund Balance to Net Position of Governmental Activities.....	15
Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Fund .....	16
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Fund to the Statement of Activities.....	17
Notes to the Basic Financial Statements .....	19
Supplemental Information:	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual – General Fund .....	32
Notes to the Supplemental Information .....	33
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	35
Schedule of Findings.....	37

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# Dave Yost • Auditor of State

## 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, the General Fund, and the aggregate remaining fund information of the Cuyahoga County Land Reutilization Corporation, Cuyahoga County, Ohio (the Corporation), as of and for the year ended December 31, 2014, 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, the General Fund, and the aggregate remaining fund information of the Cuyahoga County Land Reutilization Corporation, Cuyahoga County, Ohio, as of December 31, 2014, 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*, 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 presents additional analysis and is not a required part of the basic financial statements.

The schedule is management's responsibility, and derives from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the schedule 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 schedule 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 29, 2015, 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, reading "Dave Yost". The signature is written in a cursive, flowing style. The "D" is large and loops around the "ave". The "Yost" is written in a similar cursive style, with the "Y" being particularly prominent.

**Dave Yost**  
Auditor of State  
Columbus, Ohio

September 29, 2015

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## **Cuyahoga County Land Reutilization Corporation**

### *Management's Discussion and Analysis*

*For the Year Ended December 31, 2014*

*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, 2014. 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 2014 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 State of Ohio Attorney General's Office has granted small Phase 2 and Phase 3 additional monies to the Corporation. The original grant amount was also fully utilized by the Corporation as of December 31, 2014.

### **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.

### **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 deferred outflows of resources and liabilities and deferred inflows of resources 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.

## **Cuyahoga County Land Reutilization Corporation**

### *Management's Discussion and Analysis*

*For the Year Ended December 31, 2014*

*Unaudited*

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These two statements report the Corporation's net position and the changes in net position. 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 and Deferred Outflows of Resources
- Liabilities and Deferred Inflows of Resources
- Net Position (Assets and Deferred Outflows of Resources minus Liabilities and Deferred Inflows of Resources)
- 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 governmental 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, 2014*  
*Unaudited*

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**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 2014 and 2013.

**Table 1**  
**Net Position**

	2014	2013
<b>Assets</b>		
Current and Other Assets	\$50,780,737	\$40,823,177
Depreciable Capital Assets	97,495	86,678
<i>Total Assets</i>	<u>50,878,232</u>	<u>40,909,855</u>
<b>Liabilities</b>		
Current and Other Liabilities	2,226,695	1,498,142
Long-Term Liabilities:		
Due Within One Year	1,330,000	1,280,000
Due In More Than One Year	2,815,000	4,145,000
<i>Total Liabilities</i>	<u>6,371,695</u>	<u>6,923,142</u>
<b>Net Position</b>		
Net Investment in Capital Assets	97,495	86,678
Unrestricted (Deficit)	44,409,042	33,900,035
<i>Net Position (Deficit)</i>	<u>\$44,506,537</u>	<u>\$33,986,713</u>

Cash collected by the Corporation is deposited into a checking account for operating purposes. During 2014, cash and cash equivalents had a decrease of \$431,092 from 2013 due to revenues decreasing at a greater rate than that of expenses.

Assets held for resale showed a \$9,454,797 increase over 2013.

Receivables at December 31, 2014, consisted of funds due from the Ohio Housing Finance Agency (OHFA) Neighborhood Initiative Program (NIP) and Heinen's Grocery. Intergovernmental receivables increased due to receiving the NIP grant. Allowance for doubtful accounts were not recorded because all receivables are expected to be collected.

The decrease in liabilities was primarily due to the paydown of the outstanding general obligation bonds, offset by an increase in accounts payable and unearned revenue. The unearned revenue represents monies received from the Hardest Hit Fund (HHF) program of the OHFA, but not yet earned.

Further details of the changes in net position between 2014 and 2013 can be observed in Table 2.

