

**LICKING COUNTY
TRANSPORTATION IMPROVEMENT DISTRICT**
(A COMPONENT UNIT OF LICKING COUNTY)
LICKING COUNTY, OHIO

**Basic Financial Statements
(Audited)**

**For the Year Ended
December 31, 2019**



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Board of Trustees
Licking County Transportation Improvement District
20 South 2nd Street
Newark, Ohio 43055

We have reviewed the *Independent Auditor's Report* of the Licking County Transportation Improvement District, Licking County, prepared by Julian & Grube, Inc., for the audit period January 1, 2019 through December 31, 2019. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Licking County Transportation Improvement District is responsible for compliance with these laws and regulations

A handwritten signature in black ink that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

July 7, 2020

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**LICKING COUNTY TRANSPORTATION IMPROVEMENT DISTRICT, OHIO
(A COMPONENT UNIT OF LICKING COUNTY)**

TABLE OF CONTENTS

| | <u>PAGE</u> |
|---|-------------|
| Independent Auditor’s Report..... | 1 - 2 |
| Management’s Discussion and Analysis..... | 3 - 9 |
| Basic Financial Statements: | |
| Government-Wide Financial Statements: | |
| Statement of Net Position..... | 11 |
| Statement of Activities..... | 12 |
| Fund Financial Statements: | |
| Balance Sheet - Governmental Funds | 13 |
| Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities | 14 |
| Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds | 15 |
| Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities | 16 |
| Notes to the Basic Financial Statements | 17 - 31 |
| Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> | 32 - 33 |

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Independent Auditor's Report

Licking County Transportation Improvement District
Licking County
20 South 2nd Street
Newark, Ohio 43055

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Licking County Transportation Improvement District, Licking County, Ohio, a component unit of Licking County, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Licking County Transportation Improvement District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Licking County Transportation Improvement 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 Licking County Transportation Improvement District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Licking County Transportation Improvement District, Licking County, Ohio, as of December 31, 2019, and the respective changes in financial position thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 12 to the financial statements, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Licking County Transportation Improvement District. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 15, 2020, on our consideration of the Licking County Transportation Improvement 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 Licking County Transportation Improvement District's internal control over financial reporting and compliance.



Julian & Grube, Inc.
June 15, 2020

**LICKING COUNTY TRANSPORTATION IMPROVEMENT DISTRICT, OHIO
(A COMPONENT UNIT OF LICKING COUNTY)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019
(UNAUDITED)**

The management's discussion and analysis of the Licking County Transportation Improvement District's (the "District") financial performance provides an overall review of the District's financial activities for the year ended December 31, 2019. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Pursuant to Resolution No. 2015-01 adopted on May 13, 2015, the Licking County Transportation Improvement District became a legal entity created under Chapter 5540 of the Ohio Revised Code.

Financial Highlights

Key financial highlights for 2019 are as follows:

- The total net position of the District decreased \$485,813 from 2018 net position of (\$1,249,074) to (\$1,734,887).
- General revenues accounted for \$564,233 or 30% of total governmental activities revenue. Program specific revenues accounted for \$1,346,926 or 70% of total governmental activities revenue.
- The District had \$2,396,972 in expenses of which \$1,346,926 of these expenses were offset by program specific charges for capital grants and contributions which was not sufficient to cover remaining expenses.
- The General fund had revenues of \$515,196 in 2019 while expenditures totaled \$88,872. The ending fund balance for the General fund was \$526,259.
- The Etna State Route 310 LIC-310-1.26 fund had revenues of \$381,924 and expenditures of \$987,442. The ending fund balance was \$1,736,805.
- The Thornwood Drive fund had revenues of \$351,135 and expenditures of \$288,042. The ending fund balance was \$228,663.
- The State Route 310 Corridor fund had revenues of \$580,704 and expenditures of \$5,200. The ending fund balance was \$574,160.

