

**LUCAS COUNTY LAND REUTILIZATION CORPORATION**  
**LUCAS COUNTY, OHIO**  
**BASIC FINANCIAL STATEMENTS**  
**FOR THE PERIOD AUGUST 31, 2010 THROUGH**  
**DECEMBER 31, 2010**

*See Independent Auditors' Report*

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*Independent Auditors' Report*

Board of Directors  
Lucas County Land Reutilization Corporation  
Lucas County, Ohio

We have audited the accompanying financial statements of the Lucas County Land Reutilization Corporation, Lucas County, Ohio, (a component unit of Lucas County, Ohio) as of and for the period August 31, 2010 through December 31, 2010, which collectively comprise the Lucas County Land Reutilization Corporation's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Lucas County Land Reutilization Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the of the Lucas County Land Reutilization Corporation, as of December 31, 2010, and the respective changes in financial position, and cash flows, thereof for the period August 31, 2010 through December 31, 2010 in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 15, 2011, on our consideration of the Lucas County Land Reutilization Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 2 through 4 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

April 15, 2011

*Spilman, Hills + Heidebrink, Ltd.*

LUCAS COUNTY LAND REUTILIZATION CORPORATION  
LUCAS COUNTY, OHIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE PERIOD AUGUST 31, 2010 THROUGH DECEMBER 31, 2010

The management's discussion and analysis of the Lucas County Land Reutilization Corporation's (the LRC) financial performance provides an overall review of the LRC's financial activities for the period August 31, 2010 through December 31, 2010. The LRC began operations on August 31, 2010. The intent of this discussion and analysis is to look the LRC's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the LRC's financial performance.

### **Financial Highlights**

Key financial highlights for 2010 are as follows:

- The LRC did not have any revenues in 2010. The LRC received an advance of \$100,000 to start up operations from Lucas County.
- The LRC had operating expenses of \$17,853 for the period August 31, 2010 through December 31, 2010.
- Net assets were in a deficit position of \$17,853 at December 31, 2010.

### **Overview of the Financial Statements**

This annual report consists of financial statements and notes to the financial statements. These statements are organized so the reader can understand the LRC's financial activities. The *Statement of Net Assets* and *Statement of Revenues, Expenses and Changes in Net Assets* provide information about the activities of the LRC.

### **Reporting the LRC's Financial Activities**

*Statement of Net Assets, Statement of Revenues, Expenses and Changes in Net Assets, and Statement of Cash Flows*

These statements include all assets, liabilities, revenues, and expenses using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the LRC's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the LRC as a whole, the *financial position* of the LRC has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. These statements can be found on pages 5 and 6 of this report.

The statement of cash flows provides information about how the LRC finances and meets the cash flow needs of its operations. The statement of cash flow can be found of page 7 of this report.

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. These notes to the basic financial statements can be found on pages 8 through 11 of this report.

LUCAS COUNTY LAND REUTILIZATION CORPORATION  
LUCAS COUNTY, OHIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE PERIOD AUGUST 31, 2010 THROUGH DECEMBER 31, 2010

The table below provides a summary of LRC's net assets at December 31, 2010. Since this is the LRC's first year of operation, comparative information is not available. A comparative analysis will be provided in future years when prior year information is available.

<b>Net Assets</b>	
	<b>2010</b>
<b>ASSETS</b>	
Cash	\$ 84,311
Prepaid Expenses	4,798
Total Assets	89,109
<b>LIABILITIES</b>	
Wages Payable	2,615
Compensated Absences Payable	1,453
Due to Other Governments	102,894
Total Liabilities	106,962
Total Net Assets	\$ (17,853)

Over time, net assets can serve as useful indicator of a government's financial position. At December 31, 2010, the LRC's net assets were in a deficit position of \$17,853.

The table below shows the changes in net assets for the period August 31, 2010 through December 31, 2010. Since this is the LRC's first year of operation, comparative information is not available. A comparative analysis will be provided in future years when prior year information is available.

