LUCAS COUNTY IMPROVEMENT CORPORATION
LUCAS COUNTY

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2011-2010

LUCAS COUNTY IMPROVEMENT CORPORATION
LUCAS COUNTY

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INDEPENDENT ACCOUNTANTS' REPORT

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

To the Executive Committee:

We have audited the accompanying financial statements of the Lucas County Improvement Corporation, Lucas County, Ohio (the Corporation), as of and for the years ended December 31, 2011 and 2010, as listed in the table of contents. These financial statements are the responsibility of the 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Lucas County Improvement Corporation, Lucas County, Ohio, as of December 31, 2011 and 2010, and the changes in its financial position and its cash flows, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 2, during 2010 the Corporation changed its method of accounting from the modified cash basis to accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2012, on our consideration of the Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards.* You should read it in conjunction with this report in assessing the results of our audit.

Dave Yost
Auditor of State

November 21, 2012

LUCAS COUNTY IMPROVEMENT CORPORATION
LUCAS COUNTY

Statement of Net Assets
Proprietary Fund
December 31, 2011 and 2010

	2011	2010
Assets		
Current Assets:		
Cash	$37,467	$18,604
Restricted Cash	375	375
Notes Receivable	12,431	9,418
Accounts Receivable	17,359	
Deferred Financing Costs	5,566	5,566
Prepaid Expenses	1,192	1,192
Total Current Assets	74,390	35,155
Noncurrent Assets:		
Investment in Limited Liablity Company	119,189	119,189
Notes Receivable	35,401	47,832
Deferred Financing Costs	11,132	16,698
Land Held for Sale	450	450
Property and Equipment:		
Equipment and Software	26,217	26,217
Furniture and Fixtures	19,547	19,547
	45,764	45,764
Less Accumulated Depreciation	25,393	16,665
Net Property and Equipment	20,371	29,099
Total Noncurrent Assets	186,543	213,268
Total Assets	$260,933	$248,423
Liabilities		
Current Liabilities		
Accounts Payable	$8,190	$31,565
Contract Labor	1,314	1,314
Payroll Taxes	1,252	1,592
Workers Compensation	529	529
Total Current Liabilities	11,285	35,000
Long-Term Liabilities:		
Payroll and Vacation	21,147	23,534
Total Long-Term Liabilities	21,147	23,534
Total Liabilities	32,432	58,534
Net Assets		
Temporarily Restricted	375	375
Unrestricted	228,126	189,514
Total Net Assets	$228,501	$189,889

See accompanying notes to the basic financial statements

LUCAS COUNTY IMPROVEMENT CORPORATION
LUCAS COUNTY

Statement of Revenues,
Expenses and Changes in Fund Net Assets
Proprietary Fund
For the Years Ended December 31, 2011 and 2010

	2011	2010
Changes in Unrestricted Net Assets		
Revenues		
Contributions from Lucas County	$450,000	$500,000
Management Fees - Lucas County Workforce Investment Board	246,771	194,687
Grant	30,000	
Consulting	2,500	
Interest	1,700	1,997
In-Kind Contribution		27,830
Contributions		1,625
Total Unrestricted Revenues	730,971	726,139
Expenses and Losses		
Salaries and Wages	378,056	375,566
Insurance:		
Group	74,951	58,017
Professional Liability	3,618	3,321
Contract Labor	45,939	86,748
Rent	36,249	107,733
Grant	30,000	
Payroll Taxes and Worker's Compensation	27,583	27,222
Professional Fees	27,109	11,137
Telephone and Internet	14,915	14,422
Depreciation and Amortization	14,294	12,295
Travel	12,065	12,190
Occupancy and Office	8,557	12,536
Dues and Subscriptions	4,588	7,941
Conferences and Training	3,719	8,962
Meals and Entertainment	2,592	5,830
Outside Services	2,359	17,028
Bad Debts	1,994	
Marketing	1,728	2,862
Consulting	1,000	
Miscellaneous	862	(3,252)
Postage, Shipping and Delivery	181	679
Net Loss on Investment in Limited Liability Company		5,811
Total Expenses and Losses	692,359	767,048
Increase (Decrease) in Unrestricted Net Assets	38,612	(40,909)
Net Assets Beginning of Year, Restated	189,889	230,798
Net Assets End of Year	$228,501	$189,889

