



Rea & associates *a brighter way*

Cuyahoga County Land Reutilization Corporation Cuyahoga County, Ohio

Audited Financial Statements

For the Year Ended December 31, 2019

OHIO AUDITOR OF STATE
KEITH FABER



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Columbus, Ohio 43215
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(800) 282-0370

Board of Directors
Cuyahoga County Land Reutilization Corporation
812 Huron Road E. Ste 800
Cleveland, Ohio 44115

We have reviewed the *Independent Auditor's Report* of the Cuyahoga County Land Reutilization Corporation, Cuyahoga County, prepared by Rea & Associates, Inc., for the audit period January 1, 2019 through December 31, 2019. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Cuyahoga County Land Reutilization Corporation is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

June 11, 2020

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Cuyahoga County Land Reutilization Corporation
Cuyahoga County, Ohio

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May 28, 2020

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

Independent Auditor's Report

Report on the Financial Statements

We have audited the accompanying 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, 2019, 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 the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Cuyahoga County Land Reutilization Corporation, Cuyahoga County, Ohio, as of December 31, 2019, 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.

Emphasis of Matter

As discussed in Note 10 to the financial statements, the Corporation restated its governmental activities' net position and the General Fund and Other Governmental Funds fund balances at December 31, 2018 to correct a misstatement and to correct the reporting of a component unit. We did not modify our opinion regarding this matter.

In addition, as discussed in Note 12 to the financial statements, during 2020, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Corporation. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis*, listed in the table of contents, be presented to supplement the basic financial statements. Such information, 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.

Other 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 the purpose of additional analysis and is not a required part of the basic financial statements.

The *Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual – General Fund* 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. Such 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 28, 2020, 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 the Corporation's internal control over financial reporting and compliance.

Hea & Associates, Inc.

New Philadelphia, Ohio

Cuyahoga County Land Reutilization Corporation

Management's Discussion and Analysis

For the Year Ended December 31, 2019

Unaudited

The discussion and analysis of Cuyahoga County Land Reutilization Corporation's (the Corporation) financial performance provides an overall review of the Corporation's financial activities for the year ended December 31, 2019. 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 2019 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 2018 to 2019 due to reduced spending. During 2019, the Corporation's net position increased by \$3,689,174.

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, 2019

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 three 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

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 2019 and 2018.

Table 1
Net Position

	2019	2018
Assets		
Current and Other Assets	\$28,528,425	\$18,193,947
Capital Assets	198,444	248,654
<i>Total Assets</i>	<u>28,726,869</u>	<u>18,442,601</u>
Liabilities		
Current and Other Liabilities	5,201,808	4,442,294
Net Position		
Investment in Capital Assets	198,444	248,654
Restricted for Other Purposes	47,736	93,794
Unrestricted	23,278,881	19,493,439
<i>Net Position</i>	<u>\$23,525,061</u>	<u>\$19,835,887</u>

Cuyahoga County Land Reutilization Corporation

Management's Discussion and Analysis

For the Year Ended December 31, 2019

Unaudited

Cash collected by the Corporation is deposited into a checking account for operating purposes. During 2019, cash and cash equivalents had an increase of \$6,110,986 from 2018 due primarily to a decrease in expenses.

Assets held for resale showed a \$703,559 increase from 2018.

Receivables at December 31, 2019, consisted of funds due from the Ohio Housing Finance Agency (OHFA) and various other sources. Intergovernmental receivables increased due to grants from OHFA and other sources. The Corporation signed agreements through the Cuyahoga County demolition program to demolish and remediate the former St. Clement School and Convent and former St. Peter Chanel High School. The costs of the remediation will be reimbursed by OHFA, Cuyahoga County and the City of Bedford. 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 pollution remediation payable. 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 2019 and 2018 can be observed in Table 2.