**Cuyahoga County Land Reutilization Corporation**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2014*  
*Unaudited*

**CHANGES IN NET POSITION**

TABLE 2

	2014	2013
<b>Revenues</b>		
Program Revenues:		
Charges for Services	\$0	\$0
Operating Grants	6,686,357	15,024,732
Total Program Revenues	6,686,357	15,024,732
General Revenues:		
Intergovernmental	7,000,000	7,000,000
Investment Income	21,285	21,492
Other	2,090,981	1,104,300
Total General Revenues	9,112,266	8,125,792
Total Revenues	15,798,623	23,150,524
<b>Program Expenses</b>		
Professional and Contract Services	1,312,950	4,860,777
Indirect Salaries	2,585,725	2,104,975
Administration	1,177,699	1,359,931
Interest and Fiscal Charges	202,425	250,081
Cuyahoga Land Bank Services	0	0
Total Program Expenses	5,278,799	8,575,764
Change in Net Position	10,519,824	14,574,760
Net Position Beginning of Year	33,986,713	19,411,953
Net Position End of Year	\$44,506,537	\$33,986,713

***Governmental Activities***

Revenues decreased due to the completion, or winding down, of certain grants that were more productive in 2013 than in 2014.

The Corporation's main revenue sources are Federal and State 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 expenses decreased due to the decreased grant revenue and the operations associated with them, as well as an increase in assets being held for resale.

**The Corporation's Fund**

Information about the Corporation's governmental fund begins on page 14. This fund is accounted for using the modified accrual basis of accounting. The Corporation had governmental revenues of \$15,798,623 and expenditures of \$6,558,147.

**Cuyahoga County Land Reutilization Corporation**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2014*  
*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.

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 \$17,389,200, and the actual revenue was \$15,552,246. The major factor contributing to the decrease of actual revenues as compared to original and final budgeted revenues was an decrease in grant income from the County from the Corporation's estimates. Actual expenditures were \$862,115 less than the final budget estimates due to conservative budgeting. This budgetary information can be found on page 32 under Supplementary Information.

**Capital Assets**

**CAPITAL ASSETS AT DECEMBER 31**  
**(NET OF DEPRECIATION)**

TABLE 3

	2014	2013
Computer Software	\$25,080	\$0
Furniture and Equipment	72,415	86,678
<b>Total Capital Assets</b>	<b>\$97,495</b>	<b>\$86,678</b>

During 2014, the Corporation had \$97,495 of furniture and equipment and an intangible asset for internally generated software. See Note 6 of the basic financial statements for additional information on capital assets.

**Debt**

At the end of 2014, the Corporation had \$4,145,000 in bonds, with \$1,330,000 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.

**Cuyahoga County Land Reutilization Corporation**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2014*  
*Unaudited*

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**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

December 31, 2014

	Primary Government	
	Governmental Activities	Component Unit
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$10,693,178	\$45,757
Cash Equivalents Held by Trustee	2,395,000	0
Accounts Receivable	411,033	5,760
Intergovernmental Receivable	356,325	0
Prepaid Items	58,388	3,128
Due from Component Unit	111,900	0
Due from Primary Government	0	14,720
Loans Receivable	705,225	0
Assets Held for Resale	36,049,688	0
Nondepreciable Capital Assets	25,080	0
Depreciable Capital Assets, Net	72,415	11,923
<i>Total Assets</i>	<u>50,878,232</u>	<u>81,288</u>
<b>Liabilities</b>		
Accounts Payable	1,453,720	7,745
Accrued Wages	218,453	2,076
Due to Component Unit	14,720	0
Due to Primary Government	0	111,900
Vacation Benefits Payable	80,023	0
Intergovernmental Payable	35,307	0
Accrued Interest Payable	13,471	0
Unearned Revenue	411,001	0
Long-Term Liabilities:		
Due Within One Year	1,330,000	0
Due In More Than One Year	2,815,000	0
<i>Total Liabilities</i>	<u>6,371,695</u>	<u>121,721</u>
<b>Net Position</b>		
Net Investment in Capital Assets	97,495	11,923
Unrestricted (Deficit)	44,409,042	(52,356)
<i>Total Net Position (Deficit)</i>	<u>\$44,506,537</u>	<u>(\$40,433)</u>

See accompanying notes to the basic financial statements

# Cuyahoga County Land Reutilization Corporation

## Statement of Activities For the Year Ended December 31, 2014

	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
<b>Governmental Activities</b>			
Professional and Contract Services	\$1,312,950	\$0	1,719,607
Indirect Salaries	2,585,725	0	3,412,584
Administration	1,177,699	0	1,554,166
Interest and Fiscal Charges	202,425	0	0
<i>Total Primary Government</i>	5,278,799	0	6,686,357
<b>Component Unit</b>			
CLB Services	123,750	83,275	0
<i>Total</i>	<u>\$5,402,549</u>	<u>\$83,275</u>	<u>\$6,686,357</u>
<b>General Revenues</b>			
Grants and Entitlements not Restricted to Specific Programs			
Investment Earnings			
Other			
<i>Total General Revenues</i>			
<i>Change in Net Position</i>			
<i>Net Position Beginning of Year</i>			
<i>Net Position (Deficit) End of Year</i>			

