



**CUYAHOGA COUNTY LAND REUTILIZATION CORPORATION  
CUYAHOGA COUNTY**

**REGULAR AUDIT**

**FOR THE YEAR ENDED DECEMBER 31, 2017**



**Dave Yost • Auditor of State**



**CUYAHOGA COUNTY LAND REUTILIZATION CORPORATION  
CUYAHOGA COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Cuyahoga County Land Reutilization Corporation  
Cuyahoga County  
812 Huron Road East, Suite 800  
Cleveland, Ohio 44115

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, 2017, 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 such 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, 2017, 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 relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this information to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2018, 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 that reads "Dave Yost". The signature is written in a cursive style with a large, looping "Y" and "O".

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

December 7, 2018

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## **Cuyahoga County Land Reutilization Corporation**

*Management's Discussion and Analysis*

*For the Year Ended December 31, 2017*

*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, 2017. 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 2017 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 grew revenues from 2016 to 2017 due to increased grant monies. During 2017, the Corporation invested more in properties over 2016.

### **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.

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, 2017*

*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 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.

### 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 2017 and 2016.

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

	2017	(Restated) 2016
<b>Assets</b>		
Current and Other Assets	\$55,579,859	\$40,055,931
Capital Assets	80,332	96,716
<i>Total Assets</i>	<u>55,660,191</u>	<u>40,152,647</u>
<b>Liabilities</b>		
Current and Other Liabilities	4,484,531	3,191,498
<b>Net Position</b>		
Net Investment in Capital Assets	80,332	96,716
Unrestricted	51,095,328	36,864,433
<i>Net Position</i>	<u>\$51,175,660</u>	<u>\$36,961,149</u>

## Cuyahoga County Land Reutilization Corporation

### Management's Discussion and Analysis

For the Year Ended December 31, 2017

Unaudited

Cash collected by the Corporation is deposited into a checking account for operating purposes. During 2017, cash and cash equivalents had a decrease of \$535,908 from 2016 due primarily to the Corporation spending more on professional and contract services.

Assets held for resale showed a \$13,190,229 increase over 2016.

Receivables at December 31, 2017, consisted of funds due from the Ohio Housing Finance Agency (OHFA) Neighborhood and various other sources. Intergovernmental receivables increased due to increased monies due from OHFA and other sources. Allowance for doubtful accounts were not recorded because all receivables are expected to be collected.

The increase in liabilities was primarily due to an increase in accounts payable, intergovernmental 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 2017 and 2016 can be observed in Table 2.

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

	2017	(Restated) 2016
<b>Revenues</b>		
Program Revenues:		
Charges for Services	\$7,500	\$0
Operating Grants and Contributions	16,360,099	13,556,224
General Revenues:		
Intergovernmental	7,000,000	7,000,000
Investment Income	27,340	19,567
Other	2,617,367	1,189,994
Total General Revenues	9,644,707	8,209,561
Total Revenues	26,012,306	21,765,785
<b>Program Expenses</b>		
Professional and Contract Services	7,565,515	1,161,550
Indirect Salaries	2,840,445	3,009,517
Administration	1,391,835	547,762
Interest and Fiscal Charges	0	58,987
Total Program Expenses	11,797,795	4,777,816
Change in Net Position	14,214,511	16,987,969
Net Position Beginning of Year	36,961,149	19,973,180
Net Position End of Year	\$51,175,660	\$36,961,149

# Cuyahoga County Land Reutilization Corporation

## Management's Discussion and Analysis

For the Year Ended December 31, 2017

Unaudited

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### Governmental Activities

Revenues increased by \$4,246,521, primarily due to the receipt of more grant monies in 2017 over 2016.

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 increased due to increasing the amount spent on acquiring properties, increased demolition activity and ongoing maintenance of owned properties available for sale.

