



Dave Yost • Auditor of State



**LUCAS COUNTY IMPROVEMENT CORPORATION  
LUCAS COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Lucas County Improvement Corporation  
Lucas County  
2 Maritime Plaza  
Ground Floor  
Toledo, Ohio 43604

To the Executive Board:

We have audited the accompanying financial statements of the Lucas County Improvement Corporation, Lucas County, Ohio (the Corporation), as of and for the year ended December 31, 2009, which collectively comprise the Corporation's financial statements as listed in the table of contents. These financial statements are the responsibility of the Corporation's management. 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

Ohio Revised Code § 1724.05 requires the Corporation to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 1, the accompanying financial statements and notes follow the modified cash accounting basis. This is a comprehensive accounting basis other than generally accepted accounting principles. The accompanying financial statements and notes omit certain assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash financial position of the Lucas County Improvement Corporation, Lucas County, Ohio, as of December 31, 2009, and the respective changes in modified cash financial position, thereof for the years then ended in conformity with the basis of accounting Note 1 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 9, 2011, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

**Dave Yost**  
Auditor of State

June 9, 2011

**LUCAS COUNTY IMPROVEMENT CORPORATION  
LUCAS COUNTY**

**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2009**

**Assets**

Cash and cash equivalents	\$ 25,282
Restricted cash	9,375
Note receivable	66,371
Property and equipment:	
Equipment	13,905
Furniture and fixtures	3,942
Accumulated depreciation	<u>(9,936)</u>
Net property and equipment	7,911
Investment in limited liability company	<u>127,579</u>
Total assets	<u><u>\$ 236,518</u></u>

**Liabilities and Net Assets**

Liabilities:	
Accounts payable	<u>\$ 2,579</u>
Total liabilities	2,579
Net assets - unrestricted	<u>233,939</u>
Total liabilities and net assets	<u><u>\$ 236,518</u></u>

**LUCAS COUNTY IMPROVEMENT CORPORATION  
LUCAS COUNTY**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
MODIFIED CASH BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2009**

<b>Revenues:</b>	
Contributions from Lucas County	\$ 500,000
Contributions from Lucas County Workforce Investment Board	165,977
Contributions from Toledo Lucas County Port Authority	30,000
In-kind contributions	94,834
Interest income	2,285
Miscellaneous	2,993
Total revenues	<u>796,089</u>
<b>Expenses:</b>	
Occupancy and office	199,165
Salaries and wages	229,517
Contract labor	92,703
Insurance:	
Group	50,347
Professional liability	2,022
Payroll taxes and worker's compensation	25,361
Professional fees	127,729
Travel	10,162
Dues and subscriptions	7,199
Training	4,325
Depreciation	3,717
Grant application fees	3,005
Recruiting	1,620
Postage, shipping and delivery	1,013
Marketing	934
Meals and entertainment	415
Total expenses	<u>759,234</u>
<b>Change in net assets</b>	<u>36,855</u>
Net assets at beginning of the year	<u>197,084</u>
Net assets at end of the year	<u><u>\$ 233,939</u></u>



**LUCAS COUNTY IMPROVEMENT CORPORATION  
LUCAS COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED ERROR! UNKNOWN switch argument.**

**1. Summary of Significant Accounting Policies**

**Business Activity**

Lucas County Improvement Corporation, Lucas County, Ohio (the "Corporation"), was organized for the purpose of promoting, advancing and encouraging the industrial, economic, commercial and civic development of Lucas County, Ohio ("Lucas County") and the surrounding area. Funds for this purpose are contributed by Lucas County. Prior to 2009, funding was also provided by townships and municipalities in the surrounding area.

Upon dissolution or liquidation of the Corporation, any remaining net assets of the Corporation shall be distributed as determined by the Board of Directors with the approval of the Court of Common Pleas of Lucas County, for public charitable purposes in the Lucas County area.

**Basis of Presentation**

The Corporation prepares its financial statements on a modified cash basis of accounting. This basis of accounting differs from generally accepted accounting principles primarily because certain revenues are recognized when received rather than when earned, and certain expenses are recognized when paid rather than when incurred. In addition, the Corporation capitalizes/depreciates property and equipment, records payments made for investments as assets, and reflects advances made to others as notes receivable with payments received appropriately amortized between principal and interest and records certain in-kind donations. Accordingly, the accompanying financial statements are not intended to present the Corporation's financial position and results in operations in conformity with generally accepted accounting principles.