Table 2
Changes in Net Position

	2019	2018
Revenues		
Program Revenues:		
Charges for Services	\$483,645	\$629,030
Operating Grants and Contributions	14,966,950	25,424,018
Total Program Revenues	15,450,595	26,053,048
General Revenues:		
Intergovernmental	7,000,000	7,000,000
Investment Income	305,403	188,117
Gain on Sale of Assets Held for Resale	1,318,309	1,152,733
Other	1,191,153	988,239
Total General Revenues	9,814,865	9,329,089
Total Revenues	25,265,460	35,382,137
Program Expenses		
Professional and Contract Services	16,330,962	22,366,193
Indirect Salaries	3,718,153	3,621,606
Administration	1,527,171	1,272,370
Total Program Expenses	21,576,286	27,260,169
Change in Net Position	3,689,174	8,121,968
Net Position Beginning of Year	19,835,887	11,713,919
Net Position End of Year	\$23,525,061	\$19,835,887

Cuyahoga County Land Reutilization Corporation
Management's Discussion and Analysis
For the Year Ended December 31, 2019
Unaudited

Governmental Activities

Program Revenues decreased by \$10,602,453, due to a decrease in demolition projects reimbursed during 2019 over 2018.

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

The Corporation's expenses decreased due to careful monitoring and prudent spending.

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 \$28,362,548 and expenditures of \$22,224,631.

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.

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 \$27,304,100 and \$30,851,900, respectively. The actual revenue was \$28,425,534. The major factor contributing to the decrease of actual revenues as compared to final budgeted revenues was a decrease in project reimbursements from operating grants from the Corporation's estimates. Actual expenditures were \$6,732,852 less than the final budget estimates due primarily to lower than expected costs of professional and contract services as well as delays in anticipated projects. This budgetary information can be found on page 28 under Supplementary Information.

Capital Assets

Capital Assets at December 31
(Net of Depreciation)

Table 3

	2019	2018
Furniture and Equipment	\$180,835	\$219,063
Vehicles	\$4,725	\$6,825
Computer Software	12,884	22,766
Total Capital Assets	\$198,444	\$248,654

Cuyahoga County Land Reutilization Corporation

Management's Discussion and Analysis

For the Year Ended December 31, 2019

Unaudited

During 2019, the Corporation had \$6,603 of furniture and equipment additions. See Note 6 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, 2019

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$18,732,420
Accounts Receivable	52,276
Intergovernmental Receivable	6,047,937
Prepaid Items	180,889
Loans Receivable	411,759
Assets Held for Resale	3,103,144
Depreciable Capital Assets, Net	<u>198,444</u>
<i>Total Assets</i>	<u>28,726,869</u>
Liabilities	
Accounts Payable	1,555,390
Pollution Remediation Payable	1,697,671
Vacation Benefits Payable	113,360
Intergovernmental Payable	173,733
Unearned Revenue	<u>1,661,654</u>
<i>Total Liabilities</i>	<u>5,201,808</u>
Net Position	
Investment in Capital Assets	198,444
Restricted for:	
Other Purposes	47,736
Unrestricted	<u>23,278,881</u>
<i>Total Net Position</i>	<u><u>\$23,525,061</u></u>

See accompanying notes to the basic financial statements

Cuyahoga County Land Reutilization Corporation

Statement of Activities

For the Year Ended December 31, 2019

	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
Professional and Contract Services	\$16,330,962	\$483,645	\$11,495,833	(\$4,351,484)
Indirect Salaries	3,718,153	0	2,392,896	(1,325,257)
Administration	1,527,171	0	1,078,221	(448,950)
<i>Total</i>	<u>\$21,576,286</u>	<u>\$483,645</u>	<u>\$14,966,950</u>	<u>(6,125,691)</u>
		General Revenues		
		Grants and Entitlements not Restricted to Specific Programs		
				7,000,000
				305,403
				1,318,309
				1,191,153
				<u>9,814,865</u>
				<i>Change in Net Position</i>
				3,689,174
				<i>Net Position Beginning of Year - Restated - See Note 10</i>
				<u>19,835,887</u>
				<i>Net Position End of Year</i>
				<u>\$23,525,061</u>

