



OHIO AUDITOR OF STATE  
**KEITH FABER**





**SHAKER HEIGHTS DEVELOPMENT CORPORATION  
CUYAHOGA COUNTY  
DECEMBER 31, 2022 AND 2021**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Auditor's Report .....	1
Prepared by Management:	
Management's Discussion and Analysis .....	5
Basic Financial Statements:	
Statements of Net Position.....	9
Statements of Revenues, Expenses and Changes in Net Position .....	10
Statements of Cash Flows .....	11
Notes to Basic Financial Statements .....	13
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	27

**This page intentionally left blank.**

# OHIO AUDITOR OF STATE KEITH FABER



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

## INDEPENDENT AUDITOR'S REPORT

Shaker Heights Development Corporation  
Cuyahoga County  
3400 Lee Road  
Shaker Heights, Ohio 44120

To the Board of Directors:

### Report on the Audit of the Financial Statements

#### **Opinion**

We have audited the financial statements of the Shaker Heights Development Corporation, Cuyahoga County, Ohio (the Corporation), as of and for the years ended December 31, 2022, and 2021, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Shaker Heights Development Corporation, Cuyahoga County, Ohio as of December 31, 2022, and 2021, and the changes in financial position and its cash flows for the years then ended in accordance with the accounting principles generally accepted in the United States of America.

#### **Basis for Opinion**

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

#### **Responsibilities of Management for the Financial Statements**

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

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

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

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

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

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

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

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 1, 2023, 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. 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.



Keith Faber  
Auditor of State  
Columbus, Ohio

September 1, 2023

**This page intentionally left blank.**



# Shaker Heights Development Corporation

## Management's Discussion and Analysis

### For the Years Ended December 31, 2022 and 2021

---

This discussion and analysis, along with the accompanying financial report, of the Shaker Heights Development Corporation (the "Corporation") is designed to provide our creditors and other interested parties with a general overview of the Corporation and its financial activities.

#### **FINANCIAL HIGHLIGHTS**

The Corporation's net position was \$1,043,897 and \$1,000,587 on December 31, 2022 and 2021, respectively.

The Corporation's revenues decreased \$232,324 from 2021 to 2022 and increased \$200,374 from 2020 to 2021. The Corporation's expenses increased \$57,416 from 2021 to 2022 and decreased \$8,856 from 2020 to 2021.

In 2022, the Corporation implemented Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases* and related guidance from (GASB) Implementation Guide No. 2019-3, *Leases*. As a result of the implementation of this standard, effective January 1, 2022, the Corporation recorded a lease receivable of \$240,724 with offsetting deferred inflows of resources.

In 2022, the Corporation contributed all of its interest in 3725 Lee Road Shaker Hts. LLC and all of its interests in Shaker REDO LLC to Shaker Lee Development Fund LLC, a new joint venture.

In 2021, the Corporation received \$15,900 in Paycheck Protection Program funding. In 2020, the Corporation received \$15,400 in Paycheck Protection Program funding. Both loans were forgiven in 2021. In 2021, the Corporation's loan from the City of Shaker Heights was retired.

#### **OVERVIEW OF BASIC FINANCIAL STATEMENTS**

The Corporation is a single enterprise fund using proprietary fund accounting, similar to a private sector business. The basic financial statements are presented using the accrual basis of accounting.

The **Statements of Net Position** include all of the Corporation's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Corporation is improving or declining.

The **Statements of Revenues, Expenses and Changes in Net Position** provide information on the Corporation's operations over the past year. Revenues are reported when earned and expenses are reported when incurred.

The **Statements of Cash Flows** provide information about the Corporation's cash receipts and cash disbursements. It summarizes the net changes in cash resulting from operating, investing, and financing activities.

# Shaker Heights Development Corporation

## Management's Discussion and Analysis

### For the Years Ended December 31, 2022 and 2021

---

#### NET POSITION

Table 1 summarizes the net position of the Corporation.

TABLE 1

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Assets:			
Current assets	\$ 797,551	\$ 726,986	\$ 702,644
Non-current assets	<u>647,778</u>	<u>375,089</u>	<u>392,492</u>
Total assets	<u>1,445,329</u>	<u>1,102,075</u>	<u>1,095,136</u>
Liabilities:			
Current liabilities	33,132	23,065	300,490
Long-term liabilities:			
Due in more than one year	<u>67,421</u>	<u>78,423</u>	<u>127,109</u>
Total liabilities	<u>100,553</u>	<u>101,488</u>	<u>427,599</u>
Deferred inflows of resources:			
Leases	<u>300,879</u>	<u>-</u>	<u>-</u>
Total deferred inflows of resources	<u>300,879</u>	<u>-</u>	<u>-</u>
Net position:			
Net investment in capital assets	126,556	147,709	155,424
Restricted	247,800	251,093	13,692
Unrestricted	<u>669,541</u>	<u>601,785</u>	<u>498,421</u>
Total net position	\$ <u>1,043,897</u>	\$ <u>1,000,587</u>	\$ <u>667,537</u>

# Shaker Heights Development Corporation

## Management's Discussion and Analysis

### For the Years Ended December 31, 2022 and 2021

---

#### REVENUES, EXPENSES AND CHANGES IN NET POSITION

Table 2 below summarizes the changes in revenues and expenses and the resulting change in net position.

