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Dave Yost • Auditor of State



**LUCAS COUNTY LAND REUTILIZATION CORPORATION  
LUCAS COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Lucas County Land Reutilization Corporation  
Lucas County  
One Government Center, Suite 580  
Toledo, Ohio 43604

To the Board of Directors:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities and the General Fund of Lucas County Land Reutilization Corporation, Lucas County, Ohio (the Corporation), a component unit of Lucas County, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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 the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Corporation'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 Corporation'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 the overall financial statement presentation.

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

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and General Fund of Lucas County Land Reutilization Corporation, Lucas County, Ohio, as of December 31, 2012, and the respective changes in financial position, thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

***Other Matters***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

***Supplementary and Other Information***

Our audit was conducted to opine on the Corporation's basic financial statements taken as a whole. The Schedule of Revenue, Expenditures, and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual – General Fund present additional analysis and is not a required part of the basic financial statements.

The Schedule of Revenue, Expenditures, and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual – General Fund is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated May 24, 2013, 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. 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.

Lucas County Land Reutilization Corporation  
Lucas County  
Independent Auditor's Report  
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That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control over financial reporting and compliance.

**Dave Yost**  
Auditor of State

May 24, 2013

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**LUCAS COUNTY LAND REUTILIZATION CORPORATION  
LUCAS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
UNAUDITED**

The management's discussion and analysis of Lucas County Land Reutilization Corporation's (the Corporation) financial performance provides an overall review of the Corporation's financial activities for the year ended December 31, 2012. The Corporation began operations on August 31, 2010. The intent of this discussion and analysis is to look at the Corporation'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 Corporation's financial performance.

**Financial Highlights**

Key financial highlights for 2012 are as follows:

- The Corporation is focused on returning property to productive use, returning property to the tax duplicate and accelerating economic or housing activity in Lucas County communities. The Corporation works cooperatively with cities, other units of government and individual property owners to acquire troubled real estate and return it to productive use.
- The Corporation received approximately \$1.8 million from Lucas County under an arrangement to receive 5% of delinquent taxes collected.
- The Corporation acquired 403 properties.

**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 Corporation's financial activities. The statements then proceed to provide a detailed look at our specific financial conditions.

The Statement of Net Position and Statement of Activities provide information about the activities of the whole Corporation, presenting both an aggregate view of the Corporation's finances and a longer-term view of those assets. The Statement of Activities shows changes to net position related to each department of the Corporation. Fund financial statements tell how services were financed in the short-term as well as what dollars remain for future spending.

**Reporting the Corporation's Financial Activities**

*Statement of Net Position and the Statement of Activities*

The Statement of Net Position and Statement of Activities include all assets and liabilities using the *accrual basis of accounting* similar to the accounting method used by the private sector. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash was received or paid.

These two statements report the Corporation's net position and changes in that position. This change in net position is important because it tells the reader whether, for the Corporation as a whole, the *financial position* of the Corporation has improved or diminished. However, in evaluating the overall position of the Corporation, non-financial information such as the condition of the Corporation's capital assets will also need to be evaluated.

The Statement of Net Position and the Statement of Activities are divided into the following categories:

- Assets
- Deferred Outflows of Resources
- Liabilities
- Deferred Inflows of Resources

**LUCAS COUNTY LAND REUTILIZATION CORPORATION  
LUCAS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
UNAUDITED**

- Net Position (Assets/Deferred Outflows minus Liabilities/Deferred Inflows)
- Program Expenses and Revenues
- General Revenues
- Net Position Beginning and End of Year

**Reporting on the Corporation's Fund**

*Governmental Fund*

The presentation for the Corporation's only fund, the general fund, focuses on how resources flow into and out of it and the balance that is left at year-end and available for spending in future periods. The general fund is reported using the modified accrual of accounting which measures cash and all other financial assets that are expected to be readily converted to cash. The governmental fund statements provide a detailed short-term view of the Corporation's general operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future on services provided to the Corporation's government constituents. The relationship (or difference) between governmental activities (reported on the Statement of Net Position and the Statement of Activities) and the general fund is reconciled in the financial statements.