See accompanying notes to the basic financial statements

LUCAS COUNTY IMPROVEMENT CORPORATION
LUCAS COUNTY

Statement of Cash Flows
Proprietary Fund
For the Years Ended December 31, 2011 and 2010

	2011	2010
Cash Flows from Operating Activities		
Change in Net Assets	$38,612	($40,909)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided By (Used In) Operating Activities:		
Depreciation and Amortization	14,294	12,295
Loss in Investment in Limited Liability Company		5,811
Changes in Assets and Liabilities:		
Restricted Cash		9,000
Accounts Receivable	(17,359)	11,425
Prepaid Expenses		5,840
Other Assets		(27,830)
Accounts Payable	(23,375)	26,777
Accrued Liabilities	(2,727)	10,159
Net Cash Provided by Operating Activities	9,445	12,568
Cash Flows from Investing Activities		
Payments Received on Note Receivable	9,418	9,121
Capital Expenditures		(27,917)
Purchase of Land Held for Sale		(450)
Net Cash Provided By (Used In) Investing Activities	9,418	(19,246)
Net Increase (Decrease) in Cash	18,863	(6,678)
Cash at Beginning of Year	18,604	25,282
Cash at End of Year	$37,467	$18,604

See accompanying notes to the basic financial statements

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NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Business Activity

Lucas County Improvement Corporation (the "Corporation") was organized for the purpose of promoting, advancing and encouraging the industrial, economic, commercial and civic development of Lucas County, Ohio ("Lucas County") and the surrounding area. Funds for this purpose are contributed by Lucas County.

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

The Corporation participates in two jointly governed organizations. These organizations are:

- Northwest Ohio Improvement Fund, LLC
- Lucas County Commercial Redevelopment, LLC

Note 9 to the financial statements provides additional information for these entities.

B. Basis of Accounting

The accounts are maintained, and these financial statements are presented, on the accrual basis and in conformity with accounting principles generally accepted in the United States of America.

C. Basis of Presentation

The financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of financial Accounting Standards (SFAS) 117, Financial Statement for Not-For-Profit Organizations. Under SFAS No. 117 the Corporation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

D. Net Asset Classifications

Resources for various purposes are classified for accounting and financial reporting purposes into net asset categories established according to their nature and purpose as follows:

- Unrestricted net assets – Unrestricted net assets represent funds which are fully available, at the discretion of management and the Board of Directors, for the Corporation to utilize in any of its programs or supporting services.

- Temporarily restricted net assets – Temporarily restricted net assets are comprised of funds which are restricted by donors for specific purposes. The restrictions are satisfied either by the passage of time or by actions of the Corporation. The Corporation has $375 in temporarily restricted net assets at December 31, 2011 and 2010. See "Restricted Cash" for more information.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- Permanently restricted net assets – Permanently restricted net assets include resources with permanent donor-imposed restrictions, which require the assets to be maintained in perpetuity but permit the Corporation to expend all or part of the income derived from the donated assets. The Corporation does not have any permanently restricted net assets at December 31, 2011 and 2010.

E. Restricted Cash

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

F. Investment in Limited Liability Company

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

G. Concentration of Revenue and Accounts Receivable

In 2011, approximately 62% of funding (69% in 2010) to the Corporation was from support provided by Lucas County. A significant reduction in the level of support could have a significant effect on the Corporation's programs and/or financial viability.

H. Property and Equipment

Property and equipment is recorded at cost. Depreciation is calculated by the straight line method over the estimated useful lives of the equipment ranging from 3 to 7 years. Depreciation expense for the years ended December 31, 2011 and 2010 is $8,728 and $6,729, respectively.

I. Revenue Recognition

Unconditional promises to give are recognized as revenue in the period promised and as increases in assets or decreases of liabilities depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met. There are no conditional promises to give at December 31, 2011 and 2010.

Grant revenue received prior to year end which is unspent is recorded as deferred revenue. Periodic audits of some grants may be required and certain costs may be deemed inappropriate by the grantor which could result in the refund of grant monies to the granting agencies. Management believes that any required refunds will not be significant to the accompanying financial statements and no provision has been made in the accompanying financial statements for the refund of any grant monies.