TABLE 2

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Operating revenues	\$ 392,765	\$ 601,587	\$ 261,159
Operating expenses	<u>353,897</u>	<u>297,855</u>	<u>305,243</u>
Operating income (loss)	38,868	303,732	(44,084)
Non-operating revenues	8,646	32,148	172,202
Non-operating expenses	<u>(4,204)</u>	<u>(2,830)</u>	<u>(4,298)</u>
Changes in net position	43,310	333,050	123,820
Net position at beginning of year	<u>1,000,587</u>	<u>667,537</u>	<u>543,717</u>
Net position at end of year	\$ <u>1,043,897</u>	\$ <u>1,000,587</u>	\$ <u>667,537</u>

Revenues decreased by \$232,324 from 2021 to 2022 and increased by \$200,374 from 2020 to 2021. The decrease in revenue in 2022 was due to a decrease in contributions and grants as the Corporation received funds from the City of Shaker Heights in 2021 to be used for property purchases. The increase in revenue in 2021 was due to an increase in contributions and grants. Contribution and grants increased as the Corporation received funds from the City of Shaker Heights in 2021 to be used for property purchases.

Expenses increased by \$57,416 from 2021 to 2022 and decreased by \$8,856 from 2020 to 2021. The increase in expenses in 2022 was mainly due to an increase in expenses related to the Dealership and the Shake It Up event.

#### CAPITAL ASSETS

The Corporation had capital assets of \$204,960 at December 31, 2022. The Corporation had capital assets of \$236,580 at December 31, 2021. Additional information can be found in Note 5.

#### DEBT ADMINISTRATION

At December 31, 2022 and 2021, the Corporation had \$78,404 and \$88,871, respectively, in outstanding debt related to a loan from Village Capital Corporation. Additional information can be found in Note 6.

# **Shaker Heights Development Corporation**

## **Management's Discussion and Analysis**

### **For the Years Ended December 31, 2022 and 2021**

---

#### **CURRENT FINANCIAL RELATED ACTIVITIES**

At December 31, 2022 and 2021 the Corporation had total assets of \$1,445,329 and \$1,102,075 and total net position of \$1,043,897 and \$1,000,587, respectively. This resulted in an increase in net position of \$43,310 for 2022 and an increase of \$333,050 for 2021. Management continues to monitor all activity affecting the condition of the Corporation.

#### **CONTACT INFORMATION**

Questions regarding this report and requests for additional information should be forwarded to Nick Fedor, Executive Director of the Corporation, or Kandis Williams, President of the Corporation, 3558 Lee Road, Shaker Heights, Ohio 44120.

# Shaker Heights Development Corporation

## Statements of Net Position

December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Assets:		
Current:		
Cash and cash equivalents	\$ 738,727	\$ 714,706
Accounts receivable, net	400	3,200
Prepaid expenses	1,464	1,334
Lease receivable	51,708	-
Mortgage loans receivable, net	5,252	7,746
Total current assets	<u>797,551</u>	<u>726,986</u>
Non-current:		
Investment in joint ventures	185,684	138,509
Lease receivable, net of current portion	257,134	-
Non-depreciable capital assets	14,963	29,041
Depreciable capital assets, net	189,997	207,539
Total non-current assets	<u>647,778</u>	<u>375,089</u>
Total assets	<u>1,445,329</u>	<u>1,102,075</u>
Liabilities:		
Current liabilities:		
Accounts payable	4,767	7,526
Security deposits	7,400	-
Accrued wages	4,719	4,719
Unearned revenues	4,935	-
Interest payable	328	372
Loans payable	10,983	10,448
Total current liabilities	<u>33,132</u>	<u>23,065</u>
Long-term liabilities (net of current portion):		
Loans payable	67,421	78,423
Total liabilities	<u>100,553</u>	<u>101,488</u>
Deferred inflows of resources:		
Leases	300,879	-
Total deferred inflows of resources	<u>300,879</u>	<u>-</u>
Net position:		
Net investment in capital assets	126,556	147,709
Restricted	247,800	251,093
Unrestricted	669,541	601,785
Total net position	<u>\$ 1,043,897</u>	<u>\$ 1,000,587</u>

The accompanying notes are an integral part of these financial statements

# Shaker Heights Development Corporation

## Statements of Revenues, Expenses and Changes in Net Position

### For the Years Ended December 31, 2022 and 2021

	2022	2021
Operating revenues:		
Contributions and grants	\$ 212,729	\$ 456,311
Interest income	11,778	439
Income from investment in joint ventures	-	3,869
Property income	11,853	13,850
Dealership income	156,405	127,118
Total operating revenues	<u>392,765</u>	<u>601,587</u>
Operating expenses:		
Grant	125	1,000
Administration	140,954	148,075
Fundraising	32,618	802
Property expenses	37,148	32,304
Dealership expenses	120,140	98,302
Loss from investment in joint ventures	5,770	-
Depreciation	17,142	17,372
Total operating expenses	<u>353,897</u>	<u>297,855</u>
Operating income	38,868	303,732
Non-operating revenues (expenses):		
Gain on forgiveness of Paycheck Protection Program loans	-	31,300
Gain on transfer of 3725 Lee Road Shaker Heights LLC interest	5,517	-
Investment income	3,129	848
Interest expense	(4,204)	(2,830)
Total non-operating revenues	<u>4,442</u>	<u>29,318</u>
Change in net position	43,310	333,050
Net position at beginning of year	<u>1,000,587</u>	<u>667,537</u>
Net position at end of year	<u>\$ 1,043,897</u>	<u>\$ 1,000,587</u>

