

**CUYAHOGA COUNTY LAND  
REUTILIZATION CORPORATION  
CUYAHOGA COUNTY, OHIO**

***REGULAR AUDIT***

**FOR THE YEAR ENDED  
DECEMBER 31, 2021**



Rea & associates

[www.reacpa.com](http://www.reacpa.com)

OHIO AUDITOR OF STATE  
KEITH FABER



88 East Broad Street  
Columbus, Ohio 43215  
IPAReport@ohioauditor.gov  
(800) 282-0370

June 3, 2022

Ronald Pavlovich, Finance Director  
Cuyahoga County Land Reutilization Corporation  
812 Huron Road  
Cleveland, Ohio 44115

Dear Mr. Pavlovich:

Please be advised the enclosed letter regarding the audit of the Cuyahoga County Land Reutilization Corporation, Cuyahoga County, for the year ended December 31, 2021 was sent to your public accountant, Rea & Associates, Inc.

If you have any questions or concerns, please contact me at (614) 466-3597.

Sincerely,

KEITH FABER  
Auditor of State

A handwritten signature in cursive script that reads "Brad Blake".

Brad Blake  
Director of Quality Assurance

OHIO AUDITOR OF STATE  
KEITH FABER



88 East Broad Street  
Columbus, Ohio 43215  
IPAReport@ohioauditor.gov  
(800) 282-0370

June 3, 2022

Derek Conrad  
Rea & Associates, Inc.  
122 Fourth Street NW, PO Box 1020  
New Philadelphia, Ohio 44663

Dear Mr. Conrad:

A desk review of the audit report has been performed for the Cuyahoga County Land Reutilization Corporation, Cuyahoga County, for the year ended December 31, 2021. Based on the desk review, this report is acceptable and requires no modifications.

We will certify this audit report. As a reminder, the final invoice for this project must be submitted to the Auditor of State for approval no later than 90 days after the release of the report. If you have any questions or concerns, please contact me at (614) 466-3597.

Sincerely,

KEITH FABER  
Auditor of State

A handwritten signature in cursive script that reads "Brad Blake".

Brad Blake  
Director of Quality Assurance

cc: Allen Allred, Chief Auditor  
Ronald Pavlovich, Finance Director, Cuyahoga County Land Reutilization Corporation

**Cuyahoga County Land Reutilization Corporation**  
**Cuyahoga County, Ohio**

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors and Management  
Cuyahoga County Land Reutilization Corporation  
Cuyahoga County, Ohio  
812 Huron Road, Suite #800  
Cleveland, Ohio 44115

### Report on the Audit of the Financial Statements

#### Opinions

We have audited the financial statements of the governmental activities, each major 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, 2021, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Corporation, as of December 31, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* (Government Auditing Standards) issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Corporation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control—related matters that we identified during the audit.

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis*, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge

we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Corporation's basic financial statements. The *Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual – General Fund* is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such 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, the *Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual – General Fund* is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### **Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated May 27, 2022 on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Corporation's 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 Corporation's internal control over financial reporting and compliance.

*Rea & Associates, Inc.*

Rea & Associates, Inc.  
New Philadelphia, Ohio  
May 27, 2022

## **Cuyahoga County Land Reutilization Corporation**

### *Management's Discussion and Analysis*

*For the Year Ended December 31, 2021*

*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, 2021. 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 2021 are as follows:

- The Corporation is focused on three interrelated principles: returning property to productive use, returning property to the tax duplicate, and accelerating economic or housing activity in Cuyahoga County communities. The Corporation works cooperatively with cities, other units of government, lenders, and individual property owners, to acquire troubled real estate and return it to productive use.
- The Corporation saw a decrease in expenses from 2020 to 2021 primarily due to a decrease in demolition project volume from prior years. During 2021, the Corporation's net position increased by \$13,917.

### **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 finances. 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.

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.