### 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 \$26,012,306 and expenditures of \$11,783,914.

### 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 \$23,652,956, and the actual revenue was \$23,380,305. The major factor contributing to the decrease of actual revenues as compared to original and final budgeted revenues was a decrease in operating grants from the Corporation's estimates. Actual expenditures were \$1,172,863 more than the final budget estimates. This budgetary information can be found on page 31 under Supplementary Information.

### Capital Assets

#### Capital Assets at December 31

(Net of Depreciation)

Table 3

	2017	2016
Furniture and Equipment	\$50,880	\$59,250
Computer Software	29,452	37,466
<b>Total Capital Assets</b>	<b>\$80,332</b>	<b>\$96,716</b>

During 2017, the Corporation had \$80,332 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.



**Cuyahoga County Land Reutilization Corporation**

*Management's Discussion and Analysis*

*For the Year Ended December 31, 2017*

*Unaudited*

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**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.

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**Cuyahoga County Land Reutilization Corporation**

*Statement of Net Position*

*December 31, 2017*

	Primary Government	
	Governmental Activities	Component Unit
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$9,779,492	\$70,514
Accounts Receivable	72,233	535
Intergovernmental Receivable	3,450,017	16,640
Accrued Interest Receivable	24,625	0
Prepaid Items	109,912	7,824
Due from Component Unit	127,646	0
Due from Primary Government	0	91,484
Loans Receivable	23,089	0
Assets Held for Resale	41,992,845	0
Depreciable Capital Assets, Net	80,332	16,855
<i>Total Assets</i>	<u>55,660,191</u>	<u>203,852</u>
<b>Liabilities</b>		
Accounts Payable	3,007,924	11,853
Accrued Wages	4,979	0
Due to Component Unit	91,484	0
Due to Primary Government	0	127,646
Vacation Benefits Payable	96,896	13,510
Intergovernmental Payable	30,662	0
Unearned Revenue	1,252,586	0
<i>Total Liabilities</i>	<u>4,484,531</u>	<u>153,009</u>
<b>Net Position</b>		
Net Investment in Capital Assets	80,332	16,855
Unrestricted	51,095,328	33,988
<i>Total Net Position</i>	<u><u>\$51,175,660</u></u>	<u><u>\$50,843</u></u>

See accompanying notes to the basic financial statements

**Cuyahoga County Land Reutilization Corporation**

*Statement of Activities*

*For the Year Ended December 31, 2017*

	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
<b>Governmental Activities</b>			
Professional and Contract Services	\$7,565,515	\$7,500	10,505,751
Indirect Salaries	2,840,445	0	3,944,346
Administration	1,391,835	0	1,910,002
<i>Total Primary Government</i>	11,797,795	7,500	16,360,099
<b>Component Unit</b>			
CLB Services	545,175	593,732	0
<i>Total</i>	<u>\$12,342,970</u>	<u>\$601,232</u>	<u>\$16,360,099</u>

**General Revenues**

Grants and Entitlements not Restricted  
to Specific Programs  
Investment Earnings  
Other

*Total General Revenues*

*Change in Net Position*

*Net Position Beginning of Year -  
Restated - See Note 10*

*Net Position End of Year*

See accompanying notes to the basic financial statements

Net (Expense) Revenue and  
Changes in Net Position

Primary Government	Component Unit	Total
\$2,947,736	\$0	\$2,947,736
1,103,901	0	1,103,901
518,167	0	518,167
4,569,804	0	4,569,804
0	48,557	48,557
4,569,804	48,557	4,618,361
7,000,000	0	7,000,000
27,340	0	27,340
2,617,367	57	2,617,424
9,644,707	57	9,644,764
14,214,511	48,614	14,263,125
36,961,149	2,229	36,963,378
\$51,175,660	\$50,843	\$51,226,503