The accompanying notes are an integral part of these financial statements

# Shaker Heights Development Corporation

## Statements of Cash Flows

**For the Years Ended December 31, 2022 and 2021**

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Cash receipts for contributions and grants	\$ 186,848	\$ 181,311
Cash receipts for loans	2,671	15,086
Cash receipts from others	25,881	-
Cash receipts for rent	20,000	-
Cash receipts for the Dealership	167,031	141,568
Cash receipts from joint ventures	-	3,900
Cash payments for education	(125)	(1,000)
Cash payments for personal services	(61,590)	(108,066)
Cash payments for goods and services	(153,604)	(71,360)
Cash payments for the Dealership	(118,555)	(98,302)
Net cash provided by operating activities	<u>68,557</u>	<u>63,137</u>
Cash flows from investing activities:		
Interest received	3,129	848
Net cash provided by investing activities	<u>3,129</u>	<u>848</u>
Cash flows from capital and related financing activities:		
Acquisition of assets	(32,950)	-
Advances from City of Shaker Heights	-	250,000
Repayment of advances to City of Shaker Heights	-	(250,000)
Proceeds from debt	-	15,900
Principal paid on debt	(10,467)	(36,857)
Interest paid	(4,248)	(4,773)
Net cash used by capital and related financing activities	<u>(47,665)</u>	<u>(25,730)</u>
Net change in cash	24,021	38,255
Cash and cash equivalents at beginning of year	<u>714,706</u>	<u>676,451</u>
Cash and cash equivalents at end of year	<u>\$ 738,727</u>	<u>\$ 714,706</u>

(continued)

The accompanying notes are an integral part of these financial statements

# Shaker Heights Development Corporation

## Statements of Cash Flows (continued)

### For the Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
<i>Reconciliation of operating income to net cash from operating activities:</i>		
Operating income	\$ 38,868	\$ 303,732
Adjustments:		
Depreciation	17,142	17,372
Changes in operating assets/liabilities:		
Decrease in mortgage loans receivable, net	2,494	14,647
Decrease in accounts receivable, net	2,800	600
Increase in prepaid expenses	(130)	(1,334)
Decrease in investment in joint ventures	5,770	31
Decrease in lease receivable, net	47,399	-
(Decrease) in deferred inflows - leases	(55,362)	-
(Decrease) increase in accounts payable	(2,759)	1,232
Increase in security deposits	7,400	-
Increase in unearned revenues	4,935	-
Decrease in intergovernmental payable	-	(275,000)
Increase in accrued wages	-	1,857
Net cash provided by operating activities	<u>\$ 68,557</u>	<u>\$ 63,137</u>

### Supplemental disclosures of cash flow information:

#### Non cash capital and related financing activities:

Forgiveness of Paycheck Protection Program loans	\$ -	\$ 31,300
Gain on transfer of 3725 Lee Road Shaker Heights LLC interest to joint venture	5,517	-
Transfer of REDO to joint venture	140,146	-
Transfer of 3725 Lee Road Shaker Heights LLC interest to joint venture	47,428	-

The accompanying notes are an integral part of these financial statements



# Shaker Heights Development Corporation

## Notes to Basic Financial Statements

### December 31, 2022 and 2021

---

#### **Note 1: Reporting Entity**

The Shaker Heights Development Corporation (the “Corporation”) was originally created in 1980 under the name Shaker Heights Community Improvement Corporation by the City of Shaker Heights (the “City”), a political subdivision of the State of Ohio, pursuant to the authority of Article VIII, Section 13 of the Ohio Constitution and Chapter 1724 of the Ohio Revised Code. All of the activities of the Corporation are intended to be conducted in and to benefit the people and businesses within the corporate limits of the City of Shaker Heights (other than, perhaps, some support activities that may be conducted in the future, such as fundraising).

The Corporation initially formed a Board of Trustees, which met several times, but the Corporation did not become active until 2011. In the intervening years, the City maintained the status of the Corporation as a corporate entity registered with the State of Ohio with the idea that someday the City might need the activities and services that a Corporation formed under Ohio State law could perform. The Corporation was never funded, and had no revenue or expenses during those dormant years.

In 2011, the City determined that certain services of the Corporation were needed, and so an expanded Board met and took several actions to begin the process of making the Corporation a functioning and active organization that could assist in the economic development of the City. The Internal Revenue Service approved the Corporation’s status as a 501(c)(3) non-profit corporation on September 8, 2011 and in 2014, the formal name was changed to the Shaker Heights Development Corporation.