Temporarily restricted contributions are reported as increases in temporarily restricted net assets. When a donor time restriction ends or purpose or other restricted is fulfilled, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

J. Use of Estimates

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Income Taxes

The Corporation was incorporated on February 20, 1964 under Chapter 1724 of the Ohio Revised Code as a community improvement corporation, which is a non-profit organization. In October 2011, the Corporation received approval, retroactive to the date of incorporation, from the Internal Revenue Service to be classified as a public charity and is thereby exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

The Organization has adopted the provisions of Financial Accounting Standards Board Codification 740-10, *Income Taxes,* which clarifies how tax benefits for uncertain tax positions are to be recognized, measured, and reported in financial statements and requires certain disclosures of uncertain tax matters.

L. Intangible Assets

Intangible assets subject to amortization include loan acquisition costs. The loan acquisition costs are being amortized using the straight-line method over 60 months. Amortization expense for the years ended December 31, 2011 and 2010 was $5,566 in each year.

M. Donated Assets

The Corporation received the benefit of $27,830 in financing costs from the Toledo-Lucas County Port Authority in 2010, which are included as deferred financing costs in the statements of financial position.

NOTE 2: CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF NET ASSETS

Change in Accounting Principle

For 2011 and 2010, the Corporation adopted Generally Accepted Accounting Principles (GAAP) from prior statements that were prepared on modified cash basis.

Restatement of Net Assets

The restatement due to the implementation of GAAP had the following effect on net assets of the Corporation as previously reported.

	Proprietary Fund
Fund Balance at December 31, 2009	$233,939
Change for accruals	(3,141)
Adjusted Fund Balance at December 31, 2009	$230,798

NOTE 3: CASH AND INVESTMENTS

Protection of the Corporation's deposits is provided by the Federal Deposit Insurance Corporation (FDIC).

Deposits

Custodial credit risk for deposits is the risk that, in the event of bank failure, the Corporation will not be able to recover deposits or collateral securities that are in the possession of an outside party. At December 31, 2011 and 2010, none of the Corporation's bank balance was exposed to custodial credit risk. The Corporation has no deposit policy for custodial credit risk.

Investment in Limited Liability Company

The Corporation has invested $125,000 in Rocket Ventures Fund, LLC, a development fund administered through the Regional Growth Partnership in Northwest Ohio. The investment is reported using the equity method of accounting at its carrying value of $119,189 at December 31, 2011 and 2010. Based upon the understanding with Lucas County, any positive return on the investment will be remitted to Lucas County. The Corporation has no investment policy dealing with credit risk.

NOTE 4 – NOTE RECEIVABLE

The Corporation has advanced $75,000 to an operating company under a seven year note which bears interest at 3 ½%. The note is secured by a mortgage agreement on certain real property and certain guarantees. At December 31, 2011 and 2010, the balance of the note is $47,832 and $57,250, respectively.

NOTE 5: RETIREMENT SYSTEM

The Corporation's full time employees belong to Social Security. The employee and employer contribution rate is 6.2 percent of gross wages. The Corporation has paid all contributions required through December 31, 2011.

NOTE 6: RELATED PARTY TRANSACTIONS

The Corporation has an agreement with Workforce Investment Board, a not-for-profit organization related to Lucas County, for certain management and administrative services. In 2011 and 2010, the Corporation received approximately $247,000 and $195,000, respectively, under this agreement which is reflected as management fees in the accompanying financial statements. At December 31, 2011, management fee receivables totaled $17,359.

NOTE 7: LEASE COMMITMENTS

Rent expense under operating lease agreements with the American Maritime Officers Building Corporation of Ohio, and the Toledo Lucas County Port Authority, for use of facilities totaled $36,249 in 2011 and $107,733 in 2010. Annual future minimum lease commitments for 2012 total $41,478, exclusive of an additional obligation to pay certain utilities and taxes.

NOTE 8: GRANTS

In October 2008, the Corporation was awarded a $750,000 grant from the State of Ohio for an industrial site improvement project. The State of Ohio requires the Corporation obtain a specified amount matching funds prior to requesting any grant funds. No grant funds were ever received under this grant. In October 2010, the grant was canceled and the Corporation has no liability of continuing obligation related to this grant.

The Corporation was awarded a $200,000 grant in 2011 from the City of Toledo for an environmental remediation project. The Corporation has not incurred any expenses and has not received any funds related to this grant during 2011.

The Corporation received a $2,783,000 loan from the State of Ohio in September 2009 to develop an intermodal hub at the Toledo Express Airport with another party. A commitment fee of $27,830 was paid by the Toledo-Lucas County Port Authority on behalf of the Corporation to secure the loan in September 2009. The loan is forgivable based on requirements for job creation and the development of intermodal systems. The loan will be due with accrued interest of 1% over the term of the construction project. The loan requires a $3,200,000 grant from the Federal Economic Development Administration and other matching private funds. The corporation has not incurred any expenses and has not received any funds related to these grants during 2011.