**Cuyahoga County Land Reutilization Corporation**

*Balance Sheet*

*Governmental Fund*

*December 31, 2017*

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	<u>General Fund</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$9,779,492
Accounts Receivable	72,233
Intergovernmental Receivable	3,450,017
Accrued Interest Receivable	24,625
Prepaid Items	109,912
Loans Receivable	23,089
Due from Component Unit	127,646
Assets Held for Resale	41,992,845
	<hr/>
<i>Total Assets</i>	<u>\$55,579,859</u>
 <b>Liabilities and Fund Balance</b>	
<i>Liabilities:</i>	
Accounts Payable	\$3,007,924
Accrued Wages	4,979
Intergovernmental Payable	30,662
Due to Component Unit	91,484
Unearned Revenue	1,252,586
	<hr/>
<i>Total Liabilities</i>	<u>4,387,635</u>
 <b>Fund Balance</b>	
Nonspendable	42,364,646
Unassigned	8,827,578
	<hr/>
<i>Total Fund Balance</i>	<u>51,192,224</u>
	<hr/>
<i>Total Liabilities and Fund Balance</i>	<u>\$55,579,859</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, 2017*

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<b>Total Governmental Fund Balance</b>	\$51,192,224
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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.	80,332
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Vacation benefits payable is a contractually required benefit not expected to be paid with expendable available financial resources and therefore not reported in the funds.	<u>(96,896)</u>
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<i>Net Position of Governmental Activities</i>	<u><u>\$51,175,660</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, 2017*

	General Fund
<b>Revenues</b>	
Intergovernmental	\$7,000,000
Operating Grants	16,360,099
Interest	27,340
Charges for Services	7,500
Other	2,617,367
	26,012,306
 <i>Total Revenues</i>	
<b>Expenditures</b>	
Professional and Contract Services	7,565,515
Indirect Salaries	2,842,948
Administration	1,375,451
	11,783,914
 <i>Total Expenditures</i>	
 <i>Net Change in Fund Balances</i>	
	14,228,392
 <i>Fund Balance Beginning of Year - Restated - See Note 10</i>	
	36,963,832
 <i>Fund Balance End of Year</i>	
	\$51,192,224

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, 2017*

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**Net Change in Fund Balance -Total Governmental Fund** \$14,228,392

*Amounts reported for governmental activities in the  
statement of activities are different because:*

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.

Capital Asset Additions	8,313	
Current Year Depreciation	<u>(24,697)</u>	
Total		(16,384)

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. 2,503

*Change in Net Position of Governmental Activities* \$14,214,511

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, 2017*

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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 Dennis Roberts, CCLRC Director of Programs and Property Management. 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 percent payable annually. The loan is repayable by July 21, 2019. 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, 2017*

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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, 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, 2017

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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, 2017*

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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.

During 2017, investments were limited to loans made to Northeast Ohio Neighborhood Health Services, Inc. and The Economic and Community Development Institute.

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

## **Cuyahoga County Land Reutilization Corporation**

*Notes To The Basic Financial Statements*

*For The Year Ended December 31, 2017*

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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, acquired through foreclosure, or donated to the Corporation. These properties are recorded and reported at cost, based upon the purchase price plus any costs of maintenance, rehabilitation, environmental remediation and demolition of existing structures on the properties. Properties with demolished structures are either held for assembly for future sale, or sold or transferred to end users or municipalities.

### ***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 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 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, 2017

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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, 2017*

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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 three categories.

Active deposits are public monies 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.

Protection of the Corporation's deposits is provided by the Federal Deposit Insurance Corporation (FDIC).



## Cuyahoga County Land Reutilization Corporation

*Notes To The Basic Financial Statements*

*For The Year Ended December 31, 2017*

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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, Government National Mortgage Association, and Student Loan Marketing 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;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 25 percent of the interim monies available for investment at any one time if training requirements have been met; and
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. An investment must mature within five years from the date of purchase 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**

The Corporation categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The Corporation's only investments are loans to entities supporting community development. The investments of loans are measured at fair value and are valued using significant observable inputs (Level 2 inputs).