The Corporation acts as the agency and instrumentality of the City for the purpose of initiating and guiding economic and community development projects in the City in accordance with Chapter 1724 of the Ohio Revised Code.

The Corporation operates the Dealership, which is a coworking community in Shaker Heights for remote workers, freelancers, and small businesses. The Dealership is home to businesses in a range of industries including e-commerce, accounting, real estate, small scale manufacturing and the performing arts. It is an anchor for the Chagrin + Lee business district.

Under State law, no less than two-fifths of the governing board of the Corporation must be comprised of appointed or elected officers of the City.

The Corporation was associated with three joint ventures during 2021 and 2022: Shaker REDO LLC, Shaker Lee Development Fund LLC and Goldstein Caldwell & Associates LLC. See Note 8 for additional information.

The Corporation was the sole member of 3612 Lee Road LLC in 2021 and 2022. The entity is used by the Corporation for property purchases. The activity for this Corporation is incorporated into the financial statements as the Corporation is the sole member of the entity. In 2022, the Corporation contributed all of its interest in 3725 Lee Road Shaker Hts. LLC to Shaker Lee Development Fund LLC, a new joint venture. See Note 8 for additional information.

# Shaker Heights Development Corporation

## Notes to Basic Financial Statements (continued)

**December 31, 2022 and 2021**

---

### 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 prescribed by the Governmental Accounting Standards Board (GASB), including Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. The Corporation’s basic financial statements consist of a statement of net position, a statement of revenues, expenses and changes in net position, and a statement of cash flows. The Corporation uses enterprise fund accounting to prepare the financial statements. Enterprise fund accounting focuses on the determination of operating income, changes in net position, financial position and cash flows.

#### Basis of Accounting

The financial statements of the Corporation have been prepared on the accrual basis of accounting, which recognizes revenues when earned and expenses when incurred.

#### Basis of Presentation

Net position and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net position of the Corporation is classified as follows:

- Unrestricted – Net position that is not subject to donor-imposed stipulations.
- Restricted net position – Net position subject to donor-imposed stipulations that can be fulfilled by actions of the Corporation pursuant to those stipulations or that expire by the passage of time or that are required to be maintained in perpetuity. Generally, the donors of such assets permit the Corporation to use all or part of the income earned on the assets for general or specific purposes.
- Net investment in capital assets – Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets.

The Corporation applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted amounts are available.

#### Measurement Focus

The Corporation’s operations are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation are included on the statement of net position. The operating statement presents increases and decreases in net position and distinguishes between operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a Corporation’s purpose. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

# Shaker Heights Development Corporation

## Notes to Basic Financial Statements (continued)

**December 31, 2022 and 2021**

---

### Note 2: Summary of Significant Accounting Policies (continued)

#### Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### Newly Adopted Accounting Pronouncements

For 2022, the Corporation implemented Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases* and related guidance from (GASB) Implementation Guide No. 2019-3, *Leases*.

GASB Statement 87 enhances the relevance and consistency of information of the Corporation's leasing activities. It establishes requirements for lease accounting based on the principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right to use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. These changes were incorporated into the Corporation's 2022 financial statements. As a result of the implementation of this standard, effective January 1, 2022, the Corporation recorded a lease receivable of \$240,724 with offsetting deferred inflows of resources.

#### Cash and Cash Equivalents

For purposes of the statements of cash flows, the Corporation considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents. During fiscal year 2022 and 2021, investments were limited to negotiable certificates of deposit, U.S. Treasury Notes, and bonds issued by the State of Ohio.

Investments are reported at fair value which is based on quoted market prices.

#### Concentrations

Financial instruments, which potentially subject the Corporation to concentrations of credit risk, consist primarily of periodic temporary investments of excess cash. The Corporation places its temporary excess cash in high-quality financial institutions.

#### Mortgage Loans Receivable

Mortgage loans receivable are scheduled future principal payments to be received from citizens who have borrowed money from the Fund for the Future of Shaker Heights as part of the down payment loan program. The loans carry varying interest rates and interest revenue is recorded when payments are received. The loans receivable were transferred to the Corporation in October 2012 as part of the dissolution of the Fund for the Future of Shaker Heights.

# Shaker Heights Development Corporation

## Notes to Basic Financial Statements (continued)

**December 31, 2022 and 2021**

---

### Note 2: Summary of Significant Accounting Policies (continued)

#### Prepaid Expenses

Payments made to vendors for services that will benefit periods beyond the current fiscal year, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expense in the year in which it was consumed.

#### Income Taxes

The Corporation has qualified for a tax exemption under Section 501(c)(3) of the Internal Revenue Code and, accordingly, no provision for federal income tax has been recorded in the accompanying financial statements.

#### Capital Assets

All purchased capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their acquisition values as of the date received. The Corporation's capitalization threshold is \$10,000 and assets are depreciated using the straight-line basis method. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Buildings and 3612 building improvements are depreciated over 39 years. Dealership improvements are depreciated over the remaining life of the Dealership operating lease.

#### Investment in Joint Venture

The investment in the Goldstein Caldwell & Associates LLC, Shaker Lee Development Fund LLC and Shaker REDO LLC joint ventures are reported using the equity method of accounting.