Using this Annual Financial Report

This annual report consists of a series of financial statements and notes to these statements. These statements are organized so the reader can understand the District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

**LICKING COUNTY TRANSPORTATION IMPROVEMENT DISTRICT, OHIO
(A COMPONENT UNIT OF LICKING COUNTY)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019
(UNAUDITED)**

The statement of net position and statement of activities provide information about the activities of the District as a whole, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending.

The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. For 2019 the District reported the General, Etna State Route 310 LIC-310-1.26, Thornwood Drive and State Route 310 Corridor funds as major funds.

Reporting the District as a Whole

Statement of Net Position and the Statement of Activities

While this document contains a description of the funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2019?" The statement of net position and the statement of activities answer this question. These statements include all assets, liabilities, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the District's net position and changes in net position. This change in net position is important because it tells the reader that, for the District as a whole, the financial position of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. In the statement of net position and the statement of activities, the District reports the following kind of activities:

Governmental activities - The District's programs and services are reported here including general government and transportation services. These services are funded primarily by intergovernmental revenues which were limited to pledged revenues from its members as well as capital grant revenues. The District's statement of net position and statement of activities can be found on pages 11-12 of this report.

Reporting the District's Most Significant Fund

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds. The District does not report proprietary or fiduciary funds.

**LICKING COUNTY TRANSPORTATION IMPROVEMENT DISTRICT, OHIO
(A COMPONENT UNIT OF LICKING COUNTY)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019
(UNAUDITED)**

Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focuses on the District's most significant funds. The analysis of the District's major governmental funds begins on page 13.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, the readers may better understand the long-term impact of the government's near-term financing decisions.

Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

For 2019, the District reported the General, Etna State Route 310 LIC-310-1.26, Thornwood Drive and State Route 310 Corridor funds as major funds. Information for these funds is presented separately in the governmental fund balance sheet and in the governmental statement of revenues, expenditures, and changes in fund balances. The basic governmental fund financial statements can be found on pages 13 and 16 of this report.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 17-31 of this report.

Government-Wide Financial Analysis

The statement of net position serves as a useful indicator of a government's financial position. The following below provides a summary of the District's net position for 2019 and 2018.

**LICKING COUNTY TRANSPORTATION IMPROVEMENT DISTRICT, OHIO
(A COMPONENT UNIT OF LICKING COUNTY)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019
(UNAUDITED)**

| | <u>Net Position</u> | |
|----------------------------------|--------------------------------|-----------------------|
| | <u>Governmental Activities</u> | |
| | <u>2019</u> | <u>2018</u> |
| <u>Assets</u> | | |
| Current and other assets | \$ 3,217,371 | \$ 2,720,422 |
| Capital assets | 171,825 | 1,347,528 |
| Total assets | <u>3,389,196</u> | <u>4,067,950</u> |
| <u>Liabilities</u> | | |
| Current liabilities | 46,955 | 92,004 |
| Long-term liabilities: | | |
| Due within one year | 340,000 | 330,000 |
| Due in more than one year | 4,737,128 | 4,895,020 |
| Total liabilities | <u>5,124,083</u> | <u>5,317,024</u> |
| <u>Net Position</u> | | |
| Net investment in capital assets | 145,525 | 1,317,228 |
| Restricted | 2,331,506 | 2,229,338 |
| Unrestricted | <u>(4,211,918)</u> | <u>(4,795,640)</u> |
| Total net position | <u>\$ (1,734,887)</u> | <u>\$ (1,249,074)</u> |

Over time, net position can serve as a useful indicator of a government's financial position. At December 31, 2019, the District's liabilities exceeded assets by \$1,734,887. A portion of the District's net position, \$2,331,506 represents resources that are subject to external restriction.

The following below provides a summary of the District's change in net position for 2019 and 2018.