**Accounting Standards Codification**

In 2009, the Corporation adopted Financial Accounting Standards Board ("FASB") Statement No. 168, *The FASB Accounting Standards Codification ("ASC") and The Hierarchy of Generally Accepted Accounting Principles*. The ASC became the source of authoritative generally accepted accounting principles ("GAAP") recognized by the FASB to be applied by nongovernmental entities. The ASC supersedes all existing accounting and reporting standards. GAAP is not intended to be changed as a result of this statement, but will change the way the guidance is organized and presented. The Corporation has implemented the ASC in the accompanying financial statements by providing references to the ASC topics.

**Contributions and Net Asset Classifications**

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence or nature of any donor restrictions. Temporarily restricted contributions are reported as unrestricted support if the restrictions are met in the same reporting period as the contribution. If the restrictions are not met, these contributions would be reported as temporarily restricted contributions. Temporarily restricted net assets contain donor-imposed restrictions that permit the Corporation to use or expend the assets as specified. The restrictions are satisfied either by the passage of time or by actions of the Corporation, at which time the temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Permanently restricted net assets contain funding source or donor-imposed restrictions that stipulate that resources be maintained permanently for a specified purpose. The Corporation does not have any temporarily or permanently restricted net assets at December 31, 2009.

**LUCAS COUNTY IMPROVEMENT CORPORATION  
LUCAS COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED ERROR! UNKNOWN switch argument.  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**Restricted Cash**

The Corporation received a grant award to revitalize a specific Toledo area. Terms of the grant require the funds to be segregated from other Corporation funds.

**Investment in Limited Liability Company**

The Corporation has an investment in a limited liability company in which it is recorded using the equity basis of accounting.

**Concentration of Revenue and Accounts Receivable**

In 2009, approximately 72% of funding to the Corporation was from support provided by Lucas County. Reduction in the level of this support may have a significant effect on the Corporation's programs and/or financial viability.

**Property and Equipment**

Property and equipment is recorded at cost. Depreciation is calculated by the straight line method over the estimated useful lives of the equipment. Depreciation expense for the year ended December 31, 2009 is \$3,717. The Corporation receives the use of certain furniture and equipment which is owned by Lucas County and no estimate of the value of this furniture and equipment has been made by the Corporation.

**Use of Estimates**

The preparation of financial statements requires management to make estimates and assumptions that affect certain amounts and disclosures in the financial statements. Accordingly, actual results could differ from those estimates.

**Fair Value Information**

The Corporation has adopted the required portion of ASC 820, *Fair Value Measurements and Disclosures* (formerly referenced as Statement of Financial Accounting Standards, No. 157, *Fair Value Measurements*), relating to financial assets and liabilities. ASC 820 establishes a framework for measuring fair value and requires expanded disclosure about the information used to measure fair value. ASC 820 establishes a three-tier value hierarchy which prioritizes the inputs used in measuring fair value.

The following is a list of the different levels in the fair value hierarchy based on the data and/or methods used to determine fair value:

- Level 1: Quoted market prices in active markets for identical assets or liabilities.
- Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data for substantially the full terms of the asset or liability.
- Level 3: Unobservable inputs reflecting management's assumptions that are significant to the measurement of fair value.

**LUCAS COUNTY IMPROVEMENT CORPORATION  
LUCAS COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED ERROR! UNKNOWN switch argument.  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**Fair Value Information - continued**

At December 31, 2009, all of the Corporation's financial assets and liabilities were carried at either market or fair value, or at amounts which approximate such values. The Corporation has an investment in a limited liability company and a note receivable that are required to be recorded at fair value on a recurring basis in accordance with accounting principles generally accepted in the United States. The following tables summarize those assets and liabilities measured at fair value on a recurring basis at December 31, 2009:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Note receivable	\$ -	\$ -	\$ 66,371	\$ 66,371
Investment in limited liability company	-	-	127,579	127,579
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 193,950</u>	<u>\$ 193,950</u>