See accompanying notes to the basic financial statements

Cuyahoga County Land Reutilization Corporation

Balance Sheet

Governmental Funds

December 31, 2019

	General Fund	Other Governmental Funds	Total Governmental Funds
Assets			
Equity in Pooled Cash and Cash Equivalents	\$18,645,937	\$86,483	\$18,732,420
Accounts Receivable	52,276	0	52,276
Intergovernmental Receivable	6,047,937	0	6,047,937
Prepaid Items	174,610	6,279	180,889
Loans Receivable	411,759	0	411,759
Interfund Receivable	3,899	0	3,899
Assets Held for Resale	3,103,144	0	3,103,144
<i>Total Assets</i>	<u>\$28,439,562</u>	<u>\$92,762</u>	<u>\$28,532,324</u>
Liabilities			
Accounts Payable	\$1,537,557	\$17,833	\$1,555,390
Pollution Remediation Payable	1,697,671	0	1,697,671
Intergovernmental Payable	173,733	0	173,733
Interfund Payable	0	3,899	3,899
Unearned Revenue	1,661,654	0	1,661,654
<i>Total Liabilities</i>	<u>5,070,615</u>	<u>21,732</u>	<u>5,092,347</u>
Deferred Inflows of Resources			
Unavailable Revenue	3,482,045	0	3,482,045
Fund Balances			
Nonspendable	3,686,160	6,279	3,692,439
Restricted	0	64,751	64,751
Unassigned	16,200,742	0	16,200,742
<i>Total Fund Balances</i>	<u>19,886,902</u>	<u>71,030</u>	<u>19,957,932</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$28,439,562</u>	<u>\$92,762</u>	<u>\$28,532,324</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, 2019*

Total Governmental Fund Balances	\$19,957,932
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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.	198,444
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Other long-term assets are not available to pay for current period expenditures and therefore are reported as unavailable revenue in the funds:

Ohio Housing Finance Agency Reimbursement	2,833,701	
Cuyahoga County Asbestos Removal	311,947	
City of Bedford Asbestos Removal	<u>336,397</u>	
Total		3,482,045

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>(113,360)</u>
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<i>Net Position of Governmental Activities</i>	<u><u>\$23,525,061</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 Balances
Governmental Funds
For the Year Ended December 31, 2019

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues			
Intergovernmental	\$7,000,000	\$0	\$7,000,000
Operating Grants	17,851,048	5,000	17,856,048
Interest	305,371	32	305,403
Charges for Services	0	483,645	483,645
Contributions and Donations	0	207,990	207,990
Other	1,189,516	1,637	1,191,153
<i>Total Revenues</i>	<u>26,345,935</u>	<u>698,304</u>	<u>27,044,239</u>
Expenditures			
Professional and Contract Services	16,872,567	196,948	17,069,515
Indirect Salaries	3,334,298	343,857	3,678,155
Administration	1,296,698	180,263	1,476,961
<i>Total Expenditures</i>	<u>21,503,563</u>	<u>721,068</u>	<u>22,224,631</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	4,842,372	(22,764)	4,819,608
Other Financing Sources			
Excess from Sale of Assets Held for Resale	1,318,309	0	1,318,309
<i>Net Change in Fund Balances</i>	6,160,681	(22,764)	6,137,917
<i>Fund Balances Beginning of Year - Restated - See Note 10</i>	<u>13,726,221</u>	<u>93,794</u>	<u>13,820,015</u>
<i>Fund Balances End of Year</i>	<u>\$19,886,902</u>	<u>\$71,030</u>	<u>\$19,957,932</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, 2019*

Net Change in Fund Balance -Total Governmental Funds \$6,137,917

*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	6,603	
Current Year Depreciation	(56,813)	
	(50,210)	
Total		(50,210)

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	(3,006,879)	
Cuyahoga County Asbestos Removal	311,947	
City of Bedford Asbestos Removal	336,397	
	(2,358,535)	
Total		(2,358,535)

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. (39,998)

Change in Net Position of Governmental Activities \$3,689,174

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, 2019

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 Fiscal Officer, the County Executive or their designee, a member of the County Council and two representatives of the City of Cleveland, 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 units meet the blended component unit criteria of Governmental Accounting Standards Board (GASB) Statement numbers 14, 39, and 61 and are reported as part of the primary government in both the fund financial statements and government-wide financial statements:

CLB Services CLB Services is a legally separate entity, statutorily created under Chapter 17 of the Ohio Revised Code, served by three managers appointed by the President of the Corporation. They are Gus Frangos, CCLRC President, Kim Kimlin, 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 blended 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 was repaid in 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, 2019

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. 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.