See accompanying notes to the basic financial statements



Net (Expense) Revenue and Changes in Net Position		
Primary Government	Component Unit	Total
\$406,657	\$0	\$406,657
826,859	0	826,859
376,467	0	376,467
(202,425)	0	(202,425)
1,407,558	0	1,407,558
0	(40,475)	(40,475)
1,407,558	(40,475)	1,367,083
7,000,000	0	7,000,000
21,285	0	21,285
2,090,981	42	2,091,023
9,112,266	42	9,112,308
10,519,824	(40,433)	10,479,391
33,986,713	0	33,986,713
\$44,506,537	(\$40,433)	\$44,466,104

**Cuyahoga County Land Reutilization Corporation**

*Balance Sheet  
Governmental Fund  
December 31, 2014*

	<u>General Fund</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$10,693,178
Accounts Receivable	411,033
Intergovernmental Receivable	356,325
Prepaid Items	58,388
Loans Receivable	705,225
Interfund Receivable	111,900
Assets Held for Resale	36,049,688
Restricted Assets:	
Cash Equivalents Held by Trustee	<u>2,395,000</u>
<i>Total Assets</i>	<u><u>\$50,780,737</u></u>
<b>Liabilities and Fund Balance</b>	
<i>Liabilities:</i>	
Accounts Payable	\$1,453,720
Accrued Wages	218,453
Intergovernmental Payable	35,307
Interfund Payable	14,720
Unearned Revenue	<u>411,001</u>
<i>Total Liabilities</i>	<u>2,133,201</u>
<b>Fund Balance</b>	
Nonspendable	36,813,301
Restricted	2,395,000
Unassigned	<u>9,439,235</u>
<i>Total Fund Balance</i>	<u>48,647,536</u>
<i>Total Liabilities and Fund Balance</i>	<u><u>\$50,780,737</u></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, 2014*

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<b>Total Governmental Fund Balance</b>	\$48,647,536
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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.	97,495
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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.	(80,023)
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Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.	(13,471)
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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	<u>(4,145,000)</u>
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<i>Net Position of Governmental Activities</i>	<u><u>\$44,506,537</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, 2014*

	General Fund
<b>Revenues</b>	
Intergovernmental	\$7,000,000
Operating Grants	6,686,357
Interest	21,285
Other	2,090,981
<i>Total Revenues</i>	<u>15,798,623</u>
<b>Expenditures</b>	
Professional and Contract Services	1,312,950
Indirect Salaries	2,570,096
Administration	1,188,516
Debt Service:	
Principal Retirement	1,280,000
Interest and Fiscal Charges	206,585
<i>Total Expenditures</i>	<u>6,558,147</u>
<i>Net Change in Fund Balances</i>	9,240,476
<i>Fund Balance Beginning of Year</i>	<u>39,407,060</u>
<i>Fund Balance End of Year</i>	<u><u>\$48,647,536</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, 2014*

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<b>Net Change in Fund Balance -Total Governmental Fund</b>	<b>\$9,240,476</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 depreciation exceeded capital outlay in the current period.

Capital Asset Additions	30,649
Current Year Depreciation	<u>(19,729)</u>

Total	10,920
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Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. (103)

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. 4,160

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 1,280,000

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. (15,629)

<b><i>Change in Net Position of Governmental Activities</i></b>	<b><u><u>\$10,519,824</u></u></b>
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See accompanying notes to the basic financial statements

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## **Cuyahoga County Land Reutilization Corporation**

*Notes To The Basic Financial Statements*

*For The Year Ended December 31, 2014*

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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 the 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 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.

The component unit column in the basic financial statements identifies the financial data of the blended component unit, CLB Services. It is reported separately to emphasize that it is legally separate from the Corporation.

