



Dave Yost • Auditor of State

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

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INDEPENDENT AUDITOR'S REPORT

Downtown Toledo Improvement District, Inc.
Lucas County Ohio
300 Madison Avenue, Suite 1510
Toledo, Ohio 43604

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of the Downtown Toledo Improvement District, Inc., Lucas County, Ohio (the District), (a not-for-profit corporation), which comprise the statement of financial position, the related statements of activities and changes in net assets, and cash flows, as of and for the year ended December 31, 2014, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the modified cash accounting basis Note 1 describes. This responsibility includes determining that the modified cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing those risks of financial statement material misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the modified cash financial position of the Downtown Toledo Improvement District, Inc., Lucas County, Ohio as of December 31, 2014, and the changes in its modified cash financial position and its cash flows for the year then ended in accordance with the accounting basis described in Note 1.

Accounting Basis

We draw attention to Note 1 of the financial statements, which describes the accounting basis. The financial statements are prepared on the modified cash basis of accounting, which differs from generally accepted accounting principles. We did not modify our opinion regarding this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2016, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

December 22, 2016

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

**STATEMENT OF FINANCIAL POSITION - MODIFIED CASH-BASIS
DECEMBER 31, 2014**

Assets:	
Cash and Cash Equivalents	\$363,493
Accounts Receivable	<u>221</u>
<i>Total Assets</i>	<u><u>\$363,714</u></u>
 Liabilities and Net Assets	
Liabilities:	
Advance from City of Toledo	\$5,000
 Net Assets:	
Unrestricted	<u>358,714</u>
<i>Total Liabilities and Net Assets</i>	<u><u>\$363,714</u></u>

The notes to the financial statements are an integral part of this statement.

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

**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
MODIFIED CASH-BASIS
FOR THE YEAR ENDED DECEMBER 31, 2014**

Revenues and Support:	
District Assessments	\$594,921
Sponsorships and contracts	6,693
Interest	62
Miscellaneous	53,059
	654,735
 <i>Total Revenues and Support</i>	
 Operating expenses:	
Outside contract services	337,843
Salaries and wages	106,373
Marketing consulting	46,455
Rent	16,666
Professional fees	11,332
Advertising	849
Operations and facilities	
Payroll taxes	8,278
Office expense and postage	4,663
Programs at Levis Square	3,500
Insurance	3,103
Travel and entertainment	
Dues and subscriptions	1,012
Telephone	672
Equipment rental	771
Board and annual meetings	125
Mileage reimbursements	810
Miscellaneous	307
Employee benefits	1,759
Holiday and other decorations	599
	545,117
 <i>Total expenses</i>	
Change in net assets	109,618
Net assets, beginning of year	249,096
	\$358,714

The notes to the financial statements are an integral part of this statement.

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

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2014**

Cash flows from operating activities:

Cash received from:	
District Assessments	\$596,254
Sponsorships and contracts	6,693
Interest Received	62
Miscellaneous	<u>78,963</u>
<i>Total cash received</i>	<u>681,972</u>
Cash disbursed for:	
Programs	5,262
Employees	108,132
Other operating expenses	<u>469,399</u>
<i>Total cash disbursed</i>	<u>582,793</u>
Net cash provided by operating activities	99,179
Cash and cash equivalents, beginning of year	<u>264,314</u>
.	
Cash and cash equivalents, end of year	<u><u>\$363,493</u></u>

**Reconciliation of change in net assets to net cash
provided by operating activities**

Change in net assets	\$109,618
Adjustments:	
Decrease in accounts receivable	27,237
Decrease in accounts payable	(37,676)
Decrease in advance from City of Toledo	<u> </u>
<i>Total adjustments</i>	<u>(10,439)</u>
Net cash provided by operating activities	<u><u>\$99,179</u></u>

The notes to the financial statements are an integral part of this statement.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Downtown Toledo Improvement District, Inc., Lucas County, Ohio (the "District") is a not-for-profit corporation organized to govern a special improvement district created pursuant to Ohio Revised Code 1710 and represents property owners within a specific geographic area of downtown Toledo, each of whom 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 as 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 and opportunities in the downtown area of the City of Toledo.

B. Accounting Basis

The statements of the District are presented on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. As a result, they generally do not include accounts receivable, accounts payable or related revenues and expenditures resulting therefrom. However in 2014, the District recorded a small receivable related to an expense reimbursement due from a member and a liability related to money that was received from the City of Toledo to pay expenses related to a program that was being held on its behalf.

