



Dave Yost • Auditor of State

**LUCAS COUNTY LAND REUTILIZATION CORPORATION
LUCAS COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Government – Wide Financial Statements:	
Statement of Net Assets	7
Statement of Activities.....	8
Fund Financial Statements:	
Balance Sheet – Governmental Fund.....	9
Reconciliation of Total Governmental Fund Balance to Net Assets of Governmental Activities.....	10
Statement of Revenues, Expenses, and Changes in Fund Balance	11
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Fund to the Statement of Activities	12
Notes to the Basic Financial Statements	13
Supplemental Information:	
Schedule of Revenues, Expenses, and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual – General Fund	21
Notes to Supplemental Information.....	22
Independent Accountants' Report on Internal Control over Financial Reporting and on Compliance and other Matters Required by <i>Government Auditing Standards</i>	23

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Lucas County Land Reutilization Corporation
Lucas County
One Government Center, Suite 500
Toledo, Ohio 43604

To the Board of Directors:

We have audited the accompanying financial statements of the governmental activities and the General Fund, of the Lucas County Land Reutilization Corporation, Lucas County, Ohio (the Corporation), a component unit of the Lucas County, as of and for the year ended December 31, 2011, which collectively comprise the Corporation's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express opinions 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 respective financial position of the governmental activities and the General Fund of the Lucas County Land Reutilization Corporation, Lucas County, Ohio, as of December 31, 2011, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 23, 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.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, as 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 have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

We conducted our audit to opine on the financial statements that collectively comprise 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 provides additional analysis and are not a required part of the basic financial statements. The Schedule is management's responsibility, and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. This Schedule was subject 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, 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.



Dave Yost
Auditor of State

May 23, 2012

**LUCAS COUNTY LAND REUTILIZATION CORPORATION
LUCAS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011
UNAUDITED**

The management's discussion and analysis of the 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, 2011. 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 2011 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 \$1.6 million from Lucas County under an arrangement to receive 5% of delinquent taxes collected.
- The Corporation acquired 150 properties and disposed of 55 in 2011.

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 Assets 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 assets 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 Assets and the Statement of Activities

The Statement of Net Assets 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.

**LUCAS COUNTY LAND REUTILIZATION CORPORATION
LUCAS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011
UNAUDITED**

These two statements report the Corporation's net assets and changes in those assets. This change in net assets 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 Assets and the Statement of Activities are divided into the following categories:

- Assets
- Liabilities
- Net Assets (Assets minus Liabilities)
- Program Expenses and Revenues
- General Revenues
- Net Assets Beginning and End of Year

Reporting on the Corporation's Most Significant 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 Assets 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 assets for 2011 and 2010

Net Assets

	2011	2010
ASSETS		
Cash	\$ 1,137,999	\$ 84,311
Prepaid Items	<u>155,000</u>	<u>4,798</u>
Total Assets	1,292,999	89,109
LIABILITIES		
Accounts Payable	16,485	-
Wages Payable	6,038	2,615
Compensated Absences Payable	3,356	1,453
Due to Other Governments	<u>5,819</u>	<u>102,894</u>
Total Liabilities	<u>31,698</u>	<u>106,962</u>
Total Net Assets	<u>\$ 1,261,301</u>	<u>\$ (17,853)</u>

**LUCAS COUNTY LAND REUTILIZATION CORPORATION
LUCAS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011
UNAUDITED**

Prepaid items consist of demolition services paid for the upcoming year based on an agreement between the City of Toledo and the Corporation.

Over time, net assets can serve as useful indicator of a government's financial position. At December 31, 2011, the Corporation's net assets were \$1,261,301 up from a deficit position of \$17,853 in 2010.

The table below shows the changes in net assets for the years ending December 31, 2011 and 2010.