The table below provides a summary of Corporation's net position for 2012 and 2011

<b>Net Position</b>	<b>2012</b>	<b>2011</b>
<b>ASSETS</b>		
Cash	\$ 1,935,949	\$ 1,137,999
Accounts Receivable	954,301	
Prepaid Items	3,211	155,000
Total Assets	2,893,461	1,292,999
<b>LIABILITIES</b>		
Accounts Payable	504,581	16,485
Wages Payable	10,770	6,038
Compensated Absences Payable	16,320	3,356
Due to Other Governments	3,040	5,819
Total Liabilities	534,711	31,698
Total Net Position	\$ 2,358,750	\$ 1,261,301

Accounts receivable consist of demolition expenses that are to be reimbursed based on an agreement between the City of Toledo and the Corporation.

Over time, net position can serve as useful indicator of a government's financial position. At December 31, 2012, the Corporation's net position was \$2,358,750 up from \$1,261,301 in 2011.

The table below shows the changes in net position for the year ending December 31, 2012 and 2011.

**LUCAS COUNTY LAND REUTILIZATION CORPORATION  
LUCAS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
UNAUDITED**

**Change in Net Position**

	<b>2012</b>	<b>2011</b>
<b>REVENUES</b>		
Program Revenue		
Charges for Services	\$ 374,455	\$ 47,235
General Revenues		
Intergovernmental	1,797,771	1,621,048
Interest	<u>2,924</u>	<u>1,055</u>
<i>Total Governmental Revenues</i>	<u>2,175,150</u>	<u>1,669,338</u>
<b>PROGRAM EXPENSES</b>		
Professional and Contract Services	\$ 573,002	\$ 144,208
Administration	<u>504,699</u>	<u>245,976</u>
<i>Total Program Expenses</i>	<u>1,077,701</u>	<u>390,184</u>
Change in Net Position	1,097,449	1,279,154
Net Position at Beginning of Period	<u>1,261,301</u>	<u>(17,853)</u>
Net Position at End of Year	<u>\$ 2,358,750</u>	<u>\$ 1,261,301</u>

Revenues for 2012 and 2011 consist primarily of 5% of delinquent taxes contributed by Lucas County to the Corporation for the purpose of land reutilization. Charges for services and program expenses have increased from the prior year due to increase property activity in 2012. The Corporation acquired 403 properties in 2012 compared to 150 properties in the prior year.

**The Corporation's Fund**

This fund is accounted for using the modified accrual basis of accounting. The Corporation had governmental revenues of \$2,175,150 and expenditures of \$1,064,737.

**Capital Assets**

As of December 31, 2012, the Corporation does not have any capital assets.

**Debt**

As of December 31, 2012, the Corporation does not have any debt.

**Current Financial Related Activities**

The Corporation began operations on August 31, 2010. The Corporation 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 Corporation is to strengthen neighborhoods in Lucas County by returning vacant and abandoned properties to productive use. By strategically acquiring properties, the Corporation 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 Corporation in the future will be contributions from Lucas County's delinquent estate tax and assessment collection fund and revenue from property dispositions.

**LUCAS COUNTY LAND REUTILIZATION CORPORATION  
LUCAS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
UNAUDITED**

**Request for Information**

This financial report is designed to provide users of the financial statements with a general overview of the Corporation's finances and show the Corporation's accountability for the money it receives. If you have questions about this report or need additional financial information contact Cynthia Geronimo, Executive Director, Lucas County Land Reutilization Corporation, One Government Center, Suite 580, Toledo, Ohio 43064.