**CLB Services** CLB Services is a legally separate entity, statutorily created under Chapter 17 of the Ohio Revised Code, served by three managing members appointed by the President of the Corporation. They are Gus Frangos, CCLRC President, Bill Whitney, CCLRC COO, and Cheryl Stephens, CCLRC Acquisition, Disposition, and Development Director. Charged with the responsibility of conducting asbestos surveys for the Corporation, CLB Services is empowered with the ability to carry out the actions they consider necessary to achieve these responsibilities. CLB Services is fiscally dependent on the Corporation and is therefore presented as a component unit of the Corporation. On July 21, 2014, CLB Services received a loan in the amount of \$111,900 from the Corporation to finance its initial operations. The loan has an interest rate of 2.5% payable annually. The loan is repayable by July 21, 2019. Financial statements can be obtained from Michael DiMartino, Cuyahoga County Land Reutilization Corporation, 323 West Lakeshore Avenue, Suite 160, Cleveland, Ohio, 44113.

## **Cuyahoga County Land Reutilization Corporation**

*Notes To The Basic Financial Statements*

*For The Year Ended December 31, 2014*

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### **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.

#### **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. The statements usually distinguish between those activities of the Corporation that are governmental and those that are considered business-type. The Corporation, however, has no 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 focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. 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.



## **Cuyahoga County Land Reutilization Corporation**

### *Notes To The Basic Financial Statements*

*For The Year Ended December 31, 2014*

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#### 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.

#### ***Measurement Focus***

##### Government-Wide Financial Statements

The government-wide financial statements are prepared using a flow of economic resources measurement focus. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources 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 deferred outflows of resources and current liabilities and deferred inflows of resources 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; proprietary funds also use 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.

## **Cuyahoga County Land Reutilization Corporation**

### *Notes To The Basic Financial Statements*

*For The Year Ended December 31, 2014*

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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.

#### 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 31.

#### ***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".

## **Cuyahoga County Land Reutilization Corporation**

### *Notes To The Basic Financial Statements*

*For The Year Ended December 31, 2014*

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#### ***Prepaid Items***

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

#### ***Assets Held for Resale***

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

#### ***Capital Assets***

General capital assets are those assets which are associated with and generally arise from governmental activities. They generally result from expenditures in the governmental funds. General capital assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements.

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 or amortized. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation and amortization 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, and all payables, accrued liabilities, and long-term obligations payable from proprietary funds are reported on the proprietary fund 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, 2014*

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### ***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 all other elements in a statement of financial position. 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.

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

## **Cuyahoga County Land Reutilization Corporation**

*Notes To The Basic Financial Statements*

*For The Year Ended December 31, 2014*

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### ***Operating Revenues and Expenses***

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the Corporation, this revenue is charges for services for asbestos remediation and removal. Operating expenses are necessary costs incurred to provide the goods or service that is the primary activity of the fund. Any revenues and expenses not meeting the definitions of operating are reported as non-operating.

### ***Interfund Balances***

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". These amounts are eliminated in the governmental activities columns of the statement of net position, except for any net residual amounts due between the primary government and the component unit.

### ***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.

### **Note 3 –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

## **Cuyahoga County Land Reutilization Corporation**

### *Notes To The Basic Financial Statements*

*For The Year Ended December 31, 2014*

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Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bond and other obligations of the State of Ohio or its political subdivisions, provided that such political subdivisions are located wholly or partly within the Corporation;
5. Time certificates of deposits or savings or deposit accounts, including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) above and repurchase agreements secured by such obligations, provided that these investments are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio);
8. Securities lending agreements in which the Corporation lends securities and the eligible institution agrees to simultaneously exchange similar securities or cash, equal value for equal value;
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, 2014

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.

### Deposits

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

At year-end, the carrying amount of the Corporation's deposits was \$9,163,769 and the bank balance was \$9,429,737. All was collateralized with securities held by the pledging institution's trust department, not in the Corporation's name.

### Note 4 – Interfund Balances

The Corporation loaned \$111,900 loan to the component unit for start-up costs. The component unit provided asbestos remediation services to the Corporation in the amount of \$14,720.