#### Deferred Inflows of Resources

For the Corporation, deferred inflows of resources related to leases. Deferred inflows of resources related to leases are explained in newly adopted accounting pronouncement of this note and Note 7.

# Shaker Heights Development Corporation

## Notes to Basic Financial Statements (continued)

**December 31, 2022 and 2021**

---

### **Note 3: Cash and Cash Equivalents**

For convenience, the Corporation uses the City as its fiscal agent and pools the Corporation's cash and cash equivalents with the other City deposits. Therefore, although it is not required to do so, the Corporation follows the City's investment policies as follows.

State statutes classify monies held by the City into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the City 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 monies 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 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. The City's investment policies are governed by the City's charter and ordinances.

The charter authorizes the City to invest in the following securities:

1. Bonds or notes which are issued by and are obligations of the City.
2. Bonds, notes, certificates of indebtedness, treasury bills or other securities issued by and constituting direct obligations of, or guaranteed by the United States, or those for which the faith of the United States is pledged for the payment of principal and interest thereon.
3. Bonds or notes which are issued by and are the obligations of the State of Ohio, provided that such bonds or notes have a rating assigned to them by Standard & Poor's Corporation or Moody's Investor Services, Inc. which rating:
  - a. As to bonds, is one of the two highest rating categories that may be assigned; and
  - b. As to notes, is the highest rating category that may be assigned.

In order to be eligible investments under points (2) and (3), there must be no outstanding default for the payment of the principal or interest on such securities and the securities must mature or be subject to redemption at the option of the City within five years of the date the City purchased such security.

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 City, and must be purchased with the expectation that it will be held to maturity.

# Shaker Heights Development Corporation

## Notes to Basic Financial Statements (continued)

### December 31, 2022 and 2021

---

#### **Note 3: Cash and Cash Equivalents (continued)**

Written repurchase agreements in the securities listed above are permitted provided that the fair 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 the market daily. The term of the agreement may not exceed 30 days.

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 Finance Director or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

#### Deposits

*Custodial credit risk* is the risk that in the event of bank failure, the Corporation's deposits may not be returned to it. Protection of the Corporation's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution, by surety company bonds or by a single collateral pool established by the financial institution. In accordance with Chapter 135 of the Ohio Revised Code, any public depository receiving deposits pursuant to an award of City funds shall be required to pledge as security for repayment of all public moneys.

At December 31, 2022, the carrying amount of the Corporation's deposits was \$622,369 (including \$12 of petty cash) and the bank balance was \$615,142, of which \$415,199 is maintained in the Corporation bank accounts and \$199,943 is maintained in the pool of cash and cash equivalents with the other City deposits. At December 31, 2021, the carrying amount of the Corporation's deposits was \$649,116 (including \$227 of petty cash) and the bank balance was \$648,889, of which \$402,742 is maintained in the Corporation bank accounts and \$246,147 is maintained in the pool of cash and cash equivalents with the other City deposits. At December 31, 2022, \$165,199 was exposed to custodial credit risk. At December 31, 2021, \$152,742 was exposed to custodial credit risk.

The Corporation has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or 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 105% of the deposits being secured; or

Effective July 1, 2017, participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102% of the deposits being secured or a rate set by the Treasurer of State.

# Shaker Heights Development Corporation

## Notes to Basic Financial Statements (continued)

### December 31, 2022 and 2021

---

#### Note 3: Cash and Cash Equivalents (continued)

##### Investments

Investments are reported at fair value.

As of December 31, 2022, the Corporation's allocation of investments is the following:

	<u>Fair Value</u>	<u>Maturities (in years)</u>	
		<u>Less than 1</u>	<u>1-3</u>
U.S. Treasury Notes	\$ 37,648	\$ 1,972	\$ 35,676
Negotiable Certificates of Deposit	78,710	13,603	65,107
Total Portfolio	<u>\$ 116,358</u>	<u>\$ 15,575</u>	<u>\$ 100,783</u>

As of December 31, 2021, the Corporation's allocation of investments is the following:

	<u>Fair Value</u>	<u>Maturities (in years)</u>	
		<u>Less than 1</u>	<u>1-3</u>
U.S. Treasury Notes	\$ 10,269	\$ -	\$ 10,269
State of Ohio Bonds	2,097	2,097	-
Negotiable Certificates of Deposit	53,224	7,281	45,943
Total Portfolio	<u>\$ 65,590</u>	<u>\$ 9,378</u>	<u>\$ 56,212</u>

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 has the following recurring fair value measurements as of December 31, 2022 and 2021:

- Negotiable Certificates of Deposit are measured based on Level 2 inputs using a matrix pricing method.
- State of Ohio Bonds are measured based on Level 2 inputs using a matrix pricing method.
- U.S. Treasury Notes are measured based on Level 1 inputs, quoted market prices in active markets.

*Interest Rate Risk* arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The Corporation's investment policy addresses interest rate risk requiring that the Corporation's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments, thereby avoiding the need to sell securities on the open market prior to maturity and by investing operating funds primarily in short-term investments. The Corporation's investment policy also limits security purchases to those that mature within five years unless specifically matched to a specific cash flow. To date, no investments have been purchased with a life greater than five years.

