



Dave Yost • Auditor of State



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

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

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

To the Board of Directors:

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

We have audited the accompanying financial statements of the Downtown Toledo Improvement District, Inc., Lucas County, Ohio (the District), (a not-for-profit corporation), which comprise the statement of financial position, the related statements of activities and changes in net assets, as of and for the year ended December 31, 2015, and the related notes to the financial statements.

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

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

### ***Auditor's Responsibility***

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

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

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash financial position of the Downtown Toledo Improvement District, Inc., Lucas County, Ohio as of December 31, 2015, and the changes in its cash financial position and its cash flows for the year then ended in accordance with the accounting basis described in Note 1.

**Accounting Basis**

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

**Emphasis of Matter**

As discussed in Note 2 to the financial statements for the year ended December 31, 2015, the District revised its financial presentation from the modified cash basis to a format using accounting practices the Auditor of State prescribes or permits. Our opinion is not modified with respect to this matter.

**Other Reporting Required by Government Auditing Standards**

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



**Dave Yost**  
Auditor of State

Columbus, Ohio

December 22, 2016

DOWNTOWN TOLEDO IMPROVEMENT DISTRICT, INC.  
LUCAS COUNTY

STATEMENT OF FINANCIAL POSITION - CASH-BASIS  
DECEMBER 31, 2015

<b>Assets:</b>	
Cash and Cash Equivalents	<u><u>\$441,881</u></u>
<b>Net Assets:</b>	
Unrestricted	<u><u>\$441,881</u></u>

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

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

**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS  
CASH-BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2015**

<b>Revenues and Support:</b>	
District Assessments	\$643,283
Sponsorships and contracts	7,417
Interest	99
Miscellaneous	<u>4,779</u>
<i>Total Revenues and Support</i>	<u>655,578</u>
<b>Operating expenses:</b>	
Outside contract services	355,071
Salaries and wages	95,627
Marketing consulting	47,718
Rent	17,478
Professional fees	15,322
Advertising	7,298
Operations and facilities	7,220
Payroll taxes	7,126
Office expense and postage	6,094
Programs at Levis Square	3,975
Insurance	3,278
Travel and entertainment	2,423
Dues and subscriptions	1,455
Telephone	886
Equipment rental	509
Board and annual meetings	502
Mileage reimbursements	361
Miscellaneous	68
Employee benefits	
Holiday and other decorations	
<i>Total expenses</i>	<u>572,411</u>
Change in net assets	83,167
Net assets, beginning of year	<u>358,714</u>
Net assets, end of year	<u><u>\$441,881</u></u>

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



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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

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

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

**B. Accounting Basis**

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

**C. Cash and cash equivalents**

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

**D. Financial statements presentation**

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

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

Temporarily restricted net assets are resources that are restricted by a donor for use for a particular purpose or in a particular future period. The District's unspent contributions are reported in this class if the donor limits their use. The District had no temporarily restricted net assets at December 31, 2015.

Permanently restricted net assets are resources whose use is limited by donor-imposed restrictions that neither expires by being used in accordance with a donor's restriction nor by the passage of time. The District had no permanently restricted net assets at December 31, 2015.

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015  
(Continued)**

**E. Public support and revenue**

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

*District Assessments:* the District receives revenue for operations from special assessments received from downtown property owners within a defined 38-block area. These monies are received semi-annually, in April and November.

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

**F. Advertising**

The District follows the policy of charging the costs of advertising to expense as incurred. Advertising costs expensed for December 31, 2015 were \$7,298.

**G. Income taxes**

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

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

**2. CHANGE IN ACCOUNTING PRINCIPLE:**

In prior years, the District reported the financial statements on the modified cash basis of accounting. For 2015, the District began reporting on cash basis. The District no longer presents assets or liabilities.

**3. CONCENTRATIONS OF CREDIT RISK:**

The District maintains cash balances in one financial institution. The account in this financial institution is insured by the Federal Deposit Insurance Corporation up to \$250,000. The District's cash balance at December 31, 2015 exceeds the FDIC limits by \$191,881.

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

**4. LEASE COMMITMENT:**

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

Annual rent expense was \$17,478 for December 31, 2015.

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015  
(Continued)**

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

2016	\$16,248
2017	16,248
2018	16,248
2019	16,248
2020	16,248
Total	<u>\$81,240</u>

**5. BLOCK BY BLOCK, INC. AGREEMENT:**

In 2011, the District entered into a contract with a company to provide uniformed security and environmental personnel. This contract is renegotiated and renewed annually. The annual expense for December 31, 2015 related to this contract was \$355,071.

On December 2, 2015, the District signed a new service agreement for services to be provided in 2016. The maximum annual expense under this new agreement will be \$350,850.

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# Dave Yost • Auditor of State

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

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

To the Board of Directors:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Downtown Toledo Improvement District, Inc., Lucas County, Ohio (the District) as of and for the year ended December 31, 2015, and the related notes to the financial statements, and have issued our report thereon dated December 22, 2016, wherein we noted the District changed its accounting method to the cash basis of accounting, which is a special purpose framework other than generally accepted accounting principles.

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

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a significant deficiency. We consider finding 2015-001 to be a significant deficiency.

### ***Compliance and Other Matters***

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial

statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

***Entity's Response to Findings***

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

***Purpose of this Report***

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive, flowing style.

**Dave Yost**  
Auditor of State

Columbus, Ohio

December 22, 2016

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

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2015**

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

**FINDING NUMBER 2015-001**

**Significant Deficiency**

**FDIC Coverage**

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

The District's depository balance with PNC Bank exceeded this threshold at December 31, 2015 by \$191,881.

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

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

**Officials' Response:**

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

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

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2015**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Status</b>	<b>Additional Information</b>
2014-001	Significant Deficiency due to bank balances exceeding FDIC coverage that were not collateralized	Not fully corrected	2014 report was audited at the same time as the 2015 report. Therefore, the issue was brought to the District's attention at the same time the 2015 report was issued. The District will work to correct this issue for the subsequent audit.





# Dave Yost • Auditor of State

**DOWNTOWN TOLEDO IMPROVEMENT DISTRICT**

**LUCAS COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
FEBRUARY 2, 2017**