



**DOWNTOWN TOLEDO IMPROVEMENT DISTRICT
LUCAS COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2023-2022

**DOWNTOWN TOLEDO IMPROVEMENT DISTRICT, INC.
LUCAS COUNTY**

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

Downtown Toledo Improvement District, Inc.
Lucas County
300 Madison Avenue, Suite 0110
Toledo, Ohio 43604

To the Board of Directors:

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the Downtown Toledo Improvement District, Inc., Lucas County, Ohio (the District), (a not-for-profit corporation), which comprise the statements of assets, liabilities and net assets – cash basis as of December 31, 2023 and 2022, and the related statements of cash receipts and disbursements for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective cash financial position of the District, as of December 31, 2023 and 2022, and the respective changes in cash financial position for the year then ended in accordance with the accounting basis described in Note 2.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, 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 District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter - Accounting Basis

We draw attention to Note 2 of the financial statements, which describes the accounting basis, which differs from generally accepted accounting principles. Our opinion is not modified with respect to this matter.

Other Matter

The accompanying financial statement of the District for the year ended December 31, 2021 were not audited, reviewed, or compiled by us, and, accordingly, we do not express an opinion or any other form of assurance on it.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the cash accounting basis described in Note 2, and for determining that the modified cash basis of accounting is an acceptable basis for preparation of the financial statements in the circumstances. Management is also responsible 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 District's ability to continue as a going concern one year after the date the financial statements are issued (or within one year after the date that the financial statements are available to be issued, when applicable).

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District'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 District'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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 23, 2024, on our consideration of the District'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 District'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 District's internal control over financial reporting and compliance.



Keith Faber
Auditor of State
Columbus, Ohio

October 23, 2024

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Downtown Toledo Improvement District, Inc.
Lucas County
Statements of Assets, Liabilities and Net Assets—Cash Basis
December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Assets		
Cash and cash equivalents	\$ <u>931,614</u>	<u>857,137</u>
Net Assets		
Without donor restrictions	\$ <u>931,614</u>	<u>857,137</u>

See accompanying notes.

Downtown Toledo Improvement District, Inc.
 Lucas County
 Statements of Cash Receipts and Disbursements
 Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash Receipts:		
District assessments	\$ 1,023,020	974,784
Miscellaneous	-	1,055
Net investment income	<u>12,033</u>	<u>158</u>
Total cash receipts	<u>1,035,053</u>	<u>975,997</u>
Cash Disbursements:		
Program service disbursements:		
Service plan	<u>941,004</u>	<u>798,735</u>
Administrative and general disbursements:		
Assessment collection fees	10,129	9,651
Professional fees	4,100	7,180
Donation	-	5,000
Occupancy	1,378	1,352
Insurance	513	491
Office and postage	-	359
Delinquent Tax and Assessment Collections	3,352	178
Dues and subscriptions	<u>100</u>	<u>100</u>
Total cash disbursements	<u>960,576</u>	<u>823,046</u>
Change in net assets	<u>74,477</u>	<u>152,951</u>
Net assets, beginning of year	<u>857,137</u>	<u>704,186</u>
Net assets, end of year	<u>\$ 931,614</u>	<u>857,137</u>

See accompanying notes.

1. GENERAL:

Organization

Downtown Toledo Improvement District, Inc. (the "District"), Lucas County, Ohio is a nonprofit corporation organized to govern a special improvement district created pursuant to Ohio Revised Code 1710 and represents property owners within a specific geographical area of downtown Toledo. Each property owner pays a special assessment to collectively fund the District.

The District encourages and participates in programs that will maintain, improve, and build the downtown area of the City of Toledo into a viable business, cultural, residential, and recreational community. The District collaborates with the City of Toledo, Lucas County, and other agencies to provide programming which will preserve the economic well-being of, and opportunities within, the downtown area of the City of Toledo.