**Cuyahoga County Land Reutilization Corporation**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2021*  
*Unaudited*

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 Funds**

The analysis of the Corporation's major funds begins on page 7. Fund financial reports provide detailed information about the Corporation's major funds. The Corporation uses two funds to account for their financial transactions. However, these fund financial statements focus on the Corporation's most significant funds. The Corporation's only major governmental fund is the general fund.

**Governmental Funds** Most of the Corporation's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Corporation's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to provide to the Corporation's constituents. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

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

The statement of net position looks at the Corporation as a whole. Table 1 provides a summary of the Corporation's net position for 2021 and 2020.

*Table 1*  
*Net Position*

	2021	2020
<b>Assets</b>		
Current and Other Assets	\$26,985,321	\$27,796,331
Capital Assets	112,402	149,492
<i>Total Assets</i>	<i>27,097,723</i>	<i>27,945,823</i>
<b>Liabilities</b>		
Current and Other Liabilities	1,651,477	2,513,494
<b>Net Position</b>		
Investment in Capital Assets	112,402	149,492
Restricted for:		
Cuyahoga County Housing Program	7,567,165	2,934,192
Cuyahoga Land Bank Charities	319,749	156,397
Unrestricted	17,446,930	22,192,248
<i>Net Position</i>	<i>\$25,446,246</i>	<i>\$25,432,329</i>

## Cuyahoga County Land Reutilization Corporation

### Management's Discussion and Analysis

For the Year Ended December 31, 2021

Unaudited

Cash collected by the Corporation is deposited into a checking account for operating purposes. During 2021, cash and cash equivalents had a decrease of \$718,825 from 2020 primarily due to a decrease in revenue generated from demolition projects. The Corporation commenced implementing the Cuyahoga County Housing Program in 2020. The program funding is derived from three sources; the Cuyahoga County Community Development Fund (CCCDF), an allocated portion of current Delinquent Tax and Assessment Collection (DTAC) funds the Corporation receives from Cuyahoga County and Cash Reserves held by the Corporation from prior year CCCDF and DTAC funds received. The purpose of the program is to invest in home owner assistance, in the renovation of properties and in new construction projects in the County.

Assets held for resale showed a \$510,555 increase from 2020 and resulted from increased construction and rehabilitation activity of the Corporation.

Receivables at December 31, 2021, consisted of funds due from Cuyahoga County and various other sources. Intergovernmental receivables decreased due to the ending of the Ohio Housing Finance Agency's (OHFA) Hardest Hit Fund (HHF) program activity in May 2021. The Corporation performs asbestos removal prior to demolition or rehabilitation of structures. The Corporation is reimbursed by the County for a portion of these costs. Allowance for doubtful accounts were not recorded because all receivables are expected to be collected.

The decrease in liabilities was primarily due to a decrease in pollution remediation payable. Unearned revenue also saw a decrease from the prior year. Unearned revenue represented monies received from the HHF program of the OHFA to be used for future field servicing of lots, but not yet earned. The HHF program activity ended in May 2021 and all unearned revenue was recognized as earned at that time.

Further details of the changes in net position between 2021 and 2020 can be observed in Table 2.

**Table 2**  
**Changes in Net Position**

	2021	2020
<b>Revenues</b>		
Program Revenues:		
Operating Grants and Contributions	\$10,803,509	\$13,618,995
General Revenues:		
Intergovernmental	3,500,000	4,500,000
Investment Income	17,553	128,705
Gain on Sale of Assets Held for Resale	281,383	477,657
Other	889,460	1,559,803
Total General Revenues	4,688,396	6,666,165
Total Revenues	\$15,491,905	\$20,285,160

(continued)

**Cuyahoga County Land Reutilization Corporation**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2021*  
*Unaudited*

**Table 2**  
**Changes in Net Position (continued)**

	2021	2020
<b>Program Expenses</b>		
Professional and Contract Services	\$10,512,208	\$13,136,671
Indirect Salaries	3,596,998	3,565,248
Administration	1,368,782	1,675,973
<i>Total Program Expenses</i>	15,477,988	18,377,892
<i>Change in Net Position</i>	13,917	1,907,268
<i>Net Position Beginning of Year</i>	25,432,329	23,525,061
<i>Net Position End of Year</i>	\$25,446,246	\$25,432,329

**Governmental Activities**

Program Revenues decreased by \$2,815,486 primarily due to reduced demolition activity related to the ending of the HHF program during 2021.