The table below sets forth a summary of changes in the fair value of the Plan's level 3 assets as of December 31, 2009 and 2008:

<u>Investment in limited liability corporation</u>	
Balance at December 31, 2008	\$ 128,158
Investment in limited liability company	-
Share of gains (losses) allocated to investment	(579)
Balance at December 31, 2009	<u>\$ 127,579</u>
 <u>Note receivable</u>	
Balance at December 31, 2008	\$ -
Advances under notes receivable	75,204
Principal payments	(8,833)
Balance at December 31, 2009	<u>\$ 66,371</u>

**Income Taxes**

The Corporation was incorporated on February 20, 1964 under Chapter 1724 of the Ohio Revised Code as a community improvement corporation, which is a not-for-profit organization.

**2. Investment in Limited Liability Company**

In 2006, the Corporation committed to invest \$500,000 in Rocket Ventures Fund, LLC ("Rocket Ventures"), an early-stage investment fund sponsored by the Regional Growth Partnership of Northwest Ohio. In 2008, the Corporation received \$125,000 from Lucas County which has been reflected as a contribution and invested in Rocket Ventures. The investment is reported using the equity method of accounting at its carrying value of \$127,579 at December 31, 2009. Based upon the understanding with Lucas County, any positive return on the investment will be remitted to Lucas County. Accordingly, any equity in earnings of Rocket Ventures is reflected as a liability to Lucas County which amounts to \$2,579 at December 31, 2009.

**LUCAS COUNTY IMPROVEMENT CORPORATION  
LUCAS COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED ERROR! UNKNOWN switch argument.  
(Continued)**

**3. In-Kind Contributions**

For the year ended December 31, 2009, the Corporation received the following non-cash contributions of services and loan commitment fees (see Notes 6 and 7) that have been reflected in the financial statements of the Corporation:

Contract Labor	\$ 17,004
Professional Fees	<u>77,830</u>
Total in-kind contributions	<u>\$ 94,834</u>

In addition, the Corporation uses certain furniture which is owned by Lucas County and the value of these contributed services is not reflected in these financial statements.

**4. Note Receivable**

In March 2009, the Corporation advanced \$75,000 to an operating company and a seven year note which bears interest at 3.5%. The note is secured by a mortgage agreement on certain real property and certain guarantees. As of December 31, 2009, the balance of the note is \$66,371.

**5. Operating Lease**

Rent expense paid under an operating lease agreement with Lucas County for use of facilities totaled \$181,640 in 2009, including \$30,000 of rent for partial use of facilities in 2008. Rent expense paid under an operating lease agreement with the American Maritime Officers Building Corporation of Ohio for use of facilities totaled \$1,771 in 2009. Annual future minimum lease commitments total \$131,976, exclusive of an additional obligation to pay certain utilities and taxes, and are as follows: 2010 - \$45,249; 2011 - \$45,249 and 2012 - \$41,478.

**6. Contingencies**

In October 2008, the Corporation was awarded a \$750,000 grant from the State of Ohio for an industrial site improvement project. The State of Ohio requires that the Corporation obtain \$576,000 in matching funds before requesting any grant funds. No funds have been currently received under this grant and no grant revenue related to this grant has been reflected in the accompanying financial statements. In October 2010, it was determined that certain conditions required by the grant agreement were not met and the grant was cancelled. The Corporation has no liability or continuing obligation related to this grant.

In 2009, the Corporation received loan approval and commitment letters from the Ohio Department of Development for two logistics and distribution stimulus loans totaling of \$9.78 million. As of December 31, 2009, no funds were received related to this commitment and negotiations are still ongoing. The Toledo Lucas County Port Authority and Midwest Terminals paid the initial required loan commitment fees of \$77,830 on behalf of the Corporation (see Notes 3 and 7), which is reflected in the accompanying financial statements.

**LUCAS COUNTY IMPROVEMENT CORPORATION  
LUCAS COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED ERROR! UNKNOWN switch argument.  
(Continued)**

**7. Related Party Transactions**

The Corporation has an agreement with Workforce Investment Board (“WIB”), a not-for-profit organization which shares personnel and an office facility with the Corporation, for advances made on behalf of WIB for its portion of those expenses. In 2009, the Corporation received approximately \$166,000 under this agreement.