Effective January 1, 2018, the District entered into a professional services agreement with a related party, Downtown Toledo Development Corporation (DTDC), to provide the following services:

- oversight and management of the administrative functions including finance and accounting, contract administration and human resources.
- management of the District including member relations, renewal, and growth.
- services including leadership, public space enhancements, supplemental safety and hospitality, marketing and communications, and support of business and residential development.

All current leases, contracts and employees of the District will be assumed and paid by DTDC.

The term of the agreement was January 1, 2018 through December 31, 2020. A new agreement has not been signed, however, both sides have approved a monthly payment. For 2024, the District will pay a monthly fee of \$76,174 (\$78,417 in 2023) that will cover budgeted fixed costs associated with assuming the leases, contracts and employees of the District. Commencing with the first anniversary of the agreement, the monthly payment shall be adjusted based on the annual budgeted fixed costs. If the monthly fee is not deemed sufficient to cover the fixed costs, the monthly amount can be adjusted prior to the annual budget process if the District is provided a 60-day advance written notice and both parties mutually agree to the adjustment. At year-end, a reconciliation of costs paid is prepared. If all monies are not expended, a refund is issued from DTDC back to DTID. For the years ended December 31, 2023 and 2022, refunds in the amount of \$215,176 and \$142,269, respectively, were issued. These refunds are netted with service plan expenses in the financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Method of accounting

The financial statements of the District are presented on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. As a result, they do not include accounts receivable, accounts payable, or related cash receipts and disbursements resulting therefrom.

Cash and cash equivalents

The District considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Financial statements presentation

The District reports its financial position and operating activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expensed for any purpose in performing the primary objectives of the District. These net assets may be used at the discretion of the District's management and the Board of Directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will likely be met by actions of the District or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. The District did not have net assets with donor restrictions or net assets that must be maintained in perpetuity as of December 31, 2023 or 2022.

Functional expense allocations

The financial statements report certain categories of expenses that are attributable to one or more programs or supporting functions of the District. Expenses are directly applied when applicable. The costs of providing program and other activities have been presented on a functional basis in the statements of cash receipts and disbursements. All allocations are determined by management.

Public support and revenue

Public support and revenue are recognized in the accompanying financial statements as follows:

District assessments: The District receives revenue for operations from special assessments received from downtown property owners within a defined 38-block area. These monies are received semi-annually.

Income taxes

The District is exempt from federal income tax under the provisions of Section 501(c)(3) of the Internal Revenue Service's Code. It has been determined that the District is not a private foundation.

No income tax provision has been included in the financial statements, as the District has determined it does not have any unrelated business income subject to taxation.

Subsequent events

The District evaluates events and transactions occurring subsequent to the date of the financial statements for matters requiring recognition or disclosure in the financial statements. The accompanying financial statements consider events through October 23, 2024, the date on which the financial statements were available to be issued. There were no subsequent events that required adjustment to the financial statements or additional disclosures.

3. CONCENTRATIONS OF CREDIT RISK:

The District maintains cash balances in one financial institution. The account in this financial institution is insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The District's cash balance at December 31, 2023 and 2022 exceeded the FDIC limit by \$681,614 and \$607,137 respectively.

The District conducts its operations solely in Lucas County and the City of Toledo; therefore, it is subject to risks from changes in local economic conditions. A downturn in the local economy could cause a decrease in the District's assessments but concurrently experience an increase in the community's need for the District's services.

4. LIQUIDITY DISCLOSURES:

The District's goal is generally to maintain financial assets to meet day to day operating expenses.

	<u>2023</u>	<u>2022</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$931,614</u>	<u>\$857,137</u>

5. LEASE COMMITMENT:

DTDC leases office space on behalf of the District for \$1,354 per month that expired December 31, 2020. DTDC has notified the landlord they intend to stay in the space. A new lease is being prepared but is not yet executed as of December 31, 2023. DTDC is currently paying the same rate established in the prior lease.

6. BLOCK BY BLOCK, INC. AGREEMENTS:

DTDC entered into a contract with Block By Block for special improvement district services. The services include cleaning, safety, and hospitality for the Downtown Toledo Outdoor Recreational Area (DORA).