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

Cuyahoga County Land Reutilization Corporation

Notes To The Basic Financial Statements

For The Year Ended December 31, 2019

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.

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 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.

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, 2019

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.

Budgetary Process

The Corporation is not bound by the budgetary laws prescribed by the Ohio Revised Code for purely governmental entities. The Board of Directors of the Corporation adopts an annual budget prior to the beginning of the fiscal year. Appropriations and subsequent amendments are approved by the Board of Directors during the year as required. See supplemental information on page 28.

Cash and Cash Equivalents

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

Cuyahoga County Land Reutilization Corporation

Notes To The Basic Financial Statements

For The Year Ended December 31, 2019

During 2019, 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 2019, 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 \$25 million or more. STAR Ohio reserves the right to limit the transactions to \$100 million per day, requiring the excess amount to be transacted the following business day(s), but only to the \$100 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 2019 amounted to \$305,371, which includes \$1,378 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, or donated to the Corporation. These properties are recorded and reported at cost, based upon the purchase price. Properties with demolished structures are either held for assembly for future sale, or sold or transferred to end users or municipalities. In 2019, assets held for resale that were carried at \$856,805 were sold for \$2,175,114 with an excess of \$1,318,309 which is reported as an other financing source on the fund financial statements and a gain on the entity wide financial statements.

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 and vehicles over useful lives of five to fifteen years.

Cuyahoga County Land Reutilization Corporation

Notes To The Basic Financial Statements

For The Year Ended December 31, 2019

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

Governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the fund. However, compensated absences are reported as a liability in the fund financial statements only to the extent payments come due each period upon the occurrence of employee resignations and retirements.

Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the Corporation will compensate the employees for the benefits through paid time off or some other means. The Corporation records a liability for all accumulated unused vacation time when earned for all employees with more than six months of service. Since the Corporation's employee policy limits the accrual of vacation time to six months from the employee's anniversary date, the outstanding liability is recorded as "vacation benefits payable" on the statement of net position rather than as a long-term liability.

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.

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.

Cuyahoga County Land Reutilization Corporation

Notes To The Basic Financial Statements

For The Year Ended December 31, 2019

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.

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.

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.

Cuyahoga County Land Reutilization Corporation

Notes To The Basic Financial Statements

For The Year Ended December 31, 2019

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, 2019

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, 2019, the Corporation had \$14,351,718 invested in STAR Ohio with an average maturity of 55.7 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, \$1,510,564 of the Corporation's bank balance of \$4,427,502 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

At December 31, 2019, the general fund was owed \$3,899 from the CLB services special revenue fund to support programs until money is due.

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 2019, the Corporation contracted with Zito Insurance Agency for various types of insurance as follows:

Cuyahoga County Land Reutilization Corporation

Notes To The Basic Financial Statements

For The Year Ended December 31, 2019

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.

Note 6 - Capital Assets

A summary of changes in capital assets during 2019 follows:

	Balance 12/31/2018	Additions	Deletions	Balance 12/31/2019
Governmental Activities:				
<i>Depreciable Capital Assets</i>				
Furniture and Equipment	\$293,362	\$6,603	\$0	\$299,965
Vehicles	10,500	0	0	10,500
Computer Software	87,048	0	0	87,048
<i>Total Capital Assets, Being Depreciated</i>	390,910	6,603	0	397,513
 Less Accumulated Depreciation				
Furniture and Equipment	(74,299)	(44,831)	0	(119,130)
Vehicles	(3,675)	(2,100)	0	(5,775)
Computer Software	(64,282)	(9,882)	0	(74,164)
<i>Total Accumulated Depreciation</i>	(142,256)	(56,813)	0	(199,069)
 <i>Governmental Activities Capital Assets, Net</i>	\$248,654	(\$50,210)	\$0	\$198,444

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 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 the end of the month following the anniversary date of their employment.