**LUCAS COUNTY LAND REUTILIZATION CORPORATION**  
**LUCAS COUNTY**  
**(A COMPONENT UNIT OF LUCAS COUNTY)**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2012**

	<b>Governmental Activities</b>
<b>Assets</b>	
Cash and Cash Equivalents	\$ 1,935,949
Intergovernmental Receivables	954,301
Prepaid Items	3,211
Total Assets	2,893,461
 <b>Liabilities</b>	
Accounts Payable	504,581
Wages Payable	10,770
Compensated Absences Payable	16,320
Due to Other Governments	3,040
Total Liabilities	534,711
 <b>Net Position</b>	
Unrestricted	2,358,750
Total Net Position	\$ 2,358,750

*See Accompanying Notes to the Basic Financial Statements*

**LUCAS COUNTY LAND REUTILIZATION CORPORATION**  
**LUCAS COUNTY**  
**(A COMPONENT UNIT OF LUCAS COUNTY)**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

	Expenses	Program Revenue Charges for Services	Net (Expense) Revenue and Changes in Net Position Governmental Activities
<b>Governmental Activities:</b>			
Professional and Contract Services	\$ 573,002	\$ 374,455	\$ (198,547)
Administration	504,699		(504,699)
<b>Total</b>	<b>\$ 1,077,701</b>	<b>\$ 374,455</b>	<b>\$ (703,246)</b>
<b>General Revenue:</b>			
Intergovernmental			1,797,771
Interest			2,924
Total General Revenues			1,800,695
Change in Net Position			1,097,449
Net Position at Beginning of Year			1,261,301
Net Position at End of Year			<b>\$ 2,358,750</b>

*See Accompanying Notes to the Basic Financial Statements*

**LUCAS COUNTY LAND REUTILIZATION CORPORATION**  
**LUCAS COUNTY**  
**(A COMPONENT UNIT OF LUCAS COUNTY)**  
**BALANCE SHEET**  
**GOVERNMENTAL FUND**  
**DECEMBER 31, 2012**

		<b>General Fund</b>
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$	1,935,949
Intergovernmental Receivables		954,301
Prepaid Items		3,211
Total Assets	\$	2,893,461
 <b>Liabilities and Fund Balance</b>		
<i>Liabilities:</i>		
Accounts Payable	\$	504,581
Wages Payable		10,770
Due to Other Governments		3,040
Total Liabilities		518,391
 <i>Fund Balance:</i>		
Unassigned		2,375,070
Total Liabilities and Fund Balance	\$	2,893,461

*See Accompanying Notes to the Basic Financial Statements*

**LUCAS COUNTY LAND REUTILIZATION CORPORATION  
LUCAS COUNTY  
(A COMPONENT UNIT OF LUCAS COUNTY)  
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO  
NET POSITION OF GOVERNMENTAL ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2012**

**Total Governmental Fund Balance** **\$ 2,375,070**

Amounts reported for governmental activities in the  
statement of net position are different because:

Compensated absences payable is a contractually required  
benefit not expected to be paid with expendable  
available financial resources and therefore not  
reported in the funds.

(16,320)

**Net Position of Governmental Activities**

\$ 2,358,750

**LUCAS COUNTY LAND REUTILIZATION CORPORATION**  
**LUCAS COUNTY**  
**(A COMPONENT UNIT OF LUCAS COUNTY)**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

		<u>General Fund</u>
<b>Revenues:</b>		
Intergovernmental	\$	1,797,771
Charges for Services		374,455
Interest		<u>2,924</u>
Total Revenues		2,175,150
<b>Expenditures:</b>		
Professional and Contract Services		573,002
Administration		<u>491,735</u>
Total Expenditures		<u>1,064,737</u>
Net Change in Fund Balance		1,110,413
Fund Balance Beginning of Year		<u>1,264,657</u>
Fund Balance End of Year	\$	<u><u>2,375,070</u></u>

*See Accompanying Notes to the Basic Financial Statements*

**LUCAS COUNTY LAND REUTILIZATION CORPORATION**  
**LUCAS COUNTY**  
**(A COMPONENT UNIT OF LUCAS COUNTY)**  
**RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE OF GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