<b>Change in Net Assets</b>	
	<b>2010</b>
<b>OPERATING EXPENSES</b>	
Personal Services	\$ 12,027
Legal and Professional	5,354
Office Expense	472
	17,853
Operating Loss/Change in Net Assets	(17,853)
Net Assets at Beginning of Period	-
Net Assets at End of Period	\$ (17,853)

LUCAS COUNTY LAND REUTILIZATION CORPORATION  
LUCAS COUNTY, OHIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE PERIOD AUGUST 31, 2010 THROUGH DECEMBER 31, 2010

**Current Financial Related Activities**

The LRC began operations on August 31, 2010. The LRC is Lucas County, Ohio's agent to reclaim, rehabilitate, and reutilize vacant, abandoned, tax foreclosed and other real property in Lucas County. The purpose of the LRC is to strengthen neighborhoods in Lucas County by returning vacant and abandoned properties to productive use. By strategically acquiring properties, the LRC works to reduce blight, promote economic development, increase property values, and thereby improve the quality of life of all Lucas County residents. The principal operating revenues of the LRC in the future will be contributions from Lucas County's delinquent estate tax and assessment collection fund and revenue from property dispositions.

**Budget**

Pursuant to LRC's Board of Directors' policies, the LRC prepares and adopts an annual budget which includes estimated revenues and expenditures for the fiscal year and a forecast of revenues and expenditures. The LRC will from time to time adopt budget revisions as necessary and required by law.

**Request for Information**

This financial report is designed to provide users of the financial statements with a general overview of the LRC's finances and show the LRC's accountability for the money it receives. If you have questions about this report or need additional financial information contact David Mann, Executive Director, Lucas County Land Reutilization Corporation, One Government Center, Suite 500, Toledo, Ohio 43064.

LUCAS COUNTY LAND REUTILIZATION CORPORATION  
LUCAS COUNTY, OHIO  
STATEMENT OF NET ASSETS  
DECEMBER 31, 2010

**ASSETS**

Cash	\$	84,311
Prepaid Expenses		<u>4,798</u>
Total Assets		<u>89,109</u>

**LIABILITIES**

Wages Payable		2,615
Compensated Absences Payable		1,453
Due to Other Governments		<u>102,894</u>
Total Liabilities		106,962

**NET ASSETS**

Unrestricted		<u>(17,853)</u>
Total Net Assets	\$	<u><u>(17,853)</u></u>

*See Independent Auditors' Report  
and Accompanying Notes*

LUCAS COUNTY LAND REUTILIZATION CORPORATION  
LUCAS COUNTY, OHIO  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
FOR THE PERIOD AUGUST 31, 2010 THROUGH DECEMBER 31, 2010

**OPERATING EXPENSES**

Personal Services	\$ 12,027
Legal and Professional	5,354
Office Expense	<u>472</u>
 Total Operating Expenses	 <u>17,853</u>
 Operating Loss / Change in Net Assets	 (17,853)
 Net Assets at Beginning of Period	 <u>-</u>
 Net Assets at End of Period	 <u><u>\$ (17,853)</u></u>

*See Independent Auditors' Report  
and Accompanying Notes*

LUCAS COUNTY LAND REUTILIZATION CORPORATION  
LUCAS COUNTY, OHIO  
STATEMENT OF CASH FLOWS  
FOR THE PERIOD AUGUST 31, 2010 THROUGH DECEMBER 31, 2010

Cash Flows From Operating Activities	
Cash payments to suppliers for services	\$ (10,624)
Cash payments to employees for services	<u>(5,065)</u>
Net Cash Used for Operating Activities	<u>(15,689)</u>
Cash Flows From Non-Capital Financing Activities	
Proceeds from advance from other government	<u>100,000</u>
Net Cash Provided by Non-Capital Financing Activities	<u>100,000</u>
Net Increase in Cash	84,311
Cash Beginning of Period	<u>-</u>
Cash End of Period	<u><u>\$ 84,311</u></u>
Reconciliation of Operating Loss to	
Net Cash Used In Operating Activities	
Operating loss	\$ (17,853)
Adjustments to reconcile operating loss to net cash used in operating activities	
Changes in assets and liabilities	
Prepaid expenses	(4,798)
Wages payable	2,615
Compensated absences	1,453
Due to other governments	<u>2,894</u>
Net Cash Used In Operating Activities	<u><u>\$ (15,689)</u></u>