Change in Net Assets

	2011	2010
REVENUES		
Program Revenue		
Charges for Services	\$47,235	
General Revenues		
Intergovernmental	1,621,048	\$ -
Interest	<u>1,055</u>	<u>-</u>
<i>Total Revenues</i>	<u>1,669,338</u>	<u>-</u>
 PROGRAM EXPENSES		
Professional and Contract Services	\$ 144,208	\$ -
Administration	<u>245,976</u>	<u>17,853</u>
<i>Total Program Expenses</i>	<u>390,184</u>	<u>17,853</u>
Change in Net Assets	1,279,154	(17,853)
Net Assets at Beginning of Period	<u>(17,853)</u>	<u>-</u>
Net Assets at End of Year	<u>\$ 1,261,301</u>	<u>\$ (17,853)</u>

Since the Corporation was just formed at the end of 2010, there were no revenues. Revenues for 2011 consist primarily of 5% of delinquent taxes contributed by Lucas County to the Corporation for the purpose of land reutilization.

The Corporation's Fund

This fund is accounted for using the modified accrual basis of accounting. The Corporation had governmental revenues of \$1,669,338 and expenditures of \$388,281.

**LUCAS COUNTY LAND REUTILIZATION CORPORATION
LUCAS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011
UNAUDITED**

Capital Assets

As of December 31, 2011, the Corporation does not have any capital assets.

Debt

As of December 31, 2011, 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.

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 the Executive Director, Lucas County Land Reutilization Corporation, One Government Center, Suite 500, Toledo, Ohio 43064.

LUCAS COUNTY LAND REUTILIZATION CORPORATION
LUCAS COUNTY
(A COMPONENT UNIT OF LUCAS COUNTY)
STATEMENT OF NET ASSETS
DECEMBER 31, 2011

	Governmental Activities
Assets	
Cash and Cash Equivalents	\$ 1,137,999
Prepaid Items	155,000
	1,292,999
Total Assets	1,292,999
 Liabilities	
Accounts Payable	16,485
Wages Payable	6,038
Compensated Absences Payable	3,356
Due to Other Governments	5,819
	31,698
Total Liabilities	31,698
 Net Assets	
Unrestricted	1,261,301
	1,261,301
Total Net Assets	\$ 1,261,301

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, 2011**

	<u>Expenses</u>	<u>Program Revenue Charges for Services</u>	<u>Net (Expense) Revenue and Changes in Net Assets Governmental Activities</u>
Governmental Activities:			
Professional and Contract Services	\$ 144,208	\$ 47,235	\$ (96,973)
Administration	245,976		(245,976)
Total	<u>\$ 390,184</u>	<u>\$ 47,235</u>	<u>(342,949)</u>
General Revenues:			
Intergovernmental			1,621,048
Interest			1,055
Total General Revenues			<u>1,622,103</u>
Change in Net Assets			1,279,154
Net Assets at Beginning of Year			<u>(17,853)</u>
Net Assets at End of Year			<u>\$ 1,261,301</u>

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, 2011

		General Fund
Assets		
Equity in Pooled Cash and Cash Equivalents	\$	1,137,999
Prepaid Items		155,000
Total Assets		1,292,999
Liabilities and Fund Balance		
<i>Liabilities:</i>		
Accounts Payable		16,485
Wages Payable		6,038
Due to Other Governments		5,819
Total Liabilities		28,342
<i>Fund Balance:</i>		
Unassigned		1,264,657
Total Liabilities and Fund Balance	\$	1,292,999

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 ASSETS OF GOVERNMENTAL ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2011**

Total Governmental Fund Balances \$ 1,264,657

Amounts reported for governmental activities in the
statement of net assets 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.

(3,356)

Net Assets of Governmental Activities

\$ 1,261,301

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**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, 2011**

		General Fund
Revenues:		
Intergovernmental	\$	1,621,048
Charges for Services		47,235
Interest		1,055
Total Revenues		1,669,338
 Expenditures:		
Professional and Contract Services		144,208
Administation		244,073
Total Expenditures		388,281
Excess of Revenues Over Expenditures		1,281,057
Fund Balance Beginning of Year		(16,400)
Fund Balance End of Year	\$	1,264,657

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, 2011

Net Change in Fund Balance - Total Governmental Fund \$ 1,281,057

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. (1,903)

Change in Net Assets of Governmental Activities \$ 1,279,154

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**LUCAS COUNTY LAND REUTILIZATION CORPORATION
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

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.