**Net Change In Fund Balance - Total Governmental Fund** **\$ 1,110,413**

Amounts reports for governmental activities in the  
statement of activities are different because:

Some expenses in the statement of activities, such as vacation  
benefits payable, do not require the use of current financial resources  
and therefore are not reported as expenditures in governmental funds. (12,964)

**Change in Net Position of Governmental Activities** **\$ 1,097,449**

**LUCAS COUNTY LAND REUTILIZATION CORPORATION  
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

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

The Lucas County Land Reutilization Corporation (the Corporation) 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 Corporation 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 Corporation is to strengthen neighborhoods in Lucas County (the County) by returning vacant and abandoned properties to productive use. The Corporation 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 Corporation 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 the 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 Corporation 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 years.

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 component 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 Corporation 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 Corporation does not have any component units and does not include any organizations in its presentation. The Corporation's management believes these basic financial statements present all activities for which the Corporation is financially accountable.

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

The basic financial statements of the Corporation 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 Corporation's significant accounting policies are described below.

**LUCAS COUNTY LAND REUTILIZATION CORPORATION  
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

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

*Basis of Presentation*

The Corporation's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the Corporation as a whole. These statements include the financial activities of the primary government, except for the fiduciary funds. These statements usually distinguish between those activities of the Corporation that are governmental and those that are business-type. The Corporation, however, does not have any business-type activities.

The statement of net position presents the financial condition of the governmental activities of the Corporation at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Corporation's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the Corporation, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental program is self-financing or draws from the general revenues of the Corporation.

Fund Financial Statements

Fund financial statements are designed to present financial information of the Corporation at this more detailed level. The Corporation's general fund is its only governmental fund.

*Fund Accounting*

The Corporation uses fund accounting to segregate cash and investments that are restricted as to use. A fund is a separate accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and attaining certain objectives in accordance with special regulations, restrictions or limitations.

For financial statement presentation purposes, the Corporation's fund is classified a governmental.

Governmental Funds

Governmental funds focus on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes

LUCAS COUNTY LAND REUTILIZATION CORPORATION  
LUCAS COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012

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

for which they may or must be used. Current liabilities are assigned to the fund from which they will be repaid. The difference between governmental fund assets and liabilities is reported as fund balance. The following is the Corporation's only governmental fund:

**General Fund:** The general fund accounts for all financial resources that are received from the County Treasurer from penalties collected on delinquent property taxes and interest on those delinquencies. The general fund balance is available to the Corporation for any purpose provided it is expended or transferred according to the general laws of Ohio.

*Measurement Focus*

Government-Wide Financial Statements

The government-wide financial statements are prepared using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the Corporation are included on the Statement of Net Position. The Statement of Activities presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position.

Fund Financial Statements

The general fund is accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balance reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for the general fund.

*Basis of Accounting*

Basis of accounting determines when transactions are recorded on the financial records and reported on the financial statements. Government-wide statements are prepared using the accrual basis of accounting. The general fund uses the modified accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue and in the presentation of expenses versus expenditures.

Revenues - Exchange and Nonexchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available. Available means that the resources will be collected within the current year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. For the Corporation, available means expected to be received within sixty days of year-end.

Nonexchange transactions, in which the Corporation receives value without directly giving equal value in return, include grants, entitlements and donations. Revenue from grants,

LUCAS COUNTY LAND REUTILIZATION CORPORATION  
LUCAS COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012

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

entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the Corporation must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Corporation on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, interest and grants revenue sources are considered to be both measurable and available at year-end.

**Expenses/Expenditures**

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

***Budgetary Process***

The Corporation is not bound by the budgetary laws prescribed by the Ohio Revised Code for purely governmental entities. The Board of Directors of the Corporation adopts an annual budget prior to the beginning of the fiscal year. Appropriations and subsequent amendments are approved by the Board of Directors during the year as required. See supplemental information.