*See Independent Auditors' Report  
and Accompanying Notes*

LUCAS COUNTY LAND REUTILIZATION CORPORATION  
LUCAS COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE PERIOD AUGUST 31, 2010 THROUGH DECEMBER 31, 2010

**NOTE 1 - DESCRIPTION OF THE REPORTING ENTITY**

The Lucas County Land Reutilization Corporation (the LRC) is a county land reutilization corporation that was formed on August 31, 2010 when the Lucas County Board of Commissioners authorized the incorporation of the LRC under Chapter 1724 of the Ohio Revised Code through resolution number 10-713 as a not-for-profit corporation under the laws of the State of Ohio. The purpose of the LRC is to strengthen neighborhoods in Lucas County (the County) by returning vacant and abandoned properties to productive use. The LRC has been designated as the County's agent to further its mission to reclaim, rehabilitate, and reutilize vacant, abandoned, tax foreclosed and other real property in the County by exercising the powers of the County under Chapter 5722 of the Ohio Revised Code.

Pursuant to Section 1724.03 (B) of the Ohio Revised Code, the Board of Directors of the LRC shall be composed of nine members including, (1) the County Treasurer, (2) at least two members of the County Board of Commissioners, (3) one member who is a representative of the largest municipal corporation, based on the population according to the most recent federal decennial census, that is located in County, (4) one member who is a representative of a township with a population of at least ten thousand in the unincorporated area of the township according to the most recent federal decennial census, and (5) any remaining members selected by the County Treasurer and the County Commissioners who are members of the LRC board. The term of office of each ex officio director runs concurrently with the term of office of that elected official. The term of office of each appointed director is two year.

The County is a political subdivision of the State of Ohio. In accordance with the Governmental Accounting Standards Board (GASB) Statement Number 14, as amended by GASB Statement Number 39, *The Financial Reporting Entity*, the County's primary government and basic financial statements include components units which are defined as legally separate organizations for which the County is financially accountable. The County is financially accountable for an organization if the County appoints a voting majority of the organization's governing board and (1) the County is able to significantly influence the programs or services performed or provided by the organization; or impose its will over the organization; or (2) the County is legally entitled to or can otherwise access the organization's resources; or (3) the County is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the County is obligated for the debt of organization. The LRC is a legally separate entity and is reported by the County as a discretely presented component unit in the County's basic financial statements. The LRC does not have any component units and does not include any organizations in its presentation. The LRC's management believes these basic financial statements present all activities for which the LRC is financially accountable.

*See Independent Auditors' Report*

LUCAS COUNTY LAND REUTILIZATION CORPORATION  
LUCAS COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE PERIOD AUGUST 31, 2010 THROUGH DECEMBER 31, 2010

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements of the LRC have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The LRC also applies Financial Accounting Standards Board (FASB) guidance issued on or before November 30, 1989, provided they do not conflict with or contradict GASB pronouncements. The LRC has the option to also apply FASB guidance issued after November 30, 1989, subject to this same limitation. The LRC has elected not to apply this FASB guidance. The LRC's significant accounting policies are described below.

A. Basis of Accounting

The basic financial statements of the LRC are prepared using the accrual basis of accounting in conformity with GAAP.

B. Basis of Presentation

The LRC's basic financial statements consist of a statement of net assets, a statement of revenues, expenses, and changes in net assets, and a statement of cash flows.

C. Federal Income Tax

The LRC is exempt from federal income tax under Section 115(1) of the Internal Revenue Code.

D. Cash

All monies received by the LRC are deposited in a demand deposit account.

E. Prepaid Expenses

Payments made to vendors for services that benefit future periods are recorded as prepaid expenses. A current asset for the prepaid amount is recorded at the time of purchase, and the expenditure is reported in the year in which services are consumed.