The Block By Block, Inc. contract is reviewed annually and updated if needed. The approved 2023 monthly installment fee paid to Block By Block, Inc. was \$48,002.83 from January 1, 2023 to June 30, 2023, and \$36,235.58 from July 1, 2023 to December 31, 2023.

DTDC has signed new service agreements with Block by Block for 2024.

Downtown Toledo Improvement District, Inc.
Lucas County
Statements of Assets, Liabilities and Net Assets—Cash Basis
December 31, 2022 and 2021

	<u>2022</u>	<u>Unaudited 2021</u>
Assets		
Cash and cash equivalents	\$ <u>857,137</u>	<u>704,186</u>
Net Assets		
Without donor restrictions	\$ <u>857,137</u>	<u>704,186</u>

See accompanying notes.

Downtown Toledo Improvement District, Inc.
Lucas County
Statements of Cash Receipts and Disbursements
Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>Unaudited 2021</u>
Cash Receipts:		
District assessments	\$ 974,784	1,000,593
Miscellaneous	1,055	-
Interest received	<u>158</u>	<u>23</u>
Total cash receipts	<u>975,997</u>	<u>1,000,616</u>
Cash Disbursements:		
Program service disbursements:		
Service plan	<u>798,735</u>	<u>810,552</u>
Administrative and general disbursements:		
Assessment collection fees	9,651	10,006
Professional fees	7,180	5,065
Donation	5,000	-
Occupancy	1,352	1,318
Insurance	491	473
Office and postage	359	-
Delinquent Tax and Assessment Collections	178	-
Dues and subscriptions	100	-
Contribution	<u>-</u>	<u>1,000</u>
	<u>24,311</u>	<u>17,862</u>
Total cash disbursements	<u>823,046</u>	<u>828,414</u>
Change in net assets	152,951	172,202
Net assets, beginning of year	<u>704,186</u>	<u>531,984</u>
Net assets, end of year	<u>\$ 857,137</u>	<u>704,186</u>

See accompanying notes.

1. GENERAL:

Organization

Downtown Toledo Improvement District, Inc. (the "District"), Lucas County, Ohio is a nonprofit corporation organized to govern a special improvement district created pursuant to Ohio Revised Code 1710 and represents property owners within a specific geographical area of downtown Toledo. Each property owner pays a special assessment to collectively fund the District.

The District encourages and participates in programs that will maintain, improve, and build the downtown area of the City of Toledo into a viable business, cultural, residential, and recreational community. The District collaborates with the City of Toledo, Lucas County, and other agencies to provide programming which will preserve the economic well-being of, and opportunities within, the downtown area of the City of Toledo.

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- oversight and management of the administrative functions including finance and accounting, contract administration and human resources.
- management of the District including member relations, renewal, and growth.
- services including leadership, public space enhancements, supplemental safety and hospitality, marketing and communications, and support of business and residential development.

All current leases, contracts and employees of the District will be assumed and paid by DTDC.

The term of the agreement was January 1, 2018 through December 31, 2020. A new agreement has not been signed, however, both sides have approved a monthly payment. For 2023, the District will again pay a monthly fee of \$78,416 (\$78,416 in 2022) that will cover budgeted fixed costs associated with assuming the leases, contracts and employees of the District. Commencing with the first anniversary of the agreement, the monthly payment shall be adjusted based on the annual budgeted fixed costs. If the monthly fee is not deemed sufficient to cover the fixed costs, the monthly amount can be adjusted prior to the annual budget process if the District is provided a 60-day advance written notice and both parties mutually agree to the adjustment. At year-end, a reconciliation of costs paid is prepared. If all monies are not expended, a refund is issued from DTDC back to DTID. For the years ended December 31, 2022 and 2021, refunds in the amount of \$142,269 and \$54,000, respectively, were issued. These refunds are netted with service plan expenses in the financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Method of accounting

The financial statements of the District are presented on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. As a result, they do not include accounts receivable, accounts payable, or related cash receipts and disbursements resulting therefrom.