C. Cash and cash equivalents

For purposes of the statements of cash flows, the District considers all highly-liquid investments with an original maturity of three months or less to be cash equivalents.

D. Financial statements presentation

The District follows the recommendations of the Financial Accounting Standards Board in its presentation of the financial statements. Under FASB ASC 958-205, the District is required to report information regarding its financial position and activities according to three classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted net assets are resources available to support operations. The only limits on the use of unrestricted net assets are the board's limits resulting from the nature of the District, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Temporarily restricted net assets are resources that are restricted by a donor for use for a particular purpose or in a particular future period. The District's unspent contributions are reported in this class if the donor limits their use. The District had no temporarily restricted net assets at December 31, 2014.

Permanently restricted net assets are resources whose use is limited by donor-imposed restrictions that neither expires by being used in accordance with a donor's restriction nor by the passage of time. The District had no permanently restricted net assets at December 31, 2014.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

E. 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, in April and November.

Sponsorships: the District solicits area businesses for donations which are used to offset expenditures for the summertime "Lunch at Levis Square."

F. Advertising

The District follows the policy of charging the costs of advertising to expense as incurred. Advertising costs expensed for December 31, 2014 were \$849.

G. Reclassifications

Certain items in the 2014 report have been reclassified to conform to current year classifications. Such reclassifications have no effect on previously reported change in net assets.

H. Income taxes

The District is exempt from federal income tax under the provisions of Section 501(c)(3) of the Internal Revenue 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.

2. 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 up to \$250,000. The District's cash balance at December 31, 2014 exceeded the FDIC limits by \$113,493.

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 concurrently with an increase in community need for the District's service.

3. LEASE COMMITMENT:

The District leases its office space under an operating lease which expires on December 31, 2020, with required monthly payments of \$1,354. The District also leases parking spaces on a month-to-month basis.

Annual rent expense was \$16,666 for December 31, 2014.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

Future minimum lease payments under the office space operating lease are as follows:

2015	\$16,248
2016	16,248
2017	16,248
2018	16,248
2019	16,248
2020	16,248
Total	<u>97,488</u>

4. BLOCK BY BLOCK, INC. AGREEMENT:

In 2011, the District entered into a contract with a company to provide uniformed security and environmental personnel. This contract is renegotiated and renewed annually. The annual expense for December 31, 2014, related to this contract was \$337,843.



Dave Yost • Auditor of State

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

Downtown Toledo Improvement District, Inc.
Lucas County
300 Madison Avenue, Suite 1510
Toledo, Ohio 43604

To the Board of Directors:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Downtown Toledo Improvement District, Inc., Lucas County, Ohio (the District) as of and for the year ended December 31, 2014, and the related notes to the financial statements, and have issued our report thereon dated December 22, 2016, wherein we noted the District uses a special purpose framework other than generally accepted accounting principles.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a significant deficiency. We consider finding 2014-001 to be a significant deficiency.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our

audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Entity's Response to Findings

The District's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the District's response and, accordingly, we express no opinion on it.

Purpose of this Report

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

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

Dave Yost
Auditor of State

Columbus, Ohio

December 22, 2016

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

**SCHEDULE OF FINDINGS
DECEMBER 31, 2014**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

FINDING NUMBER 2014-001

Significant Deficiency

FDIC Coverage

Under the Federal Deposit Insurance Corporation (FDIC), each depositor is insured up to \$250,000 per insured bank.

The District's depository balance with PNC Bank exceeded this threshold at December 31, 2014 by \$113,493.

Failure to collateralize balances or have all deposits FDIC insured can result in the loss of funds in the event of a bank collapse.

To reduce custodial credit risk, we recommend the District either collateralize their depository balances over \$250,000 or split funds among multiple banks to stay under the \$250,000 FDIC threshold.

Officials' Response:

DTID has been made aware by the representatives of the Auditor of State that its monies are over the FDIC limit of \$250,000 contained in the Checking and Investment accountants at PNC Bank. DTID will work with its investment representative at PNC on alternatives for safeguarding its investments in case PNC were to fail. DTID doesn't believe that, at this point in time, that PNC Bank is at risk for failure.

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DOWNTOWN TOLEDO IMPROVEMENT DISTRICT

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
FEBRUARY 2, 2017**