Cuyahoga County Land Reutilization Corporation

Notes To The Basic Financial Statements

For The Year Ended December 31, 2019

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 zero to \$3,000 for single and zero to \$6,000 for family.

Social Security

All employees pay into Social Security. The Corporation's liability is 6.2 percent of wages.

Note 8 - Receivables

Receivables at December 31, 2019, 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 for reimbursable grants from the Ohio Housing Finance Agency (OHFA) Neighborhood Initiative Program in the amount of \$3,921,258, reimbursement for asbestos removal in the amount of \$1,697,671, Cuyahoga County Program Grants in the amount of \$415,218 and Northeast Ohio Regional Sewer District in the amount of \$13,790.

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 and other governmental funds is presented as follows:

Fund Balance	General Fund	Other Governmental Funds	Total Governmental Funds
Nonspendable:			
Prepays	\$174,610	\$6,279	\$180,889
Loans Receivable	408,406	0	408,406
Assets Held for Resale	3,103,144	0	3,103,144
<i>Total Nonspendable</i>	3,686,160	6,279	3,692,439
Restricted:			
Other Purposes	0	64,751	64,751
Unassigned	16,200,742	0	16,200,742
Total	\$19,886,902	\$71,030	\$19,957,932

Cuyahoga County Land Reutilization Corporation

Notes To The Basic Financial Statements

For The Year Ended December 31, 2019

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

Change in Accounting Principles

For 2019, the Corporation implemented Governmental Accounting Standards Board (GASB) Statement No. 83, Certain Asset Retirement Obligations, Statement No. 84, Fiduciary Activities, Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements, and related guidance from (GASB) Implementation Guide No. 2019-2, Fiduciary Activities.

For 2019, the Corporation also implemented the Governmental Accounting Standards Board's (GASB) Implementation Guide No. 2018-1. These changes were incorporated in the Corporation's 2019 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement 83 addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. These changes were incorporated in the Corporation's 2019 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 84 established specific criteria for identifying activities that should be reported as fiduciary activities and clarifies whether and how business type activities should report their fiduciary activities. Due to the implementation of GASB Statement No. 84, the Corporation will no longer be reporting agency funds. The Corporation reviewed its agency funds and certain funds will be reported in the new fiduciary fund classification of custodial funds, while other funds have been reclassified as governmental funds. These changes were incorporated in the Corporation's 2019 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement 88 improves the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. These changes were incorporated in the Corporation's 2019 financial statements; however, there was no effect on beginning net position/fund balance.

Restatement of Fund Balance and Net Position

During 2019, it was determined that the Corporation owed a liability for pollution remediation at December 31, 2018. A corresponding receivable is also recorded for the recovery of remediation costs. The Corporation also had understated intergovernmental receivables and deferred inflows at December 31, 2018. Additionally, it was determined that CLB Services should be presented as a blended component unit. These restatements had the following effect on fund balance at December 31, 2018:

	General Fund	Other Governmental Funds	Total Governmental Funds
Fund Balance December 31, 2018	\$14,513,435	\$0	\$14,513,435
Adjustments:			
Pollution Remediation Payable	(787,214)	0	(787,214)
Intergovernmental Receivable	5,840,580		5,840,580
CLB Services	0	93,794	93,794
Deferred Inflow - Unavailable Revenue	(5,840,580)	0	(5,840,580)
Restated Fund Balance January 1, 2019	\$13,726,221	\$93,794	\$13,820,015

Cuyahoga County Land Reutilization Corporation

Notes To The Basic Financial Statements

For The Year Ended December 31, 2019

These restatements also had the following effect on net position at December 31, 2018:

	<u>Governmental Activities</u>
Net position December 31, 2018	\$14,668,775
Adjustments:	
Pollution Remediation Payable	(787,214)
Intergovernmental Receivable	5,840,580
CLB Services	<u>113,746</u>
Restated Net Position January 1, 2019	<u><u>\$19,835,887</u></u>

Note 11 – Pollution Remediation

For 2019, the Corporation is reporting a liability for pollution remediation of \$1,697,671. The EPA required the Corporation to remediate any asbestos found in any of the properties or projects. The Corporation estimates the liability based on the current value of outlays using the expected cash flow technique. The Corporation's asbestos remediation projects are as follows:

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 \$1,049,327 as of 2019 with the potential for additional costs in the future based on survey results. The full amount is to be recovered from the OHFA. This amount is realizable and has reduced the expense. This recovery asset from OHFA has been reported as part of the intergovernmental receivable.