Certain loan commitment fees for federal stimulus loans under the Corporation totaling \$77,830 were paid by the Toledo Lucas County Port Authority and Midwest Terminals in 2009 (see Notes 3 and 6).

**8. Compliance**

Ohio Revised Code, § 1724.05, requires the Corporation to prepare its annual financial report in accordance with generally accepted accounting principles. However, the Corporation prepares its financial statements in a modified cash format, which is a comprehensive basis of accounting other than generally accepted accounting principles in the United States of America. The accompanying financial statements and notes omit certain assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

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# Dave Yost • Auditor of State

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

Lucas County Improvement Corporation  
Lucas County  
2 Maritime Plaza  
Ground Floor  
Toledo, Ohio 43604

To the Executive Board:

We have audited the financial statements of the Lucas County Improvement Corporation, Lucas County, Ohio (the Corporation), as of and for the year ended December 31, 2009 and have issued our report thereon dated June 9, 2011, wherein we noted the Corporation uses a comprehensive accounting basis other than generally accepted accounting principles. 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 the Comptroller General of the United States' *Government Auditing Standards*.

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

In planning and performing our audit, we considered the Corporation's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Corporation's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Corporation's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or 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 timely corrected. We consider finding 2009-001 described in the accompanying schedule of findings to be a material weakness.

### **Compliance and Other Matters**

As part of reasonably assuring whether the Corporation's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2009-002.

We also noted certain matters not requiring inclusion in this report that we reported to the Corporation's management in a separate letter dated.

We intend this report solely for the information and use of management, the Executive Board, and others within the Corporation. We intend it for no one other than these specified parties.

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

**Dave Yost**  
Auditor of State

June 9, 2011



**LUCAS COUNTY IMPROVEMENT CORPORATION  
LUCAS COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2009**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2009-001**

**Material Weakness**

**Financial Statement Presentation**

The Corporation should have procedures in place to prevent or detect material misstatements for the accurate presentation of the Corporation's financial statements and related disclosures. These procedures should include Executive Board review of the Corporation's annual financial report and review of the Corporation's accounting and financial reporting practices. Errors were identified in the financial statements and related note disclosures, resulting in several audit adjustments. The deficiencies resulting in audit adjustments consisted of, but were not limited to the following:

- Recognition of revenues not previously recognized (\$273,807);
- Improper recognition of expenditures (\$275,766); and
- Improper recognition of cash and cash equivalents (\$819).

The failure to record accurate financial activity on the financial statements and in the notes and lack of appropriate Executive Board review and approval could result in material misstatements and inaccurate financial reporting.

We recommend due care to be exercised in the preparation of the financial statements and related note disclosures. Further, we recommend the Corporation implement review procedures to detect material financial statement errors, including Executive Board review of the Corporation's annual report for erroneous information and inaccurate presentation and classification. The Executive Board should document this review in the minutes.

**FINDING NUMBER 2009-002**

**Noncompliance Citation**

**Ohio Revised Code, § 1724.05**, provides each community improvement corporation shall prepare an annual financial report that conforms to rules prescribed by the auditor of state pursuant to section 117.20 of the Revised Code, that is prepared according to generally accepted accounting principles, and that is certified by the board of directors of the corporation or its treasurer or other chief fiscal officer to the best knowledge and belief of those persons certifying the report. The financial report shall be filed with the auditor of state within one hundred twenty days following the last day of the corporation's fiscal year, unless the auditor of state extends that deadline.

The Corporation prepares its financial statements in a modified cash format, which is a comprehensive basis of accounting other than generally accepted accounting principles. Additionally, the Corporation failed to file its financial report with the Auditor of State within one hundred twenty days of fiscal year end.

**FINDING NUMBER 2009-002  
(Continued)**

We recommend the Corporation take the necessary steps to ensure its financial reports are prepared in accordance with generally accepted accounting principles and filed with the Auditor of State within one hundred twenty days of fiscal year end.

**Officials' Response:**

We did not receive a response from officials to the findings reported above.



# Dave Yost • Auditor of State

**LUCAS COUNTY COMMUNITY IMPROVEMENT CORPORATION**

**LUCAS 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 28, 2011**