# Shaker Heights Development Corporation

## Notes to Basic Financial Statements (continued)

### December 31, 2022 and 2021

---

#### **Note 3: Cash and Cash Equivalents (continued)**

##### Investments (continued)

*Custodial Risk* for investments is the risk that, in the event of the failure of the counterparty to a transaction, the Corporation will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. All financial institutions and broker/dealers who desire to become qualified for investment transactions with the Corporation must meet a set of prescribed standards and be periodically reviewed.

*Credit Risk* is addressed in the Corporation's investment policy by the requirements that all investments are authorized by Ohio Revised Code and that the portfolio be diversified both by types of investment and issuer. All U.S. Treasury Notes of the Corporation are registered and carry a rating of AAA by Moody's. The State of Ohio bonds carry a rating of Aa1 by Moody's. The negotiable certificates of deposit are not rated.

*Concentration of Credit Risk* is defined by the Governmental Accounting Standards Board as five percent or more in the securities of a single issuer. The Corporation's investment policy requires diversification of the portfolio but does not indicate specific percentage allocations.

<u>Investment Issuer</u>	<u>Percentage of Investments</u>	
	<u>2022</u>	<u>2021</u>
U.S. Treasury Notes	32.36%	15.65%
State of Ohio Bonds	0.00%	3.20%
Negotiable Certificates of Deposit	67.64%	81.15%

#### **Note 4: Mortgage Loans Receivable, Net**

Mortgage loans receivable result from down-payment assistance loans given to citizens of the City of Shaker Heights by the Fund for the Future of Shaker Heights. The mortgage loans receivable were donated to the Corporation in 2012. The receivables are collateralized by second mortgages in the property being purchased and are administered by a third-party bank. The loans are due in full upon sale of the underlying property and there is no prepayment penalty for early principal payments.

Mortgage loans receivable, net at December 31, 2022 and 2021 were as follows:

Gross mortgage loans receivable	\$ <u>5,252</u>	\$ <u>7,746</u>
Allowance for doubtful accounts	<u>-</u>	<u>-</u>
Mortgage loans receivable, net	\$ <u><u>5,252</u></u>	\$ <u><u>7,746</u></u>



# Shaker Heights Development Corporation

## Notes to Basic Financial Statements (continued)

### December 31, 2022 and 2021

---

#### Note 4: Mortgage Loans Receivable, Net (continued)

Contractual maturities of the net mortgage loans receivable were as follows at December 31, 2022:

	<u>Principal</u>	<u>Interest</u>
2023	\$ 2,488	\$ 105
2024	1,899	46
2025	<u>865</u>	<u>8</u>
	<u>\$ 5,252</u>	<u>\$ 159</u>

#### Note 5: Capital Assets

Capital assets activity for the year ended December 31, 2022, was as follows:

	<u>Balance</u> <u>12/31/21</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>12/31/22</u>
Capital assets not being depreciated:				
Land	\$ 29,041	\$ -	\$ (14,078)	\$ 14,963
Capital assets being depreciated:				
3612 building improvements	-	32,950	-	32,950
Leasehold improvements, Dealership	152,498	-	-	152,498
Buildings	<u>111,068</u>	<u>-</u>	<u>(35,922)</u>	<u>75,146</u>
Total capital assets being depreciated	<u>263,566</u>	<u>32,950</u>	<u>(35,922)</u>	<u>260,594</u>
Less accumulated depreciation:				
3612 building improvements	-	(422)	-	(422)
Leasehold improvements, Dealership	(50,834)	(14,524)	-	(65,358)
Buildings	<u>(5,193)</u>	<u>(2,196)</u>	<u>2,572</u>	<u>(4,817)</u>
Total accumulated depreciation	<u>(56,027)</u>	<u>(17,142)</u>	<u>2,572</u>	<u>(70,597)</u>
Total assets being depreciated, net	<u>207,539</u>	<u>15,808</u>	<u>(33,350)</u>	<u>189,997</u>
Capital assets, net	<u>\$ 236,580</u>	<u>\$ 15,808</u>	<u>\$ (47,428)</u>	<u>\$ 204,960</u>

# Shaker Heights Development Corporation

## Notes to Basic Financial Statements (continued)

### December 31, 2022 and 2021

#### Note 5: Capital Assets (continued)

Capital assets activity for the year ended December 31, 2021, was as follows:

	<u>Balance</u> <u>12/31/20</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>12/31/21</u>
Capital assets not being depreciated:				
Land	\$ <u>29,041</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>29,041</u>
Capital assets being depreciated:				
Leasehold improvements, Dealership	152,498	-	-	152,498
Buildings	<u>111,068</u>	<u>-</u>	<u>-</u>	<u>111,068</u>
Total capital assets being depreciated	<u>263,566</u>	<u>-</u>	<u>-</u>	<u>263,566</u>
Less accumulated depreciation:				
Leasehold improvements, Dealership	(36,310)	(14,524)	-	(50,834)
Buildings	<u>(2,345)</u>	<u>(2,848)</u>	<u>-</u>	<u>(5,193)</u>
Total accumulated depreciation	<u>(38,655)</u>	<u>(17,372)</u>	<u>-</u>	<u>(56,027)</u>
Total assets being depreciated, net	<u>224,911</u>	<u>(17,372)</u>	<u>-</u>	<u>207,539</u>
Capital assets, net	\$ <u>253,952</u>	\$ <u>(17,372)</u>	\$ <u>-</u>	\$ <u>236,580</u>