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**LICKING COUNTY TRANSPORTATION IMPROVEMENT DISTRICT, OHIO
(A COMPONENT UNIT OF LICKING COUNTY)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019
(UNAUDITED)**

| | Change in Net Position | |
|--------------------------------------|--------------------------------|-----------------------|
| | <u>Governmental Activities</u> | |
| | <u>2019</u> | <u>2018</u> |
| Revenues | | |
| Program revenues: | | |
| Capital grants and contributions | \$ 1,346,926 | \$ 334,513 |
| Total program revenues | <u>1,346,926</u> | <u>334,513</u> |
| General revenues: | | |
| Unrestricted grants and entitlements | 50,000 | 90,333 |
| Interest | 72,297 | 79,948 |
| Contributions and donations | 441,936 | - |
| Other | - | 471 |
| Total general revenues | <u>564,233</u> | <u>170,752</u> |
| Total revenues | <u>1,911,159</u> | <u>505,265</u> |
| Expenses: | | |
| General government | 88,872 | 81,887 |
| Transportation | 2,127,248 | 2,452,603 |
| Interest and fiscal charges | 180,852 | 183,802 |
| Total expenses | <u>2,396,972</u> | <u>2,718,292</u> |
| Change in net position | (485,813) | (2,213,027) |
| Net position at beginning of year | <u>(1,249,074)</u> | <u>963,953</u> |
| Net position at end of year | <u>\$ (1,734,887)</u> | <u>\$ (1,249,074)</u> |

Governmental Activities

Governmental activities net position was (\$1,734,887) a decrease of \$485,813 from 2018. Transportation expenses accounted for \$2,127,248 or 89% of total expenses. In 2017, the District issued \$4,745,000 in bonds through the Ohio Department of Transportation State Infrastructure Bank program thus debt interest and fiscal charges accounted for \$180,852, or 8% of total expenses in 2019.

Capital grants and contributions totaled \$1,346,926 and relate to state and local contributions for the primary purpose of improving infrastructure within Licking County. General revenues, specifically unrestricted grants and entitlements, consisted of pledges from Etna Township while contributions and donations of \$441,936 are derived from an intergovernmental agreement with the Heath-Newark Licking County Port Authority.

The statement of activities shows the cost of program services and any program revenues which may be offsetting those services. The following table shows the total cost of services and the net cost of services for 2019 and 2018.

**LICKING COUNTY TRANSPORTATION IMPROVEMENT DISTRICT, OHIO
(A COMPONENT UNIT OF LICKING COUNTY)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019
(UNAUDITED)**

Governmental Activities - Program Revenues vs. Total Expenses

| | Governmental Activities | | | |
|-----------------------------|--------------------------------|-------------------------|---------------------------|-------------------------|
| | 2019 | | 2018 | |
| | Total Cost of Services | Net Cost of Services | Total Cost of Services | Net Cost of Services |
| Program Expenses: | | | | |
| General government | \$ 88,872 | \$ 88,872 | \$ 81,887 | \$ 81,887 |
| Transportation | 2,127,248 | 780,322 | 2,452,603 | 2,118,090 |
| Interest and fiscal charges | 180,852 | 180,852 | 183,802 | 183,802 |
| Total | \$ 2,396,972 | \$ 1,050,046 | \$ 2,718,292 | \$ 2,383,779 |

Financial Analysis of the District's Fund

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements.

The District's governmental funds (as presented on the balance sheet) reported a combined fund balance of \$3,205,820 which is \$541,350 higher than last year's total of \$2,664,470. The schedule below indicates the fund balances and the total change in fund balances as of December 31, 2019 for all major governmental funds.

| | Fund Balances 12/31/2019 | Fund Balances 12/31/2018 | Increase (Decrease) |
|------------------------------|-----------------------------|-----------------------------|------------------------|
| Major funds: | | | |
| General | \$ 526,259 | \$ 99,935 | \$ 426,324 |
| State Route 310 LIC-310-1.26 | 1,736,805 | 2,342,323 | (605,518) |
| Thornwood Drive | 228,663 | 165,570 | 63,093 |
| State Route 310 Corridor | 574,160 | (1,344) | 575,504 |
| Other Governmental | 139,933 | 57,986 | 81,947 |
| Total | \$ 3,205,820 | \$ 2,664,470 | \$ 541,350 |