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

The Corporation's expenses decreased due to a decrease in demolition project volume as well as ongoing careful monitoring and prudent spending by the Corporation.

**The Corporation's Funds**

Information about the Corporation's governmental funds begins on page 11. These funds are accounted for using the modified accrual basis of accounting. The Corporation had governmental revenues and other financing sources of \$15,491,905 and expenditures of \$15,144,085.

**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 modified accrual basis for revenue, expenses and encumbrances. The budgetary process that is followed is for control purposes.

The Corporation's Director of Finance assists in the preparation of the budget and changes. All recommendations for a budget change come from the Corporation's Chief Operating Officer 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 and other financing sources for the general fund were \$23,463,857 and \$21,681,684, respectively. The actual revenue was \$18,565,196. The major factors contributing to the decrease of actual revenues as compared to final budgeted revenues were decreases in project reimbursements from operating grants and sale of assets held for resale from the Corporation's estimates.

## Cuyahoga County Land Reutilization Corporation

### *Management's Discussion and Analysis*

*For the Year Ended December 31, 2021*

*Unaudited*

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Actual expenditures were \$2,622,655 less than the final budget estimates due primarily to lower than expected volume of professional and contract services for demolition services as well as fewer rehabilitated home and newly constructed home sales than expected. This budgetary information can be found on page 27 under Supplementary Information.

### **Capital Assets**

#### *Capital Assets at December 31*

*(Net of Depreciation)*

*Table 3*

	2021	2020
Furniture and Equipment	\$111,273	\$143,680
Vehicles	525	2,625
Computer Software	604	3,187
<b>Total Capital Assets</b>	<b>\$112,402</b>	<b>\$149,492</b>

During 2021, the Corporation had \$5,578 of furniture and equipment additions. The decrease in capital assets was attributable to depreciation expense exceeding additions. See Note 5 of the basic financial statements for additional information on capital assets.

### **Current Financial Related Activities**

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

### **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 Ronald Pavlovich, Director of Finance, Cuyahoga County Land Reutilization Corporation, 812 Huron Road E, Suite 800, Cleveland, Ohio 44115.

# Cuyahoga County Land Reutilization Corporation

## Statement of Net Position

December 31, 2021

	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$20,905,706
Accounts Receivable	19,078
Intergovernmental Receivable	740,717
Prepaid Items	150,613
Loans Receivable	303,104
Assets Held for Resale	4,866,103
Depreciable Capital Assets, Net	<u>112,402</u>
<i>Total Assets</i>	<u>27,097,723</u>
<b>Liabilities</b>	
Accounts Payable	1,394,179
Pollution Remediation Payable	70,901
Vacation Benefits Payable	127,034
Intergovernmental Payable	11,602
Unearned Revenue	<u>47,761</u>
<i>Total Liabilities</i>	<u>1,651,477</u>
<b>Net Position</b>	
Investment in Capital Assets	112,402
Restricted for:	
Cuyahoga County Housing Program	7,567,165
Cuyahoga Land Bank Charities	319,749
Unrestricted	<u>17,446,930</u>
<i>Total Net Position</i>	<u><u>\$25,446,246</u></u>