### 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 2014, the Corporation contracted with Zito Insurance Agency for various types of insurance as follows:

Type	Coverage
General Aggregate	\$1,000,000/\$2,000,000
Liability Property	1,000,000
Commercial General Liability	1,000,000
Personal Injury	1,000,000
Business Personal Property	150,000
Ohio Employers Liability	1,700,000
Directors/Officers Liability	2,000,000
Employment Practices Liability	1,000,000
Employee Dishonesty	225,000
Employee Benefits Liability	1,000,000/3,000,000
Umbrella Coverage	5,000,000

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

## Cuyahoga County Land Reutilization Corporation

### Notes To The Basic Financial Statements

For The Year Ended December 31, 2014

#### Note 6 - Capital Assets

A summary of changes in capital assets during 2014 follows:

	Balance 12/31/2013	Additions	Deletions	Balance 12/31/2014
<b>Governmental Activities</b>				
<i>Nondepreciable Capital Assets</i>				
Computer Software	\$0	\$25,080	\$0	\$25,080
<i>Depreciable Capital Assets</i>				
Furniture and Equipment	142,725	5,569	(205)	148,089
Less Accumulated Depreciation	(56,047)	(19,729)	102	(75,674)
<i>Total Depreciable Capital Assets</i>	86,678	(14,160)	(103)	72,415
<i>Governmental Activities Capital Assets, Net</i>	\$86,678	\$10,920	(\$103)	\$97,495

During 2014, the Corporation acquired an intangible asset due to the implementation of internally generated software that will be leased out to other land banks. Since the software has not yet been completed, a amortization schedule is not included.

#### 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 a choice of three companies. Full-time employees and regular part-time employees working at least 25 hours per week are entitled to group health insurance. These employees pay approximately 10 percent of the annual premium for these benefits. 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.



## Cuyahoga County Land Reutilization Corporation

Notes To The Basic Financial Statements

For The Year Ended December 31, 2014

### Note 8 - Receivables

Receivables at December 31, 2014, consisted of funds due from the County Treasurer and funds due from the Neighborhood Stabilization Program-III grant, 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.

The principal items of governmental activities intergovernmental receivable is an Ohio Housing Finance Agency Neighborhood Initiative Program Grant in the amount of \$356,325, as well as an accounts receivable from Heinen's for a reimbursement for work done on a demolition project in the amount of \$411,033.

Loans receivable represents loans to the Cleveland Housing Network and other various agencies. The loans bear varying interest rates. The loan to the Cleveland Housing Network is to be repaid by July 1, 2020. Loans expected to be collected in more than one year are \$629,775.

### Note 9 - Long-Term Obligations

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

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 12/31/2013	Additions	(Reductions)	Principal Outstanding 12/31/2014	Amount Due in One Year
<b>Governmental Activities:</b>					
Special Receipt Bonds, Series 2010 A	\$5,425,000	\$0	(\$1,280,000)	\$4,145,000	\$1,330,000

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, 2014, are as follows:

	Series 2010 A Bonds (Tax Exempt)	
	Principal	Interest
2015	\$1,330,000	\$161,655
2016	1,380,000	109,785
2017	1,435,000	55,965
Total	\$4,145,000	\$327,405

## Cuyahoga County Land Reutilization Corporation

Notes To The Basic Financial Statements

For The Year Ended December 31, 2014

### Note 10 - Fund Balances

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the Corporation is bound to observe constraints imposed upon the use of the resources in the government fund. The constraints placed on fund balance for the general fund is presented below:

<u>Fund Balance</u>	<u>General Fund</u>
<b><i>Nonspendable</i></b>	
Prepays	\$58,388
Notes	705,225
Assets Held for Resale	<u>36,049,688</u>
<b><i>Total Nonspendable</i></b>	36,813,301
<b><i>Restricted</i></b>	
Debt Service	2,395,000
Unassigned	<u>9,439,235</u>
	<u>\$48,647,536</u>

### Note 11 – CLB Services

#### ***Description of Reporting Entity***

***CLB Services*** CLB Services is a legally separate entity, statutorily created under Chapter 17 of the Ohio Revised Code, served by three managing members appointed by the President of the Corporation. They are Gus Frangos, CCLRC President, Bill Whitney, CCLRC COO, and Cheryl Stephens, CCLRC Acquisition, Disposition, and Development Director. Charged with the responsibility of conducting asbestos surveys for the Corporation, CLB Services is empowered with the ability to carry out the actions they consider necessary to achieve these responsibilities. CLB Services is fiscally dependent on the Corporation and is therefore presented as a component unit of the Corporation. (See Note 1).

#### ***Summary of Significant Accounting Policies***

The CLB Services' financial information is presented on the statement of net position and statement of activities using the full accrual basis of accounting and the economic resources measurement focus.