***Federal Income Tax***

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

***Cash and Cash Equivalents***

All monies received by the Corporation are deposited in a demand deposit account. The Corporation had no investments during the year or at the end of the year.

Investments with an original maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents.

***Prepaid Items***

Payments made to vendors for services that benefit future periods are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount at the time of purchase and reflecting the expenditure/expense in the year which the services are consumed.

***Accrued Liabilities and Long-Term Obligations***

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

**LUCAS COUNTY LAND REUTILIZATION CORPORATION  
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

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

Governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the fund. However, compensated absences are reported as a liability in the fund financial statements only to the extent payments come due each period upon the occurrence of employee resignations and retirements.

*Compensated Absences*

The Corporation 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.

*Net Position*

Net position represents the difference between assets/deferred outflow of resources and liabilities/deferred inflows of resources. The Corporation did not have any deferred outflow of resources and deferred inflow of resources as of December 31, 2012. Net position is 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 Corporation had no restricted net assets at December 31, 2012.

*Intergovernmental Revenue*

The Corporation receives operating income through Lucas County. This money represents the penalties and interest on current unpaid and delinquent property taxes once these taxes are paid. Pursuant to ORC 321.263, these penalty and interest monies are collected by the County when taxes are paid and then are paid to the Corporation upon the Corporation's written request.

*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.

*Extraordinary and Special Items*

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Corporation Administration and that are either unusual in nature or infrequent in occurrence. The Corporation had no extraordinary or special items during 2012.

**LUCAS COUNTY LAND REUTILIZATION CORPORATION  
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

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

*Fund Balance*

Fund balance is divided into five classifications based primarily on the extent to which the Corporation is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

*Nonspendable Fund Balance* – The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example, inventories and prepaid amounts.

*Restricted Fund Balance* – The restricted classification is used when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

*Committed Fund Balance* – The committed fund balance classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Corporation’s Board of Directors.

*Assigned Fund Balance* – Assigned fund balance includes amounts that are constrained by the Corporation’s intent to be used for specific purposes, but are neither restricted nor committed.

*Unassigned Fund Balance* – Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

**NOTE 3 - CHANGES IN ACCOUNTING PRINCIPLES**

For 2012, the Corporation has implemented GASB Statement No. 63, “Financial Reporting of Deferred Outflows of Resources and Deferred Inflows of Resources, and Net Position”. GASB Statement No. 63 incorporates deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. The Corporation didn’t have any deferred outflows of resources or deferred inflows of resources as of December 31, 2012. The implementation of this statement did not result in any change to the Corporation’s financial statements, except for the renaming of net assets.

**NOTE 4 - DEPOSITS**

At December 31, 2012, the carrying amount of the Corporation’s deposits was \$1,935,949. Based on the criteria described in GASB Statement Number 40, *Deposits and Investment Risk Disclosures*, as of December 31, 2012 \$250,000 was covered by Federal Deposit Insurance Corporation (FDIC) and \$1,685,949 was uninsured and collateralized. Custodial credit risk is the risk that in the event of bank failure, that the Corporation’s deposits may not be returned to it. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and

**LUCAS COUNTY LAND REUTILIZATION CORPORATION  
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

**NOTE 4 - DEPOSITS-continued**

pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the Corporation. Protection of the Corporation's cash and deposits is provided by the FDIC or collateralized by the financial institution.

**NOTE 5 - RISK MANAGEMENT**

The Corporation is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2010, the Corporation contracted with Brooks Insurance for various types of insurance as follows:

Type	Coverage
General Aggregate	\$2,000,000
Liability Property	2,000,000
Commercial General Liability	2,000,000
Personal Injury	2,000,000
Directors/Officers Liability	1,000,000
Employment Practices Liability	1,000,000

During 2012 and 2011, the settled claims have not exceeded commercial coverage.