See accompanying notes to the basic financial statements

**Cuyahoga County Land Reutilization Corporation**

*Statement of Activities*

*For the Year Ended December 31, 2021*

	<u>Program Revenues</u>	<u>Net (Expense) Revenue and Changes in Net Position</u>
	Operating Grants and Contributions	Governmental Activities
<u>Expenses</u>		
<b>Governmental Activities</b>		
Professional and Contract Services	\$7,167,292	(\$3,344,916)
Indirect Salaries	2,470,158	(1,126,840)
Administration	1,166,059	(202,723)
<i>Total</i>	<u>\$10,803,509</u>	<u>(4,674,479)</u>
<b>General Revenues</b>		
Grants and Entitlements not Restricted to Specific Programs		3,500,000
Investment Earnings		17,553
Gain on Sale of Assets Held for Resale		281,383
Other		889,460
<i>Total General Revenues</i>		<u>4,688,396</u>
<i>Change in Net Position</i>		13,917
<i>Net Position Beginning of Year</i>		<u>25,432,329</u>
<i>Net Position End of Year</i>		<u>\$25,446,246</u>

See accompanying notes to the basic financial statements

**Cuyahoga County Land Reutilization Corporation**

*Balance Sheet  
Governmental Funds  
December 31, 2021*

	General Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$14,398,419	\$319,749	\$14,718,168
Accounts Receivable	19,078	0	19,078
Intergovernmental Receivable	740,717	0	740,717
Prepaid Items	150,613	0	150,613
Loans Receivable	153,104	0	153,104
Assets Held for Resale	3,487,047	0	3,487,047
Restricted Assets:			
Cash Equivalents and Cash Equivalents	6,187,538	0	6,187,538
Loans Receivable	150,000	0	150,000
Assets Held for Resale	1,379,056	0	1,379,056
<i>Total Assets</i>	<u>\$26,665,572</u>	<u>\$319,749</u>	<u>\$26,985,321</u>
<b>Liabilities</b>			
Accounts Payable	\$1,292,511	\$0	\$1,292,511
Pollution Remediation Payable	70,901	0	70,901
Intergovernmental Payable	11,602	0	11,602
Liabilities from Restricted Assets:			
Accounts Payable	101,668	0	101,668
Unearned Revenue	47,761	0	47,761
<i>Total Liabilities</i>	<u>1,524,443</u>	<u>0</u>	<u>1,524,443</u>
<b>Deferred Inflows of Resources</b>			
Unavailable Revenue	10,593	0	10,593
<b>Fund Balances</b>			
Nonspendable	3,787,411	0	3,787,411
Restricted	7,567,165	319,749	7,886,914
Unassigned	13,775,960	0	13,775,960
<i>Total Fund Balances</i>	<u>25,130,536</u>	<u>319,749</u>	<u>25,450,285</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$26,665,572</u>	<u>\$319,749</u>	<u>\$26,985,321</u>

See accompanying notes to the basic financial statements

**Cuyahoga County Land Reutilization Corporation**  
*Reconciliation of Total Governmental Fund Balances to  
Net Position of Governmental Activities  
December 31, 2021*

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**Total Governmental Fund Balances** \$25,450,285

*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. 112,402

Other long-term assets are not available to pay for current period  
expenditures and therefore are reported as unavailable revenue  
in the funds:  
    Cuyahoga County Asbestos Removal 10,593

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. (127,034)

*Net Position of Governmental Activities* \$25,446,246

See accompanying notes to the basic financial statements

**Cuyahoga County Land Reutilization Corporation**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Year Ended December 31, 2021*

	General Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>			
Intergovernmental	\$7,000,000	\$0	\$7,000,000
Operating Grants	6,996,880	290,000	7,286,880
Interest	17,553	0	17,553
Contributions and Donations	0	16,629	16,629
Other	889,460	0	889,460
<i>Total Revenues</i>	<u>14,903,893</u>	<u>306,629</u>	<u>15,210,522</u>
<b>Expenditures</b>			
Professional and Contract Services	10,096,098	115,000	10,211,098
Indirect Salaries	3,601,295	0	3,601,295
Administration	1,303,415	28,277	1,331,692
<i>Total Expenditures</i>	<u>15,000,808</u>	<u>143,277</u>	<u>15,144,085</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	(96,915)	163,352	66,437
<b>Other Financing Sources</b>			
Excess from Sale of Assets Held for Resale	281,383	0	281,383
<i>Net Change in Fund Balances</i>	184,468	163,352	347,820
<i>Fund Balances Beginning of Year</i>	<u>24,946,068</u>	<u>156,397</u>	<u>25,102,465</u>
<i>Fund Balances End of Year</i>	<u>\$25,130,536</u>	<u>\$319,749</u>	<u>\$25,450,285</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 Funds to the Statement of Activities  
For the Year Ended December 31, 2021*