## Cuyahoga County Land Reutilization Corporation

Notes To The Basic Financial Statements

For The Year Ended December 31, 2017

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### 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, \$8,621,741 of the Corporation's bank balance of \$8,871,741 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 – Interfund Balances

The Corporation loaned \$111,900 in 2014 to the component unit for start-up costs. At December 31, 2017, the Corporation was also owed \$15,746 from the component unit for services and a temporary loan. In 2017, the component unit provided asbestos remediation services to the Corporation in the amount of \$91,484.

### 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 2017, 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	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	50,000

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, 2017*

**Note 6 - Capital Assets**

A summary of changes in capital assets during 2017 follows:

	Balance 12/31/2016	Additions	Deletions	Balance 12/31/2017
<b>Governmental Activities:</b>				
<i>Depreciable Capital Assets</i>				
Furniture and Equipment	\$171,175	\$8,313	\$0	\$179,488
Computer Software	45,480	0	0	45,480
<i>Total Capital Assets, Being Depreciated</i>	<u>216,655</u>	<u>8,313</u>	<u>0</u>	<u>224,968</u>
Less Accumulated Depreciation				
Furniture and Equipment	(111,925)	(16,683)	0	(128,608)
Computer Software	(8,014)	(8,014)	0	(16,028)
<i>Total Accumulated Depreciation</i>	<u>(119,939)</u>	<u>(24,697)</u>	<u>0</u>	<u>(144,636)</u>
<i>Total Depreciable Capital Assets, Net</i>	<u>96,716</u>	<u>(16,384)</u>	<u>0</u>	<u>80,332</u>
<i>Governmental Activities Capital Assets, Net</i>	<u>\$96,716</u>	<u>(\$16,384)</u>	<u>\$0</u>	<u>\$80,332</u>

During 2016, the Corporation completed implementation of internally generated software and began to amortize it over 60 months. Amortization for this asset is presented as administrative expense on the Statement of Activities.

**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 two companies offering four health plan options. 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, 2017

### Note 8 - Receivables

Receivables at December 31, 2017, consisted of funds due from the Ohio Housing Finance Agency Neighborhood Initiative Program Grant, 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 from an Ohio Housing Finance Agency Neighborhood Initiative Program grant in the amount of \$1,801,199.

Loans receivable represents loans to other various agencies. The loans bear varying interest rates. Loans expected to be collected in more than one year are \$23,089.

### Note 9 - 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 as follows:

Fund Balance	General Fund
<b>Nonspendable:</b>	
Prepays	\$109,912
Loans Receivable	261,889
Assets Held for Resale	41,992,845
<i>Total Nonspendable</i>	<u>42,364,646</u>
<b>Unassigned</b>	<u>8,827,578</u>
Total	<u><u>\$51,192,224</u></u>

### Note 10 – Change in Accounting Principle and Restatement of Net Position and Fund Balance

For 2017, the Corporation implemented the Governmental Accounting Standards Board's (GASB) *Implementation Guide No. 2016-1*. These changes were incorporated in the Corporation's 2017 financial statements; however, there was no effect on beginning net position/fund balance.

Due to an accounting change, it was determined that previous assets held for resale of the CCLRC needed to be adjusted. As a result, fund balance decreased by \$34,305,152 from \$71,268,984 to \$36,963,832 at December 31, 2016. The effect of the restatement on net position is as follows:

	Governmental Activities
Net position December 31, 2016	\$71,266,301
Adjustments:	
Assets Held for Resale	<u>(34,305,152)</u>
Restated Net Position January 1, 2016	<u><u>\$36,961,149</u></u>

## **Cuyahoga County Land Reutilization Corporation**

*Notes To The Basic Financial Statements*

*For The Year Ended December 31, 2017*

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### **Note 11 – CLB Services**

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

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 Dennis Roberts, CCLRC Director of Programs and Property Management. 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.

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 \$70,514 and the bank balance was \$76,394.