**LICKING COUNTY TRANSPORTATION IMPROVEMENT DISTRICT, OHIO
(A COMPONENT UNIT OF LICKING COUNTY)**

**MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019
(UNAUDITED)**

Capital Assets and Debt Administration

Capital Assets

Net capital assets comprised land of \$150,785 and equipment of \$21,040 totaling \$171,825 at December 31, 2019. The decrease is attributed to transferring easements associated with the Etna State Route 310 LIC-310-1.26 project to the Ohio Department of Transportation as well as depreciation expense. See Note 6 to the basic financial statements for detail on the District’s capital assets.

Debt Administration

The District reported the following long-term obligations at December 31, 2019 and 2018:

| | <u>Governmental Activities</u> | |
|---------------------------------|--------------------------------|---------------------|
| | <u>2019</u> | <u>2018</u> |
| Loans payable | \$ 200,000 | \$ 200,000 |
| State Infrastructure Bank bonds | <u>4,485,000</u> | <u>4,615,000</u> |
| Total long-term obligations | <u>\$ 4,685,000</u> | <u>\$ 4,815,000</u> |

See Note 7 to the basic financial statements for detail on the District’s long-term obligations.

Economic Factors

The District continues to grow and expand its reach within Licking County having completed several projects including the Thornwood Drive Bridge project at the end of 2019.

As with most infrastructure projects undertaken by local governments, a challenge facing the District is the future of both state and federal funding. With careful planning and monitoring of the District’s finances and continued cooperation with local, state and federal officials, the District is confident that funding challenges can be overcome and quality services will continue in order to develop, implement and construct the improvements envisioned to improve the prosperity, health, safety, and welfare of the people of Licking County and the State of Ohio.

The District will continue to evaluate projects brought to its attention in order to determine if said projects meet the required criteria to better ensure that resources received are utilized for the greater good of Licking County.

Contacting the District’s Financial Management

This financial report is designed to provide our citizens, member governments, investors and creditors with a general overview of the District’s finances and to show the District’s accountability for the money it receives. If you have questions about this report or need additional financial information, contact Mr. Jared Knerr, Secretary/Treasurer, Licking County Transportation Improvement District, 20 South 2nd Street, Newark, Ohio 43055.

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BASIC
FINANCIAL STATEMENTS

**LICKING COUNTY TRANSPORTATION IMPROVEMENT DISTRICT, OHIO
(A COMPONENT UNIT OF LICKING COUNTY)**

STATEMENT OF NET POSITION
DECEMBER 31, 2019

| | Governmental Activities |
|----------------------------------|------------------------------------|
| Assets: | |
| Equity in pooled cash | \$ 2,933,142 |
| Receivables: | |
| Due from other governments | 284,229 |
| Capital assets: | |
| Non-depreciable capital assets | 150,785 |
| Depreciable capital assets, net | 21,040 |
| Total capital assets, net | 171,825 |
| Total assets | 3,389,196 |
| Liabilities: | |
| Accounts payable | 11,551 |
| Accrued interest payable | 35,404 |
| Long-term liabilities: | |
| Due within one year | 340,000 |
| Due in more than one year | 4,737,128 |
| Total liabilities | 5,124,083 |
| Net position: | |
| Net investment in capital assets | 145,525 |
| Restricted for: | |
| Transportation projects | 2,331,506 |
| Unrestricted | (4,211,918) |
| Total net position | \$ (1,734,887) |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**LICKING COUNTY TRANSPORTATION IMPROVEMENT DISTRICT, OHIO
(A COMPONENT UNIT OF LICKING COUNTY)**