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<b>Net Change in Fund Balance -Total Governmental Funds</b>	<b>\$347,820</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	5,578	
Current Year Depreciation	<u>(42,668)</u>	
Total		(37,090)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:

Ohio Housing Finance Agency Reimbursement	(146,500)	
Cuyahoga County Asbestos Removal	<u>(154,610)</u>	
Total		(301,110)

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>4,297</u>
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<i>Change in Net Position of Governmental Activities</i>	<u><u>\$13,917</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, 2021*

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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, made up of nine members, including the County Treasurer, the County Executive, a member of the County Council and two representatives of the City of Cleveland or their designees, referred to as the Statutory Directors. The remaining four members are selected unanimously by the Statutory Directors. The Corporation is classified as a related organization of Cuyahoga County for reporting purposes, in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14 as amended by GASB Statement No. 39.

The Corporation is dedicated to strategically acquiring tax foreclosed property and other foreclosed property from the Board of Revision, Sheriff's Sale, Bank Real Estate Owned, County 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 following component unit meets the blended component unit criteria of Governmental Accounting Standards Board (GASB) Statement numbers 14, 39, and 61 and is reported as part of the primary government in both the fund financial statements and government-wide financial statements:

***Cuyahoga Land Bank Charities*** Cuyahoga Land Bank Charities (CLBC) is a legally separate, non-profit organization, which provides supportive services to vulnerable populations, communities and the organizations who serve them and provides services in the areas of neighborhood stabilization, safety, community development and housing rehabilitation. The Corporation appoints the entirety of CLBC's Board of Directors. Because the Corporation appoints a voting majority of the CLBC's Board of Directors, the Corporation is able to impose its will on the operation of CLBC. As a result, CLBC will be reported as a blended component unit of the Corporation in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14 as amended by GASB Statement No. 39. The Corporation provides financial support to CLBC. Financial statements can be obtained from Ronald Pavlovich, Cuyahoga County Land Reutilization Corporation, 812 Huron Road E, Suite 800, Cleveland, Ohio, 44115.

# Cuyahoga County Land Reutilization Corporation

Notes To The Basic Financial Statements

For The Year Ended December 31, 2021

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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 as follows.

### ***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. 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. Nonmajor funds are aggregated and presented in a single column.

### ***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, 2021

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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 major governmental fund:

**General Fund** The general fund accounts for all financial resources that are received from the County Treasurer from a portion of 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.

The other governmental funds of the Corporation account for grants and other sources whose use is restricted, committed or assigned to a particular purpose.

## **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

All governmental funds are 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 governmental funds.

## **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. Governmental funds use 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.

## Cuyahoga County Land Reutilization Corporation

Notes To The Basic Financial Statements

For The Year Ended December 31, 2021

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### 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.

### Unearned Revenue

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. The Corporation recognizes unearned revenue for intergovernmental revenue from grants received before the eligibility requirements have been met.

### 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.

### ***Reclassifications***

Certain amounts in the prior year financial statements have been reclassified to conform with the presentation in the current year financial statements.

### ***Budgetary Process***

The Corporation is not bound by the budgetary laws prescribed by the Ohio Revised Code for purely governmental entities. The Board of Directors of the Corporation adopts an annual budget prior to the beginning of the fiscal year. Appropriations and subsequent amendments are approved by the Board of Directors during the year as required. See supplemental information on page 27.

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

To improve cash management, cash received by the Corporation is pooled. Individual fund integrity is maintained through the Corporation's records.