Cash and cash equivalents

The District considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Financial statements presentation

The District reports its financial position and operating activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expensed for any purpose in performing the primary objectives of the District. These net assets may be used at the discretion of the District's management and the Board of Directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will likely be met by actions of the District or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. The District did not have net assets with donor restrictions or net assets that must be maintained in perpetuity as of December 31, 2022 or 2021.

Functional expense allocations

The financial statements report certain categories of expenses that are attributable to one or more programs or supporting functions of the District. Expenses are directly applied when applicable. The costs of providing program and other activities have been presented on a functional basis in the statements of cash receipts and disbursements. All allocations are determined by management.

Public support and revenue

Public support and revenue are recognized in the accompanying financial statements as follows:

District assessments: The District receives revenue for operations from special assessments received from downtown property owners within a defined 38-block area. These monies are received semi-annually.

Income taxes

The District is exempt from federal income tax under the provisions of Section 501(c)(3) of the Internal Revenue Service's Code. It has been determined that the District is not a private foundation.

No income tax provision has been included in the financial statements, as the District has determined it does not have any unrelated business income subject to taxation.

Subsequent events

The District evaluates events and transactions occurring subsequent to the date of the financial statements for matters requiring recognition or disclosure in the financial statements. The accompanying financial statements consider events through October 23, 2024, the date on which the financial statements were available to be issued. There were no subsequent events that required adjustment to the financial statements or additional disclosures.

3. CONCENTRATIONS OF CREDIT RISK:

The District maintains cash balances in one financial institution. The account in this financial institution is insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The District's cash balance at December 31, 2022 and 2021 exceeded the FDIC limit by \$464,867 and \$454,177, respectively.

The District conducts its operations solely in Lucas County and the City of Toledo; therefore, it is subject to risks from changes in local economic conditions. A downturn in the local economy could cause a decrease in the District's assessments but concurrently experience an increase in the community's need for the District's services.

4. LIQUIDITY DISCLOSURES:

The District's goal is generally to maintain financial assets to meet day to day operating expenses.

	<u>2022</u>	<u>2021</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$857,137</u>	<u>\$704,186</u>

5. LEASE COMMITMENT:

DTDC leases office space on behalf of the District for \$1,354 per month that expired December 31, 2020. DTDC has notified the landlord they intend to stay in the space. A new lease is being prepared but is not yet executed as of December 31, 2022. DTDC is currently paying the same rate established in the prior lease.

6. BLOCK BY BLOCK, INC. AGREEMENTS:

DTDC entered into a contract with Block By Block for special improvement district services. The services include cleaning, safety, and hospitality for the Downtown Toledo Outdoor Recreational Area (DORA).

The Block By Block, Inc. contract is reviewed annually and updated if needed. The approved 2022 monthly installment fee paid to Block By Block, Inc. was \$48,002.83.

DTDC has signed new service agreements with Block by Block for 2023.

OHIO AUDITOR OF STATE KEITH FABER



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

Downtown Toledo Improvement District, Inc,
Lucas County
300 Madison Avenue, Suite 0110
Toledo, Ohio 43604

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 cash-basis financial statements of Downtown Toledo Improvement District, Inc., Lucas County, Ohio (the District) as of and for the year ended December 31, 2023 and 2022, and the related notes to the financial statements, and have issued our report thereon dated October 23, 2024 wherein we noted the District uses a special purpose framework other than generally accepted accounting principles. We also noted the financial statement of the District for the year ended December 31, 2021, was not audited, reviewed or compiled by us, and accordingly, we do not express an opinion, or any other form of assurance on it.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District'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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District'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 District'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.

Efficient • Effective • Transparent

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District'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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio

October 23, 2024

OHIO AUDITOR OF STATE KEITH FABER



DOWNTOWN TOLEDO IMPROVEMENT DISTRICT, INC.

LUCAS 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 11/12/2024

65 East State 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