**NOTE 6 - TRANSACTIONS WITH LUCAS COUNTY**

Pursuant to and in accordance with Section 321.261 (B) of the Ohio Revised Code, the Corporation 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 Corporation to fund operations.

Effective January 1, 2011, the Corporation 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.

**NOTE 7 - RECEIVABLES**

Receivables at December 31, 2012, consisted of funds due from the City of Toledo and funds due from TJRS grant. Allowance for doubtful accounts were not recorded because all receivables are expected to be collected.

A summary of the principal items of governmental activities intergovernmental receivable follows:

Governmental Activities Amounts	
City of Toledo	\$ 905,511
TJRS Grant	48,790
Total Governmental Activities	\$ 954,301

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**LUCAS COUNTY LAND REUTILIZATION CORPORATION**  
**LUCAS COUNTY**  
**(A COMPONENT UNIT OF LUCAS COUNTY)**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET (NON-GAAP BASIS) AND ACTUAL**  
**GENERAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Income</b>				
Intergovernmental	\$ 1,621,000	\$ 1,621,000	\$ 1,797,771	\$ 176,771
Charges for Services	202,000	202,000	374,455	172,455
Interest	1,000	1,000	2,924	1,924
<b>Total Revenues</b>	1,824,000	1,824,000	2,175,150	351,150
<b>Expenditures</b>				
Professional and Contract Services	2,448,350	2,448,350	418,002	2,030,348
Administration	517,684	517,684	483,964	33,720
<b>Total Expenditures</b>	2,966,034	2,966,034	901,966	2,064,068
<b>Net Change in Fund Balance</b>	(1,142,034)	(1,142,034)	1,273,184	2,415,218
Fund Balance Beginning of Year	1,264,657	1,264,657	1,264,657	
Prior year encumbrances appropriated	133,904	133,904	133,904	
<b>Fund Balance End of Year</b>	\$ 256,527	\$ 256,527	\$ 2,671,745	\$ 2,415,218

See Accompanying Notes to the Supplemental Information

**LUCAS COUNTY LAND REUTILIZATION CORPORATION  
LUCAS COUNTY**

**NOTE TO THE SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED DECEMBER 31, 2012**

**NOTE 1 – BUDGETARY BASIS OF ACCOUNTING**

*Budgetary Process*

The budgetary process that is followed by the Corporation is for control purposes and is set forth in its Code of Regulations. At least thirty days prior to the end of each fiscal year, the President shall present to the Board of Directors the annual budget of the Corporation for the next succeeding fiscal year. The Board of Directors shall, at a regular or special meeting, conduct a public hearing on such budget and shall, at such meeting or at another meeting called for the purpose, adopt the annual budget which shall govern the expenditures of the Corporation during the fiscal year to which such budget applies. On and after the commencement of a fiscal year, the annual budget adopted for such fiscal year may be amended or supplemented by the Board of Directors as circumstances warrant. No binding monetary obligation of the Corporation shall be entered into unless there exists at the time in the applicable budget line item an unencumbered balance in an amount no less than lesser of (a) the amount of the monetary obligation to be incurred without either the amendment or supplement of such budget and line item by the Board of Directors and (b) the amount of the monetary obligation that will be due and payable in the fiscal year in which the monetary obligation is incurred. Nothing in this budgetary process shall be construed as prohibiting the President from approving the transfer of an unencumbered balance from any line item, account, or fund to a line item, account, or fund with respect to which an insufficient unencumbered balance exists when it is in the best interests of the Corporation to enter into the binding monetary obligation. In the event that due to unforeseen circumstances the annual budget has not been adopted and is not ready for adoption by the last day of the fiscal year immediately preceding the year of which such budget is to be effective, the Board of Directors may adopt a temporary budget governing fiscal matters for the first three months of the new fiscal year.

*Budgetary Basis of Accounting*

While the Corporation is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis is based upon accounting for certain transactions on a basis of cash receipts and disbursements. The Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are expenditures that are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statement to the budgetary basis statement for the general fund.