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019**

| | <u>Expenses</u> | <u>Capital Grants and Contributions</u> | <u>Net (Expense) and Change in Net Position</u> |
|--|-----------------|---|---|
| | | | <u>Governmental Activities</u> |
| Governmental activities: | | | |
| General government | \$ 88,872 | \$ - | \$ (88,872) |
| Transportation | 2,127,248 | 1,346,926 | (780,322) |
| Interest and fiscal charges | 180,852 | - | (180,852) |
| | <hr/> | <hr/> | <hr/> |
| Total governmental activities | \$ 2,396,972 | \$ 1,346,926 | (1,050,046) |
| | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> |
| General revenues: | | | |
| Grants and entitlements not restricted to specific programs | | | 50,000 |
| Interest | | | 72,297 |
| Contributions and donations | | | 441,936 |
| | | | <hr/> |
| Total general revenues | | | 564,233 |
| | | | <hr/> |
| Change in net position | | | (485,813) |
| | | | <hr/> |
| Net position at beginning of year | | | (1,249,074) |
| | | | <hr/> |
| Net position at end of year | | | \$ (1,734,887) |
| | | | <hr/> <hr/> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**LICKING COUNTY TRANSPORTATION IMPROVEMENT DISTRICT, OHIO
(A COMPONENT UNIT OF LICKING COUNTY)**

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2019

| | <u>General</u> | <u>Etna State Route 310 LIC-310-1.26</u> | <u>Thornwood Drive</u> | <u>State Route 310 Corridor</u> | <u>Other Governmental</u> | <u>Total Governmental Funds</u> |
|------------------------------------|-------------------|--|------------------------|-------------------------------------|-------------------------------|---|
| Assets: | | | | | | |
| Equity in pooled cash | \$ 536,935 | \$ 1,676,055 | \$ 5,934 | \$ 574,285 | \$ 139,933 | \$ 2,933,142 |
| Receivables: | | | | | | |
| Due from other governments | - | 61,375 | 222,854 | - | - | 284,229 |
| Total assets | <u>\$ 536,935</u> | <u>\$ 1,737,430</u> | <u>\$ 228,788</u> | <u>\$ 574,285</u> | <u>\$ 139,933</u> | <u>\$ 3,217,371</u> |
| Liabilities: | | | | | | |
| Accounts payable | \$ 10,676 | \$ 625 | \$ 125 | \$ 125 | \$ - | \$ 11,551 |
| Total liabilities | <u>10,676</u> | <u>625</u> | <u>125</u> | <u>125</u> | <u>-</u> | <u>11,551</u> |
| Fund balances: | | | | | | |
| Restricted: | | | | | | |
| Transportation | - | 1,388,125 | 228,663 | 574,160 | 139,933 | 2,330,881 |
| Debt Service | 5,919 | 348,680 | - | - | - | 354,599 |
| Unassigned | 520,340 | - | - | - | - | 520,340 |
| Total fund balance | <u>526,259</u> | <u>1,736,805</u> | <u>228,663</u> | <u>574,160</u> | <u>139,933</u> | <u>3,205,820</u> |
| Total liabilities and fund balance | <u>\$ 536,935</u> | <u>\$ 1,737,430</u> | <u>\$ 228,788</u> | <u>\$ 574,285</u> | <u>\$ 139,933</u> | <u>\$ 3,217,371</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**LICKING COUNTY TRANSPORTATION IMPROVEMENT DISTRICT, OHIO
(A COMPONENT UNIT OF LICKING COUNTY)**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2019

| | | |
|--|-------------|--------------------|
| Total governmental fund balances | \$ | 3,205,820 |
| <i>Amounts reported for governmental activities on the statement of net position are different because:</i> | | |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. | | 171,825 |
| Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds. | | (35,404) |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. | | |
| State Infrastructure Bank bonds payable | (4,485,000) | |
| Premium on State Infrastructure Bank bonds payable | (392,128) | |
| Loan payable | (200,000) | |
| Total | (5,077,128) | (5,077,128) |
| Net position of governmental activities | \$ | (1,734,887) |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**LICKING COUNTY TRANSPORTATION IMPROVEMENT DISTRICT, OHIO
(A COMPONENT UNIT OF LICKING COUNTY)**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019