**LUCAS COUNTY LAND REUTILIZATION CORPORATION
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

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 also applies Financial Accounting Standards Board (FASB) guidance issued on or before November 30, 1989 to its governmental activities unless those pronouncements conflict with or contradict GASB pronouncements. The Corporation's significant accounting policies are described below.

Basis of Presentation

The Corporation's basic financial statements consist of government-wide statements, including a statement of net assets 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 assets 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 assets 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

During the year, the Corporation segregates transactions related to certain Corporation functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. 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.

**LUCAS COUNTY LAND REUTILIZATION CORPORATION
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

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 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 Assets. The Statement of Activities presents increases (i.e., revenues) and decreases (i.e., expenses) in total net assets.

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 a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for the general fund.

**LUCAS COUNTY LAND REUTILIZATION CORPORATION
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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, 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.

**LUCAS COUNTY LAND REUTILIZATION CORPORATION
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

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.

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.

**LUCAS COUNTY LAND REUTILIZATION CORPORATION
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

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 Assets

Net assets represent the difference between assets and liabilities. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The Corporation had no restricted net assets at December 31, 2011.

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 2011.

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.

**LUCAS COUNTY LAND REUTILIZATION CORPORATION
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

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 2011, the Corporation has implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions". GASB Statement No. 54 introduces five fund balance classifications and clarifies the existing governmental fund type definitions. The implementation of this statement did not result in any change to the Corporation's financial statements.

NOTE 4 - DEPOSITS

At December 31, 2011, the carrying amount of the Corporation's deposits was \$1,137,999. Based on the criteria described in GASB Statement Number 40, *Deposits and Investment Risk Disclosures*, as of December 31, 2011 \$250,000 and was covered by Federal Deposit Insurance Corporation (FDIC) and \$887,999 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 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 Corporation's cash and deposits is provided by the FDIC or collateralized by the financial institution.

**LUCAS COUNTY LAND REUTILIZATION CORPORATION
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

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 2011, the Corporation contracted with Brooks Insurance for various types of insurance as follows:

<u>Type</u>	<u>Coverage</u>
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 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.

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, 2011

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Income				
Intergovernmental	\$1,600,000	\$1,600,000	\$1,621,048	(\$21,048)
Charges for Services	26,500	26,500	47,235	(20,735)
Interest	3,750	3,750	1,055	2,695
Total Revenues	1,630,250	1,630,250	1,669,338	(39,088)
Expenditures				
Professional and Contract Services	210,000	210,000	32,723	177,277
Administration	1,102,259	1,102,259	238,051	864,208
Total Expenditures	1,312,259	1,312,259	270,774	1,041,485
Excess of Revenues Over Expenditures	317,991	317,991	1,398,564	(1,080,573)
Fund Balance Beginning of Year	(16,400)	(16,400)	(16,400)	-
Fund Balance End of Year	\$301,591	\$301,591	\$1,382,164	(\$1,080,573)

SEE ACCOMPANYING NOTES TO THE SUPPLEMENTAL INFORMATION

**LUCAS COUNTY LAND REUTILIZATION CORPORATION
LUCAS COUNTY**

**NOTE TO THE SUPPLEMENTAL INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2011**

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	\$1,281,057
Net Adjustment for Expenditure	
Accruals	<u>117,507</u>
Budget Basis	<u><u>\$1,398,564</u></u>



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' 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 500
Toledo, Ohio 43604

To the Board of Directors:

We have audited the financial statements of the governmental activities and the General Fund, of the Lucas County Land Reutilization Corporation, Lucas County, Ohio (the Corporation), as of and for the year ended December 31, 2011, which collectively comprise the Corporation's basic financial statements and have issued our report thereon dated May 23, 2012, wherein we noted the Corporation is a component unit of Lucas County. 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.

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 more than a reasonable possibility that a material misstatement of the Corporation's financial statements will not be prevented, or detected and timely corrected.

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

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*.

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

We did note a certain matter not requiring inclusion in this report that we reported to the Corporation's management in a separate letter dated May 23, 2012.

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

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

Dave Yost
Auditor of State

May 23, 2012



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 7, 2012**