Net Change in Fund Balance	
GAAP Basis	\$1,110,413
Net Adjustment for Expenditure Accruals	162,771
Budget Basis	<u>\$1,273,184</u>



# 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*

Lucas County Land Reutilization Corporation  
Lucas County  
One Government Center, Suite 580  
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 governmental activities and General Fund of Lucas County Land Reutilization Corporation, Lucas County, Ohio (the Corporation), as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements and have issued our report thereon dated May 24, 2013, wherein we noted the Corporation is a component unit of Lucas County.

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

As part of our financial statement audit, we considered the Corporation's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Corporation'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 Corporation'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. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

### ***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, 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*.

One Government Center, Suite 1420, Toledo, Ohio 43604-2246  
Phone: 419-245-2811 or 800-443-9276 Fax: 419-245-2484  
[www.ohioauditor.gov](http://www.ohioauditor.gov)

Lucas County Land Reutilization Corporation  
Lucas County  
Independent Auditor's Report on Internal Control Over  
Financial Reporting and on Compliance and Other Matters  
Required by *Government Auditing Standards*  
Page 2

***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 Corporation's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

**Dave Yost**  
Auditor of State

May 24, 2013



# Dave Yost • Auditor of State

LUCAS COUNTY LAND REUTILIZATION 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 11, 2013



# Dave Yost • Auditor of State

## MANAGEMENT LETTER

Lucas County Land Reutilization Corporation  
Lucas County  
One Government Center, Suite 580  
Toledo, Ohio 43604

To the Board of Directors:

We have audited the financial statements of Lucas County Land Reutilization Corporation, Lucas County, (the Corporation), in accordance with *Government Auditing Standards*, as of and for the year ended December 31, 2012, and have issued our report thereon dated May 24, 2013.

*Government Auditing Standards* require us to report significant internal control deficiencies, fraud, and illegal acts (including noncompliance with laws and regulations), and also abuse and noncompliance with contracts and grant agreements that could directly and materially affect the determination of financial statement amounts. We have issued the required report dated May 24, 2013, for the year ended December 31, 2012.

We are also submitting the following comment for your consideration regarding the Corporation's internal control. This comment reflects a matter that does not require inclusion in the report *Government Auditing Standards* require. Nevertheless, this comment represents a matter for which we believe improvements in internal controls or operational efficiencies might be achieved. Due to the limited nature of our audit, we have not fully assessed the cost-benefit relationship of implementing this recommendation. However, this comment reflects our continuing desire to assist your Corporation. If you have questions or concerns regarding this comment please contact your regional Auditor of State office.

## RECOMMENDATION

### Payroll SOC 1 Report

The Corporation currently has a contract with Data Service Center, Inc. to administer the Corporation's payroll. This contract does not require Data Service Center, Inc. to provide the Corporation with an annual report on the Processing of Transactions by the Service Organization prepared in accordance with Statement of Standards for Attestation Engagements 16 (SSAE 16). There are two types of Service Organization Controls Reports (SOC 1); Type 1 – Report on management's description of a service organizations system and the suitability of the design of controls, and Type 2 – Report on management's description of a service organization's system and the suitability of the design and operating effectiveness of controls.

When a user organization uses a service organization, transactions that affect the user organizations financial statements are subjected to controls that are, at least in part, physically and operationally separate from the user organization. Further, when the service organization executes the user organization's transactions and maintains the related accountability, there is a lower degree of interaction between the controls at the service organization and those at the user organization.

**RECOMMENDATION  
(Continued)**

We recommend the Corporation obtain a Type 2 report from Date Service Center. In addition, we recommend a requirement to provide a Type 2 report be incorporated in all future contracts with any service organizations.

We intend this report for the information and use of the Board of Directors, audit committee, and management.

**Dave Yost**  
Auditor of State

May 24, 2013