#### ***Due to Primary Government***

Payables resulting from transactions between the CLB Services and the primary government are classified as "due to primary government" on the financial statements.

#### ***Capital Assets***

Capital assets at CLB Services are capitalized. All capital assets are capitalized at cost (or estimated historical cost) and updated for the cost of additions and retirements during the year.

Donated capital assets are recorded at their fair market values as of the date donated. The CLB Services has established a capitalization threshold for capital assets at \$1,000 except for computer hardware. The latter items will have a level of \$500 for all related/group items initially purchased together, such as new PC system components.

## Cuyahoga County Land Reutilization Corporation

### Notes To The Basic Financial Statements

For The Year Ended December 31, 2014

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets. Depreciation and amortization is computed using the straight-line method for furniture and equipment over useful lives of five to fifteen years.

#### ***Deposits and Investments***

CLB Services follows the same statutory requirements for deposits and investments as the primary government (See Note 3).

At year-end, the carrying amount of CLB Services' deposits was \$47,837 and the bank balance was \$45,757.

#### ***Capital Assets***

A summary of CLB Services' capital assets at December 31, 2014 follows:

	Balance 12/31/2013	Additions	Deletions	Balance 12/31/2014
<b>Business-Type Activity</b>				
Furniture and Equipment	\$0	\$12,726	\$0	\$12,726
Less Accumulated Depreciation	0	(803)	0	(803)
<i>Business-Type Activities Capital Assets, Net</i>	<u>\$0</u>	<u>\$11,923</u>	<u>\$0</u>	<u>\$11,923</u>

#### ***Due from/to Primary Government***

On July 21, 2014, The Corporation loaned \$111,900 loan to CLB Services for start-up costs. The loan will be repaid by July 21, 2019 out of net operating income. CLB Services provided asbestos surveys to the Corporation in the amount of \$14,720.

## Supplemental Information

### Cuyahoga County Land Reutilization Corporation Schedule of Revenues, Expenditures and Changes In Fund Balance - Budget (Non-GAAP Basis) and Actual General Fund For the Year Ended December 31, 2014

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Revenues</b>				
Intergovernmental	\$7,000,000	\$7,000,000	\$7,000,000	\$0
Grant Income	9,455,000	9,455,000	6,436,333	(3,018,667)
Interest	26,050	26,050	21,285	(4,765)
Miscellaneous	908,150	908,150	2,094,628	1,186,478
<i>Total Revenues</i>	<u>17,389,200</u>	<u>17,389,200</u>	<u>15,552,246</u>	<u>(1,836,954)</u>
<b>Expenditures</b>				
Current:				
Professional and Contract Services	14,087,886	14,087,886	12,490,191	1,597,695
Indirect Salaries	2,319,263	2,319,263	2,445,000	(125,737)
Administration	766,318	766,318	1,382,651	(616,333)
<i>Total Current</i>	<u>17,173,467</u>	<u>17,173,467</u>	<u>16,317,842</u>	<u>855,625</u>
Debt Service:				
Principal Retirement	1,280,000	1,280,000	1,280,000	0
Interest and Fiscal Charges	213,075	213,075	206,585	6,490
<i>Total Debt Service</i>	<u>1,493,075</u>	<u>1,493,075</u>	<u>1,486,585</u>	<u>6,490</u>
<i>Total Expenditures</i>	<u>18,666,542</u>	<u>18,666,542</u>	<u>17,804,427</u>	<u>862,115</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(1,277,342)</u>	<u>(1,277,342)</u>	<u>(2,252,181)</u>	<u>(974,839)</u>
<b>Other Financing Sources</b>				
Proceeds of Sale of Assets Held for Resale	1,361,500	1,361,500	1,821,089	459,589
<i>Net Change in Fund Balance</i>	<u>84,158</u>	<u>84,158</u>	<u>(431,092)</u>	<u>(515,250)</u>
<i>Fund Balance Beginning of Year</i>	<u>13,519,270</u>	<u>13,519,270</u>	<u>13,519,270</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$13,603,428</u>	<u>\$13,603,428</u>	<u>\$13,088,178</u>	<u>(\$515,250)</u>

See accompanying notes to the supplemental information

## **Cuyahoga County Land Reutilization Corporation**

*Notes to the Supplemental Information  
For the Year Ended December 31, 2014*

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

#### ***Budgetary Process***

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

#### ***Budgetary Basis of Accounting***

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

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