## **Cuyahoga County Land Reutilization Corporation**

*Notes To The Basic Financial Statements*

*For The Year Ended December 31, 2021*

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During 2021, the Corporation invested in STAR Ohio. STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The Corporation measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For 2021, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, twenty-four hours advance notice is appreciated for deposits and withdrawals of \$100 million or more. STAR Ohio reserves the right to limit the transaction to \$250 million per day, requiring the excess amount to be transacted the following business day(s), but only to the \$250 million limit. All accounts of the participant will be combined for these purposes.

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

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the general fund during 2021 amounted to \$17,553, which includes \$268 assigned from other Corporation funds.

### ***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, acquired through foreclosure, donated to the Corporation and costs of rehabilitation and new construction in progress. These properties are recorded and reported at cost, based upon the purchase price plus rehabilitation and construction costs. Vacant lots are either held for assembly for future sale, or sold or transferred to end users or municipalities. In 2021, assets held for resale that were carried at \$4,040,833 were sold for \$4,322,216 with an excess of \$281,383 which is reported as an other financing source on the fund financial statements and a gain on the entity wide financial statements.

### ***Restricted Assets***

Assets are reported as restricted when limitations on their use change in nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or law of the other governments or imposed by law through constitutional provisions. Restricted assets in the general fund represent assets set aside for the County Housing Program (CHP).

### ***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.

## Cuyahoga County Land Reutilization Corporation

Notes To The Basic Financial Statements

For The Year Ended December 31, 2021

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

All capital assets, except for intangible 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 and vehicles 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. Since the Corporation's employee policy limits the use of unused vacation time to twelve 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.

### ***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 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.

## Cuyahoga County Land Reutilization Corporation

Notes To The Basic Financial Statements

For The Year Ended December 31, 2021

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**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.

### ***Deferred Inflows of Resources***

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 until that time. For the Corporation, deferred inflows of resources include unavailable revenue. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the Corporation, unavailable revenue includes reimbursements for reimbursable grants and pollution remediation recoveries. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The details of these unavailable revenues are identified on the Reconciliation of Total Governmental Fund Balance to Net Position of Governmental Activities found on page 12.

### ***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.

### ***Intergovernmental Revenue***

The Corporation receives operating income through Cuyahoga County. This money represents a portion of the penalties and interest on current unpaid and delinquent property taxes once these taxes are paid and are known as DTAC funds. 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. Of this amount, in 2021 the County has restricted \$3,500,000 for the Cuyahoga County Housing Program.

### ***Estimates***

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

## Cuyahoga County Land Reutilization Corporation

*Notes To The Basic Financial Statements*

*For The Year Ended December 31, 2021*

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### **Note 3 –Deposits and Investments**

Monies held by the Corporation are classified by State statute into three categories.

Active deposits are public deposits determined to be necessary to meet current demands 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.

Inactive deposits are public deposits that the Corporation has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim monies held by the Corporation can be deposited or invested in the following securities:

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 principal and interest by 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, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
4. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
5. Bonds and other obligations of the State of Ohio, and, with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances (for a period not to exceed one hundred eighty days) and commercial paper notes (for a period not to exceed two hundred seventy days) in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met; and

## Cuyahoga County Land Reutilization Corporation

Notes To The Basic Financial Statements

For The Year Ended December 31, 2021

8. Written repurchase agreements in the securities described in (1) or (2) provided 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 the term of the agreement must not exceed thirty days.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. Except as noted above, an investment must mature within five years from the date of settlement, unless matched to a specific obligation or debt of the Corporation, and must be purchased with the expectation that it 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, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

### Investments

At December 31, 2021, the Corporation had \$16,811,480 invested in STAR Ohio with an average maturity of 51.3 days. The investment in STAR Ohio is valued at net asset value (NAV) per share.

### Deposits

**Custodial credit risk** is the risk that, in the event of a bank failure, the Corporation's deposits may not be returned. The Corporation has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or be protected by eligible securities pledged to the Corporation and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least one hundred five percent of the deposits being secured. At year end, \$1,119,256 of the Corporation's bank balance of \$3,887,383 was uninsured and uncollateralized. Although the collateral securities were held by the pledging financial institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the Corporation to a successful claim by the FDIC.