| | General | Etna State Route 310 LIC-310-1.26 | Thornwood Drive | State Route 310 Corridor | Other Governmental | Total Governmental Funds |
|------------------------------------|-------------------|---|-------------------|-----------------------------|-----------------------|--------------------------------|
| Revenues: | | | | | | |
| Intergovernmental | \$ 50,000 | \$ 332,887 | \$ 351,135 | \$ - | \$ - | \$ 734,022 |
| Interest | 23,260 | 49,037 | - | - | - | 72,297 |
| Contributions and donations | 441,936 | - | - | 580,704 | 82,200 | 1,104,840 |
| Total revenues | <u>515,196</u> | <u>381,924</u> | <u>351,135</u> | <u>580,704</u> | <u>82,200</u> | <u>1,911,159</u> |
| Expenditures: | | | | | | |
| Current: | | | | | | |
| General government | 88,872 | - | - | - | - | 88,872 |
| Transportation | - | 658,050 | 288,042 | 5,200 | 253 | 951,545 |
| Debt service: | | | | | | |
| Principal retirement | - | 130,000 | - | - | - | 130,000 |
| Interest and fiscal charges | - | 199,392 | - | - | - | 199,392 |
| Total expenditures | <u>88,872</u> | <u>987,442</u> | <u>288,042</u> | <u>5,200</u> | <u>253</u> | <u>1,369,809</u> |
| Net change in fund balances | 426,324 | (605,518) | 63,093 | 575,504 | 81,947 | 541,350 |
| Fund balance at beginning of year | 99,935 | 2,342,323 | 165,570 | (1,344) | 57,986 | 2,664,470 |
| Fund balance at end of year | <u>\$ 526,259</u> | <u>\$ 1,736,805</u> | <u>\$ 228,663</u> | <u>\$ 574,160</u> | <u>\$ 139,933</u> | <u>\$ 3,205,820</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**LICKING COUNTY TRANSPORTATION IMPROVEMENT DISTRICT, OHIO
(A COMPONENT UNIT OF LICKING COUNTY)**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019

| | | |
|--|-----------|------------------|
| Net change in fund balances - total governmental funds | \$ | 541,350 |
| <i>Amounts reported for governmental activities in the statement of activities are different because:</i> | | |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeds capital outlays in the current period. | | |
| Current year depreciation | | (2,630) |
| The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net position. | | |
| | | (1,173,073) |
| Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position. | | |
| | | 130,000 |
| In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The following items contributed to less interest being reported in the statement of activities: | | |
| Decrease in accrued interest payable | 648 | |
| Amortization of bond premium | 17,892 | |
| | | |
| Total | | 18,540 |
| Change in net position of governmental activities | \$ | (485,813) |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**LICKING COUNTY TRANSPORTATION IMPROVEMENT DISTRICT, OHIO
(A COMPONENT UNIT OF LICKING COUNTY)**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

NOTE 1 - DESCRIPTION OF THE DISTRICT

The Licking County Transportation Improvement District (the “District”) is a body politic and corporate, created for the purpose of financing, constructing, maintaining, repairing, and operating selected transportation projects. The District was specifically created pursuant to Chapter 5540 of the Ohio Revised Code, as amended. The District was created by action of the Board of Trustees on May 13, 2015.

The District is governed by a Board of Trustees that acts as the authoritative and legislative body. The Board is comprised of five voting members with each Board member serving a term of two years and there are no term limits for reappointment. The Board members are appointed by the Licking County Commissioners. None of the Board members receive compensation for serving on the Board.

District Officers consist of a Chairman, Vice-Chairman and Secretary-Treasurer, who are elected annually from its members. The Chairman, Vice-Chairman and Secretary-Treasurer serve at the pleasure of the Board and are subject to removal by an affirmative vote of the majority of the Board at any time. The Chairman’s responsibilities are to preside at all meetings of the Board and be the Chief Officer of the District. The Secretary-Treasurer serves as the fiscal officer of the District. The District is a component unit of Licking County.

The District’s management believes the financial statements included in this report represent all activities over which the District is financially accountable.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles.