#### Note 6: Long-term Debt

Long-term debt is comprised of the following as of December 31, 2022:

	<u>Balance</u> <u>12/31/21</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/22</u>	<u>Due</u> <u>Within</u> <u>One Year</u>
Loan from Village Capital Corporation, due June 2028, 5% interest	\$ <u>88,871</u>	\$ <u>-</u>	\$ <u>10,467</u>	\$ <u>78,404</u>	\$ <u>10,983</u>

Long-term debt is comprised of the following as of December 31, 2021:

	<u>Balance</u> <u>12/31/20</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/21</u>	<u>Due</u> <u>Within</u> <u>One Year</u>
Loan from City of Shaker Heights, due January 2023, 1% interest	\$ 27,200	\$ -	\$ 27,200	\$ -	\$ -
Paycheck Protection Program Loans, due July 2023, 1% interest	15,400	15,900	31,300	-	-
Loan from Village Capital Corporation, due June 2028, 5% interest	<u>98,528</u>	<u>-</u>	<u>9,657</u>	<u>88,871</u>	<u>10,448</u>
Total	\$ <u>141,128</u>	\$ <u>15,900</u>	\$ <u>68,157</u>	\$ <u>88,871</u>	\$ <u>10,448</u>

# Shaker Heights Development Corporation

## Notes to Basic Financial Statements (continued)

### December 31, 2022 and 2021

---

#### **Note 6: Long-term Debt (continued)**

In June 2018, the Village Capital Corporation loaned the Corporation \$115,500 with an interest rate of five percent to fund costs associated with certain leasehold improvements to the Dealership. The loan has a ten-year term and requires monthly payments of principal and interest. There is no prepayment penalty for early principal payments. This loan is secured by a mortgage on the parcel located at 3630 Lee Road and assignment of lease and rents at the Dealership.

In January 2014, the City of Shaker Heights advanced to the Corporation \$27,200 to fund costs associated with professional fund development to assist the Corporation in raising funds to pursue economic development projects, including the Shaker Launch House Institute. At the time the loan had a three-year term with an interest rate of one percent. In 2016, the loan was extended another three years. In 2020 the loan was extended for another three years. All principal and interest payments are due at maturity and there is no prepayment penalty for early principal payments. In 2021, the City amended the loan agreement so that the Corporation would not have to pay interest. Corporation retired this loan in 2021.

In April 2020, the Corporation received \$15,400 in Paycheck Protection Program (PPP) funding. The terms of the loan agreement indicate that the Corporation must utilize the proceeds to fund/offset qualifying expenses over either an 8- or 24-week period and that they maintain their full-time equivalent employment as specified in the terms of the agreement. The terms of the agreement specify that the Corporation must repay any unforgiven principal of the loan plus interest, which accrued at 1%. In September 2021, this PPP loan was forgiven.

In April 2021, the Corporation received approval for a second draw of \$15,900 in PPP funding. The terms of the loan agreement indicate that the Corporation must utilize the proceeds to fund/offset qualifying expenses over either an 8- or 24-week period and that they maintain their full-time equivalent employment as specified in the terms of the agreement. The terms of the agreement specify that the Corporation must repay any unforgiven principal of the loan plus interest, which accrued at 1%. This PPP loan was forgiven in October 2021.

The aggregate amounts of maturities on long-term debt as of December 31, 2022 are as follows:

	<u>Principal</u>	<u>Interest</u>
2023	\$ 10,983	\$ 3,688
2024	11,545	3,126
2025	12,136	2,535
2026	12,756	1,914
2027	13,409	1,262
Thereafter	<u>17,575</u>	<u>602</u>
	<u>\$ 78,404</u>	<u>\$ 13,127</u>

# Shaker Heights Development Corporation

## Notes to Basic Financial Statements (continued)

### December 31, 2022 and 2021

---

#### **Note 7: Lease Receivable**

For 2022, the Corporation recognized GASB 87 lease revenue of \$55,362 and interest revenue of \$11,601 related to lease payments received.

In February of 2022, the Corporation entered into a lease agreement with Launcharts Media LLC for the entire property located at 3612 Lee Road. The lease is a 5-year lease subject to two additional three-year renewal terms and resulted in a \$115,517 increase to lease receivable during 2022. The lease expires in February of 2027. The agreement provides for annual base fee of \$2,000 per month along with additional fees related to repairs and maintenance capped at \$2,500 per calendar year. These additional fees were \$-0- for 2022.

In July of 2018, the Corporation entered into a lease agreement with Verb Ballets for office spaces. The lease is a 10-year lease subject to an option to terminate with six-month prior written notice, and is subject to one option to extend for an additional five years. The lease agreement also provides an option for expansion. As of December 31, 2022, no option for expansion has been exercised. The lease is set to expire in August of 2028. The agreement provides for annual base fee of \$2,750 per month with \$500 increases beginning in the fourth and seventh year.