### Note 4 - 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 2021, the Corporation contracted with Risk Strategy Company 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	300,000
Ohio Employers Liability	1,000,000
Directors/Officers Liability	2,000,000
Employment Practices Liability	1,000,000
Employee Dishonesty	250,000
Employee Benefits Liability	1,000,000/3,000,000
Umbrella Coverage	5,000,000
Cyber Liability	1,000,000

## Cuyahoga County Land Reutilization Corporation

Notes To The Basic Financial Statements

For The Year Ended December 31, 2021

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

### Note 5 - Capital Assets

A summary of changes in capital assets during 2021 follows:

	Balance 12/31/2020	Additions	Deletions	Balance 12/31/2021
<b>Governmental Activities:</b>				
<i>Depreciable Capital Assets</i>				
Furniture and Equipment	\$294,003	\$5,578	\$0	\$299,581
Vehicles	10,500	0	0	10,500
Computer Software	87,048	0	0	87,048
<i>Total Capital Assets, Being Depreciated</i>	<u>391,551</u>	<u>5,578</u>	<u>0</u>	<u>397,129</u>
<i>Less Accumulated Depreciation</i>				
Furniture and Equipment	(150,323)	(37,985)	0	(188,308)
Vehicles	(7,875)	(2,100)	0	(9,975)
Computer Software	(83,861)	(2,583)	0	(86,444)
<i>Total Accumulated Depreciation</i>	<u>(242,059)</u>	<u>(42,668)</u>	<u>0</u>	<u>(284,727)</u>
<i>Governmental Activities Capital Assets, Net</i>	<u>\$149,492</u>	<u>(\$37,090)</u>	<u>\$0</u>	<u>\$112,402</u>

Computer software is the Corporation's internally generated software and is being amortized over 60 months. Amortization for this asset is presented as administrative expense on the Statement of Activities.

### Note 6 – 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 unused amounts resulting from the first year's employment, but all unused 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 the end of the month following the anniversary date of their employment.

#### *Health Insurance Benefits*

The Corporation provides employee medical and prescription drug insurance through United Healthcare. 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 \$500 to \$3,000 for single and \$500 to \$6,000 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, 2021

### Note 7 - Receivables

Receivables at December 31, 2021, consisted of funds due from Cuyahoga County, grants and loans to various governments and reimbursements due from various organizations. Allowance for doubtful accounts were not recorded because all receivables are expected to be collected.

The principal items of governmental activities are intergovernmental receivables for reimbursement for asbestos removal in the amount of \$10,593, Cuyahoga County Treasurer in the amount of \$724,309 and Northeast Ohio Regional Sewer District in the amount of \$5,815.

### Note 8 - 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 and other governmental funds is presented as follows:

Fund Balance	General Fund	Other Governmental Funds	Total Governmental Funds
<b>Nonspendable:</b>			
Prepays	\$150,613	\$0	\$150,613
Loans Receivable	149,751	0	149,751
Assets Held for Resale	3,487,047	0	3,487,047
<i>Total Nonspendable</i>	<u>3,787,411</u>	<u>0</u>	<u>3,787,411</u>
<b>Restricted:</b>			
Cuyahoga County Housing Program	7,567,165	0	7,567,165
Cuyahoga Land Bank Charities	0	319,749	319,749
<i>Total Restricted</i>	<u>7,567,165</u>	<u>319,749</u>	<u>7,886,914</u>
<b>Unassigned</b>	<u>13,775,960</u>	<u>0</u>	<u>13,775,960</u>
Total	<u>\$25,130,536</u>	<u>\$319,749</u>	<u>\$25,450,285</u>

### Note 9 – Pollution Remediation

For 2021, the Corporation is reporting a liability for pollution remediation of \$70,901. The EPA required the Corporation to remediate any asbestos found in any of their properties or projects. The Corporation estimates the liability based on the current value of outlays using the expected cash flow technique.