F. Compensated Absences

The LRC records accumulated unpaid vacation, overtime pay, and vested sick time benefits as accrued compensated absences payable when earned by employees.

Ohio law requires that vacation time not be accumulated for more than three years. Normally, all vacation time is to be taken in the year available. Unused vacation is payable upon termination of employment. Unused sick may be accumulated until retirement. Employees with a minimum of ten years of service are paid one third of accumulated sick time upon retirement with a maximum of 40 days. In general, employees are eligible to be paid for unused compensatory time upon termination of employment. All sick, vacation and compensatory payments are made at the employees' current wage rates.

*See Independent Auditors' Report*

LUCAS COUNTY LAND REUTILIZATION CORPORATION  
LUCAS COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE PERIOD AUGUST 31, 2010 THROUGH DECEMBER 31, 2010

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

G. Revenues and Expenses

The LRC distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the LRC's principal ongoing operation. The principal operating revenues of the LRC in the future will be contributions from the County's delinquent estate tax and assessment collection (DETAC) fund and revenue from property dispositions. Operating expenses for the LRC will include demolition expenses, holding and maintenance costs of vacant properties, and administrative costs such as general liability and property insurance, professional services, staff salary and benefits, and rent and general overhead. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses. The LRC did not have any revenues or nonoperating expenses in 2010.

H. Net Assets

Net assets represent the difference between assets and liabilities. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The LRC had no restricted net assets at December 31, 2010.

I. Estimates

The preparation of the basic financial statements in conformity with GAAP requirements management to make estimates and assumptions that affect the amounts reported in the basic financial statements and accompanying notes. Actual results may differ from those estimates.

**NOTE 3 - DEPOSITS**

At December 31, 2010, the carrying amount of the LRC's deposits was \$84,311. Based on the criteria described in GASB Statement Number 40, *Deposits and Investment Risk Disclosures*, as of December 31, 2010 the entire bank balance of \$84,311 was covered by Federal Deposit Insurance Corporation (FDIC). There are no significant statutory restrictions regarding the deposit and investment of funds by the not-for-profit corporation.

Custodial credit risk is the risk that in the event of bank failure, that the LRC's deposits may not be returned to it. Protection of LRC's cash and deposits is provided by the FDIC.

*See Independent Auditors' Report*

LUCAS COUNTY LAND REUTILIZATION CORPORATION  
LUCAS COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 4 - TRANSACTIONS WITH LUCAS COUNTY**

Pursuant to and in accordance with Section 321.261 (B) of the Ohio Revised Code, the LRC has been authorized by the Lucas County Board of Commissioners to receive 5% of all collections of delinquent real property, personal property, and manufactured and mobile home taxes that are deposited into the County's DETAC fund and will be available for appropriation by the LRC to fund operations. As of the date of this report, the LRC has received approximately \$1.0 million from the County in 2011, which represents the first half 2011 real estate settlement.

Prior to receiving their first settlement, the LRC received a \$100,000 advance from the DETAC fund on November 17, 2010 to fund start-up operations and is expected to be repaid in April 2011.

Effective January 1, 2011, the LRC entered into an agreement with the County Treasurer's office to lease office space and telecommunications, staff support, office supplies, and record storage provided by the Treasurer's office for \$1,000 per month, payable on an annual basis.



Report on Internal Control over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards*

Board of Directors  
Lucas County Land Reutilization Corporation  
Lucas County, Ohio

We have audited the financial statements of Lucas County Land Reutilization Corporation, Lucas County, Ohio, (a component unit of Lucas County, Ohio) as of and for the period August 31, 2010 through December 31, 2010, and have issued our report thereon dated April 15, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Lucas County Land Reutilization Corporation's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Lucas County Land Reutilization Corporation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Lucas County Land Reutilization Corporation's internal control over financial reporting.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

## Compliance and Other Matters

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

April 15, 2011

*Spelman, Hulls & Heidebrenk, Ltd.*