**Cuyahoga County Land Reutilization Corporation**

*Notes To The Basic Financial Statements*

*For The Year Ended December 31, 2017*

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***Capital Assets***

A summary of CLB Services' capital assets at December 31, 2017 follows:

	Balance 12/31/2016	Additions	Deletions	Balance 12/31/2017
<b>Business-Type Activity:</b>				
Furniture and Equipment	\$17,677	\$11,696	\$0	\$29,373
Less Accumulated Depreciation	(7,408)	(5,110)	0	(12,518)
<i>Business-Type Activities Capital Assets, Net</i>	<u>\$10,269</u>	<u>\$6,586</u>	<u>\$0</u>	<u>\$16,855</u>

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

On July 21, 2014, The Corporation loaned \$111,900 to CLB Services for start-up costs. In 2017, CLB Services also owed the Corporation \$15,746 for services and a temporary loan. The loan will be repaid by July 21, 2019 out of net operating income. In 2017, CLB Services provided asbestos surveys to the Corporation in the amount of \$91,484.



**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, 2017*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Intergovernmental	\$7,000,000	\$7,000,000	\$7,000,000	\$0
Grant Income	15,898,000	15,898,000	14,082,189	(1,815,811)
Interest	14,340	14,340	4,494	(9,846)
Other	740,616	740,616	2,293,622	1,553,006
<i>Total Revenues</i>	<u>23,652,956</u>	<u>23,652,956</u>	<u>23,380,305</u>	<u>(272,651)</u>
<b>Expenditures</b>				
Current:				
Professional and Contract Services	20,731,830	20,731,830	21,827,170	(1,095,340)
Indirect Salaries	3,439,007	3,439,007	3,039,108	399,899
Administration	853,515	853,515	1,330,937	(477,422)
<i>Total Expenditures</i>	<u>25,024,352</u>	<u>25,024,352</u>	<u>26,197,215</u>	<u>(1,172,863)</u>
<i>Excess of Revenues Under Expenditures</i>	(1,371,396)	(1,371,396)	(2,816,910)	(1,445,514)
<b>Other Financing Sources</b>				
Proceeds of Sale of Assets Held for Resale	2,163,000	2,163,000	2,281,002	118,002
<i>Net Change in Fund Balance</i>	791,604	791,604	(535,908)	(1,327,512)
<i>Fund Balance Beginning of Year</i>	<u>10,315,400</u>	<u>10,315,400</u>	<u>10,315,400</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$11,107,004</u>	<u>\$11,107,004</u>	<u>\$9,779,492</u>	<u>(\$1,327,512)</u>

See accompanying notes to the supplemental information

## **Cuyahoga County Land Reutilization Corporation**

*Notes to the Supplemental Information  
For the Year Ended December 31, 2017*

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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).



**Cuyahoga County Land Reutilization Corporation**

*Notes to the Supplemental Information  
For the Year Ended December 31, 2017*

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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	\$14,228,392
Net Adjustment for Revenue Accruals	(350,999)
Net Adjustment for Expenditure Accruals	<u>(14,413,301)</u>
Budget Basis	<u><u>(\$535,908)</u></u>

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Cuyahoga County Land Reutilization Corporation  
Cuyahoga County  
812 Huron Road East, Suite 800  
Cleveland, Ohio 44115

To the Board of Directors:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the General Fund, and the aggregate remaining fund information of the Cuyahoga County Land Reutilization Corporation, Cuyahoga County, (the Corporation) as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements and have issued our report thereon dated December 7, 2018.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the Corporation's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Corporation's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Corporation's financial statements. 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 internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

### ***Compliance and Other Matters***

As part of reasonably assuring whether the Corporation's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

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***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Corporation's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Corporation's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

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

December 7, 2018



# Dave Yost • Auditor of State

**CUYAHOGA COUNTY LAND REUTILIZATION CORPORATION**

**CUYAHOGA COUNTY**

**CLERK'S CERTIFICATION**

**This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.**

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
DECEMBER 27, 2018**