As part of the Corporation's efforts to put properties back to productive use, certain acquired properties are found to contain asbestos. The cost of remediation estimated by the Corporation is \$70,901 as of 2021 with the potential for additional costs in the future based on survey results. Of this amount, \$10,563 is expected to be recovered from Cuyahoga County. This amount is realizable and has reduced the expense. This recovery asset from Cuyahoga County has been reported as part of the intergovernmental receivable.

## **Cuyahoga County Land Reutilization Corporation**

*Notes To The Basic Financial Statements*

*For The Year Ended December 31, 2021*

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### **Note 10 – Line of Credit**

The Corporation has an open line of credit with Huntington Bank up to \$2,000,000. The line of credit is considered a direct borrowing. There was no activity on the line of credit during 2021.

### **Note 11 – COVID-19**

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio's state of emergency ended in June, 2021 while the national state of emergency continues. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the Corporation. The impact on the Corporation's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

The Corporation's investment portfolio fluctuates with market conditions, and due to market volatility, the amount of gains or losses that will be realized in subsequent periods, if any, cannot be determined.

### **Note 12 – Change in Accounting Principles**

For 2021, the Corporation implemented the Governmental Accounting Standards Board's (GASB) *Implementation Guide No. 2019-1*. These changes were incorporated in the Corporation's 2021 financial statements, however, there was no effect on beginning net position/fund balance.

**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, 2021*

	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
Operating Grants	8,568,966	8,051,265	6,335,967	(1,715,298)
Interest	54,000	18,000	17,553	(447)
Other	594,191	761,522	889,460	127,938
<i>Total Revenues</i>	<u>16,217,157</u>	<u>15,830,787</u>	<u>14,242,980</u>	<u>(1,587,807)</u>
<b>Expenditures</b>				
Current:				
Professional and Contract Services	21,847,121	16,736,494	14,400,755	2,335,739
Indirect Salaries	3,639,968	3,639,968	3,601,295	38,673
Administration	1,521,381	1,693,566	1,445,323	248,243
<i>Total Expenditures</i>	<u>27,008,470</u>	<u>22,070,028</u>	<u>19,447,373</u>	<u>2,622,655</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	(10,791,313)	(6,239,241)	(5,204,393)	1,034,848
<b>Other Financing Sources</b>				
Sale of Assets Held for Resale	7,246,700	5,850,897	4,322,216	(1,528,681)
<i>Net Change in Fund Balance</i>	(3,544,613)	(388,344)	(882,177)	(493,833)
<i>Fund Balance Beginning of Year</i>	21,468,134	21,468,134	21,468,134	0
<i>Fund Balance End of Year</i>	<u>\$17,923,521</u>	<u>\$21,079,790</u>	<u>\$20,585,957</u>	<u>(\$493,833)</u>

See accompanying notes to the supplemental information

## **Cuyahoga County Land Reutilization Corporation**

*Notes to the Supplemental Information  
For the Year Ended December 31, 2021*

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

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

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

The major differences between the budget basis and GAAP basis are:

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

**Cuyahoga County Land Reutilization Corporation**

*Notes to the Supplemental Information  
For the Year Ended December 31, 2021*

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

Net Change in Fund Balance	
GAAP Basis	\$184,468
Net Adjustment for Revenue Accruals	3,379,920
Net Adjustment for Expenditure Accruals	<u>(4,446,565)</u>
Budget Basis	<u><u>(\$882,177)</u></u>

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**INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Directors and Management  
Cuyahoga County Land Reutilization Corporation  
Cuyahoga County, Ohio  
812 Huron Road, Suite #800  
Cleveland, Ohio 44115

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major 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, 2021, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements, and have issued our report thereon dated May 27, 2022.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Corporation’s internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation’s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Corporation's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

### **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Corporation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Corporation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Rea & Associates, Inc.*

Rea & Associates, Inc.  
New Philadelphia, Ohio  
May 27, 2022