NOTE 9: JOINTLY GOVERNED ORGANIZATIONS

A. Northwest Ohio Improvement Fund, LLC

In June 2011, the Corporation established the Northwest Ohio Improvement Fund, LLC, a wholly-owned for-profit subsidiary engaged in providing financing to companies and real estate development projects in Northwest Ohio. The Toledo-Lucas County Port Authority is the primary beneficiary of the activities conducted by this entity. There was no financial activity related to this entity in 2011.

B. Lucas County Commercial Redevelopment, LLC

In December 2011, the Corporation established Lucas County Commercial Redevelopment, LLC, a wholly-owned not-for-profit subsidiary engaged in land redevelopment. There was no financial activity related to this entity in 2011.

NOTE 10: SUBSEQUENT EVENTS

On June 14, 2012, the Corporation's Executive Committee authorized a resolution changing the Corporation's name to the Lucas County Economic Development Corporation. The Articles of Incorporation were appropriately amended and filed with the Secretary of State and the name change was legalized on July 19, 2012. The Corporation's 501(c)(3) certificate was also updated with the new entity name.

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

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

To the Executive Committee:

We have audited the financial statements of the Lucas County Improvement Corporation, Lucas County, Ohio (the Corporation), as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated November 21, 2012, wherein we noted during 2010 the Corporation changed its method of accounting from the modified cash basis to accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2011-001 described in the accompanying schedule of findings to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the Corporation's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We also noted certain matters not requiring inclusion in this report that we reported to the Corporation's management in a separate letter dated November 21, 2012**.**

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

Dave Yost
Auditor of State

November 21, 2012

SCHEDULE OF FINDINGS
DECEMBER 31, 2011 AND 2010

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

FINDING NUMBER 2011-001

Material Weakness – Controls Over Receipts

Sound internal controls included processes that allow management and employees to prevent, or detect and timely correct misstatements. Without proper controls over receipts, significant posting errors could occur and go undetected, resulting in inaccurate financial statements.

Various control weaknesses were noted while testing receipts at the Lucas County Improvement Corporation (LCIC):

- Instances were noted in which the monies received could not be agreed to the amounts recorded in the accounting system; however, the receipt was verified per examination of check copies, deposit slips, and bank statements.

- Instances were noted in which the LCIC posted receipt amounts recorded in the accounting system in excess of the actual monies received. These amounts were inaccurately recorded as receivables on the financial statements.

- Supporting documentation was not always attached or readily available for the amounts recorded as receipts on the financial statements. As a result, variances between amounts billed, amounts received, and amounts posted to the system were not easily determined. Given some of the transactions occurred in the first year of the audit period, the Accounting Specialist was not easily able to recall what happened or why a transaction was posted a certain way. This required the Accounting Specialist to research the differences. In some instances she also had to contact representatives from the other entity for explanations. This contributed to delays in the completion of the audit.

The financial statements and the accounting system of the LCIC have been adjusted to correct the errors noted above.

We recommend the following controls be implemented over receipts:

- Review of all receipts posted to the system, to ensure the amount received agrees to the amount posted. If discrepancies are noted, they should be documented and this documentation should be maintained and reviewed/approved by the Treasurer and/or CEO.

- Supporting documentation, such as invoices, contracts, etc., should be attached to all receipts, supporting the amount received.

- Any variances between amounts billed and amounts received should be documented on the supporting documentation in detail. If journal entries are necessary to support a write-off for monies that will not be collected, or to correct a posting entry, a copy of the entry and all supporting documentation, along with a detailed explanation, should be attached to the entry.

Officials' Response:

We did not receive a response from Officials to this finding.

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LUCAS COUNTY IMPROVEMENT CORPORATION
LUCAS COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2011 AND 2010

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; ***Explain***
2009-001	Material Weakness – Financial Statement Presentation - Errors were identified in the financial statements and related note disclosures, resulting in several significant audit adjustments.	Yes	
2009-002	Ohio Revised Code §1724.05 – Corporation prepared financial statements on modified cash basis and not on GAAP basis.	Yes	

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LUCAS COUNTY COMMUNITY IMPROVEMENT CORPORATION

LUCAS COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
DECEMBER 11, 2012