The most significant of the District’s accounting policies are described below.

A. Reporting Entity

For financial reporting purposes, the District’s basic financial statements include all funds, agencies, boards, commissions, and departments for which the District is financially accountable. Financial accountability, as defined by the GASB, exists if the District appoints a voting majority of an organization’s Governing Board and is either able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific burdens on, the District.

**LICKING COUNTY TRANSPORTATION IMPROVEMENT DISTRICT, OHIO
(A COMPONENT UNIT OF LICKING COUNTY)**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

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

The District may also be financially accountable for governmental organizations with a separately elected Governing Board, a Governing Board appointed by another government, or a jointly appointed Board that is fiscally dependent on the District. The District also took into consideration other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's basic financial statements to be misleading or incomplete. The District has no component units.

B. Basis of Presentation - Fund Accounting

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

Government-wide Financial Statements - The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government.

The statement of net position presents the financial condition of the governmental activities of the District at year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the District's governmental activities of the District. 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 District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which governmental functions are self-financing or draw from the general revenues of the District.

Fund Financial Statements - Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

C. Fund Accounting

The District uses funds to maintain its financial records during the year. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific revenues and expenses. The transactions of each fund are reflected in a self-balancing group of accounts.

The District classifies each fund as either governmental, proprietary or fiduciary. The District does not have proprietary or fiduciary funds.

**LICKING COUNTY TRANSPORTATION IMPROVEMENT DISTRICT, OHIO
(A COMPONENT UNIT OF LICKING COUNTY)**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

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

Governmental Funds - Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses 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 paid. The difference between governmental fund assets and liabilities and deferred inflows of resources are reported as fund balance. The following are the District's major governmental funds:

General fund - This fund is used to account for and report all financial resources of the District except those required to be accounted for in another fund. The General fund balance is available to the District for any purpose provided it is expended or transferred according to the general laws of Ohio.

Etna State Route 310 LIC-310-1.26 fund - This capital projects fund received grant proceeds from Etna Township, Etna Community Improvement Corporation, State of Ohio and also loan proceeds from the Licking County Commissioners for purposes of expanding a portion of State Route 310 from 2 to 5 lanes.

Thornwood Drive fund - This capital projects fund received grant proceeds from Ohio Jobs and Commerce, the Ohio Public Works Commission and also loan proceeds from the Heath-Newark-Licking County Port Authority for purposes of improving and straightening the roadway.

State Route 310 Corridor fund - This capital projects fund received contributions and donations for which any expenditure of money may only be used on State Route 310.

D. Measurement Focus and Basis of Accounting

Government-wide Financial Statements - The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the District are included on the statement of net position.

Fund Financial Statements - All governmental funds are 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 balances 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 financial statements for governmental funds.

**LICKING COUNTY TRANSPORTATION IMPROVEMENT DISTRICT, OHIO
(A COMPONENT UNIT OF LICKING COUNTY)**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

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

E. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use 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 inflows and outflows of resources in the presentation of expenses versus expenditures.

Revenues - Exchange and Nonexchange Transactions - Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, are 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 District available means expected to be received within sixty days of year end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include grants, entitlements and donations. On an accrual basis, 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 District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Deferred Outflows/Inflows of Resources - In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the District, there are no items reported as deferred outflows of resources.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, there are no items reported as deferred inflows of resources.

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred.

**LICKING COUNTY TRANSPORTATION IMPROVEMENT DISTRICT, OHIO
(A COMPONENT UNIT OF LICKING COUNTY)**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

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

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.

F. Cash and Cash Equivalents

Cash balances of the District's funds are pooled and invested in investments in order to provide improved cash management. Individual fund integrity is maintained through District records. Each fund's interest in the pooled bank accounts is presented as "equity in pooled cash" on the financial statements.

During 2019, the District invested in STAR Ohio. STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The District measures its investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For 2019, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$100 million, requiring the excess amount to be transacted the following business day(s), but only to the \$100 million limit. All accounts of the participant will be combined for these purposes.