See below for a summary of future lease revenues:

	<u>Principal</u>	<u>Interest</u>
2023	\$ 51,708	\$ 11,292
2024	55,563	9,437
2025	61,716	7,284
2026	64,046	4,954
2027	46,363	2,637
Thereafter	<u>29,446</u>	<u>555</u>
	<u>\$ 308,842</u>	<u>\$ 36,159</u>

#### **Note 8: Investment in Joint Ventures**

The Corporation's investment in joint ventures as of December 31, 2022 and 2021 is valued at \$185,684 and \$138,509, respectively, and is comprised of multiple investments.

Shaker REDO LLC (the "REDO") is a joint venture among the Corporation and private members. REDO was formed to acquire, own, hold, sell, lease, transfer, exchange, manage and operate certain premises situated in the City of Shaker Heights.

At December 31, 2022 and 2021 the Corporation's interest in REDO was \$-0- and \$140,146. No contributions were made in 2022 and 2021. The Corporation received a \$3,900 distribution in 2021. In 2022, the Corporation's share of the 2022 income was \$1,293. In 2021, the Corporation's share of the 2021 income was \$5,506. During the year ended December 31, 2022, the Corporation transferred all of its investment interest in REDO to Shaker Lee Development Fund, LLC (SLDF) for a membership interest in the newly created company of \$128,091.

# Shaker Heights Development Corporation

## Notes to Basic Financial Statements (continued)

### December 31, 2022 and 2021

---

#### **Note 8: Investment in Joint Ventures (continued)**

SLDF is a joint venture among the Corporation and private members. In addition to the membership interest received from the REDO transfer above, the Corporation contributed its interest in 3725 Lee Road Shaker Hts. LLC (“3725 Lee”) for a value of \$65,000. The Corporation was the sole member of 3725 Lee and the carrying value of the property and equipment transferred was \$47,428.

As a result of the capital contributions by the Corporation, they had an initial contribution the SLDF of \$193,091 and resulted in a net gain on the two transactions of \$5,517.

At December 31, 2022 the Corporation’s investment interest in SLDF was \$187,321 and its share of the 2022 loss was \$5,770.

SLDF has not prepared publicly available financial statements as of December 31, 2022.

Goldstein Caldwell & Associates LLC (GCA) is a joint venture among the Corporation and private members. The GCA’s 2022 and 2021 information were not available, as such the GCA’s 2020 information was used to estimate the investment balance. No contributions or distributions were made in 2022. The Corporation’s deficit interest was \$1,637 at December 31, 2022.

The GCA has not prepared publicly available financial statements as of December 31, 2022.

#### **Note 9: Related Party**

The City donated \$76,965 and \$75,000 to the Corporation during both 2022 and 2021, respectively. Of the \$76,965 donated in 2022, \$1,965 related to a reimbursement from the City for a jointly hosted event. In 2019, the City provided the Corporation \$370,000 to be used to purchase property. Under the terms of the agreements, if the Corporation sells the property they are required to repay the City. A portion of the donation, \$75,000, was used to purchase property for which the Corporation is still holding as of December 31, 2021. During 2019, the Corporation returned \$20,000 as it was determined the Corporation was unable to purchase the intended property. Also during 2019, the Corporation purchased property with the plan to sell the parcel that was acquired using the City funds. The Corporation sold the parcel in 2020 and as such, an intergovernmental payable of \$275,000 is due to the City at December 31, 2020. During 2021, the \$275,000 intergovernmental payable was converted to a grant to the Corporation to fund future property purchases.

In 2021, the City provided the Corporation \$250,000 to be used to purchase property. Under the terms of the agreements, if the Corporation sells the property they are required to repay the City. During 2021, the Corporation returned \$250,000 as it was determined the Corporation was unable to purchase the intended property.

3558 Lee Road: The Corporation entered into a lease of this property with the City of Shaker Heights on July 1, 2016, and the Lease was extended by its terms through December 31, 2018. Rental for the initial term was \$1.50 per year. In July 2018, the lease agreement was extended until December 31, 2028. Rent for the extension is \$1.00 per year.

**This page intentionally left blank.**



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

Shaker Heights Development Corporation  
Cuyahoga County  
3400 Lee Road  
Shaker Heights, Ohio 44120

To the Board of Directors:

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 (*Government Auditing Standards*), the financial statements of the Shaker Heights Development Corporation, Cuyahoga County, (the Corporation) as of and for the years ended December 31, 2022, and 2021, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements, and have issued our report thereon dated September 1, 2023.

***Report on Internal Control Over Financial Reporting***

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

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

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

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

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

***Purpose of This Report***

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



Keith Faber  
Auditor of State  
Columbus, Ohio

September 1, 2023



# OHIO AUDITOR OF STATE KEITH FABER



**SHAKER HEIGHTS DEVELOPMENT CORPORATION**

**CUYAHOGA COUNTY**

**AUDITOR OF STATE OF OHIO CERTIFICATION**

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



**Certified for Release 9/14/2023**

88 East Broad Street, Columbus, Ohio 43215  
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at  
[www.ohioauditor.gov](http://www.ohioauditor.gov)