The Corporation has signed an agreement to demolish the former St. Clement School and Convent. It was determined by a consultant that environmental remediation was necessary due to asbestos throughout the buildings. The cost of this remediation is expected to be \$11,947 with the full amount 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.

The Corporation has signed an agreement to demolish the former St. Peter Chanel High School. It was determined by a consultant that environmental remediation was necessary due to asbestos throughout the building. The cost of this remediation is expected to be \$636,397 with the full amount expected to be recovered by a reimbursement from the County in the amount of \$300,000 and \$336,397 from the City of Bedford. These amounts are realizable and has reduced the expense. The recovery assets from Cuyahoga County and the City of Bedford have been reported as part of the intergovernmental receivable.

Note 12 – Subsequent Event

Subsequent to year-end, the Corporation's investment portfolio and/or the investments of the pension and other employee benefit plan in which the Corporation participates have incurred a significant decline in fair value, consistent with the general decline in financial markets; however, because the values of individual investments fluctuate with market conditions, and due to market volatility, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined.

The United States, the State of Ohio, and the Corporation declared a state of emergency in March 2020 due to the global Coronavirus Disease 2019 (COVID-19) pandemic. The financial impact of COVID-19 will impact subsequent periods of the Corporation. The impact on the Corporation's future operating costs, revenues, and any recovery from emergency funding, either federal or State, cannot be estimated.

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, 2019

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Intergovernmental	\$7,000,000	\$7,000,000	\$7,000,000	\$0
Operating Grants	16,803,600	20,249,700	17,740,016	(2,509,684)
Interest	186,700	312,000	320,888	8,888
Other	1,167,800	1,228,200	1,189,516	(38,684)
<i>Total Revenues</i>	<u>25,158,100</u>	<u>28,789,900</u>	<u>26,250,420</u>	<u>(2,539,480)</u>
Expenditures				
Current:				
Professional and Contract Services	22,237,900	23,911,900	17,825,619	6,086,281
Indirect Salaries	3,644,300	3,488,900	3,334,298	154,602
Administration	1,456,000	1,571,000	1,079,031	491,969
<i>Total Expenditures</i>	<u>27,338,200</u>	<u>28,971,800</u>	<u>22,238,948</u>	<u>6,732,852</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	(2,180,100)	(181,900)	4,011,472	4,193,372
Other Financing Sources				
Sale of Assets Held for Resale	2,146,000	2,062,000	2,175,114	113,114
<i>Net Change in Fund Balance</i>	(34,100)	1,880,100	6,186,586	4,306,486
<i>Fund Balance Beginning of Year</i>	12,459,351	12,459,351	12,459,351	0
<i>Fund Balance End of Year</i>	<u>\$12,425,251</u>	<u>\$14,339,451</u>	<u>\$18,645,937</u>	<u>\$4,306,486</u>

See accompanying notes to the supplemental information

Cuyahoga County Land Reutilization Corporation

*Notes to the Supplemental Information
For the Year Ended December 31, 2019*

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 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 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, 2019*

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	\$6,160,681
Net Adjustment for Revenue Accruals	761,290
Net Adjustment for Expenditure Accruals	<u>(735,385)</u>
Budget Basis	<u><u>\$6,186,586</u></u>

May 28, 2020

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

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*

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, 2019, 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 28, 2020, in which we noted the Corporation restated beginning net position and fund balances to correct a misstatement. In addition, it was noted that the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Corporation.

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) to determine 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 entity'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 may exist that have not been identified.

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 determination of financial statement amounts. 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.

Hea & Associates, Inc.

New Philadelphia, Ohio

OHIO AUDITOR OF STATE KEITH FABER



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
JUNE 23, 2020**