Interest income is distributed to the funds according to statutory requirements or District financial policies. Interest revenue earned and credited to the General fund during 2019 amounted to \$23,260.

An analysis of the District's investment account at year-end is provided in Note 4.

G. Capital Assets

Capital assets which are required to be maintained by the District, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life threshold in excess of three years. Donated capital assets are recorded at acquisition value at the date received.

**LICKING COUNTY TRANSPORTATION IMPROVEMENT DISTRICT, OHIO
(A COMPONENT UNIT OF LICKING COUNTY)**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

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

General capital asset values were determined by identifying historical costs when such information was available. In cases where information supporting original cost was not obtainable, estimated historical costs were developed. All capital assets are depreciated, excluding land and construction in progress. Depreciation has been provided using the straight-line method over the following estimated useful lives:

| <u>Description</u> | <u>Governmental Activities Estimated Lives</u> |
|----------------------------|--|
| Machinery and equipment | 3-15 years |
| Buildings and improvements | 30-50 years |
| Infrastructure | 7-100 years |

H. Accrued Liabilities and Long-Term Obligations

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

In general, 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 funds. However, claims and judgments that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds and loans are recognized as a liability on the governmental fund financial statements when due.

I. Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the basic financial statements. There was no interfund activity during 2019.

J. Fund Balance

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

**LICKING COUNTY TRANSPORTATION IMPROVEMENT DISTRICT, OHIO
(A COMPONENT UNIT OF LICKING COUNTY)**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

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

Nonspendable - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

Restricted - Fund balance is reported as restricted when constraints are placed on the use of resources that are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the Board of Trustees (the highest level of decision making authority). Those committed amounts cannot be used for any other purpose unless Board of Trustees removes or changes the specified use by taking the same type of action (ordinance) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the General fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the Board of Trustees, which includes giving the Secretary/Treasurer the authority to constrain monies for intended purposes.

Unassigned - Unassigned fund balance is the residual classification for the General fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is only used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The District applies restricted resources first when expenditures are incurred for purposes for which restricted and unrestricted (committed, assigned, and unassigned) fund balance is available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**LICKING COUNTY TRANSPORTATION IMPROVEMENT DISTRICT, OHIO
(A COMPONENT UNIT OF LICKING COUNTY)**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

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

K. Estimates

The preparation of the basic financial statements in conformity with accounting principles generally accepted in the United States of America requires 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.

L. Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets specifically purchased with debt proceeds. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

M. Prepayments

Payments made to vendors for services that will benefit beyond December 31, 2019 are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditures/expense in the year in which it was consumed. The District did not report prepaid items at December 31, 2019.

N. 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 District Administration and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2019.

NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLES

For 2019, the District implemented the requirements of Governmental Accounting Standards Board (GASB) Statement No. 83, *Certain Asset Retirement Obligations*, Statement No. 84, *Fiduciary Activities*, and Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. GASB 83 addresses accounting and financial reporting for certain asset retirement obligations (AROs). GASB 84 established specific criteria for identifying activities that should be reported as fiduciary activities and clarifies whether and how business-type activities should report their fiduciary activities.

**LICKING COUNTY TRANSPORTATION IMPROVEMENT DISTRICT, OHIO
(A COMPONENT UNIT OF LICKING COUNTY)**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLES - (Continued)

GASB 88 provides a definition of debt and identifies additional disclosures for debt, including direct borrowings and direct placements. The implementation of these GASB's had no impact on beginning net position/fund balance of the District.

NOTE 4 - DEPOSITS

State statutes classify monies held by the District into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the District treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the District has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use, but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

Interim monies may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

**LICKING COUNTY TRANSPORTATION IMPROVEMENT DISTRICT, OHIO
(A COMPONENT UNIT OF LICKING COUNTY)**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

NOTE 4 - DEPOSITS - (Continued)

4. Bonds and other obligations of the State of Ohio; and with certain limitations including a requirement for maturity within a ten year form the date of settlement, bonds and other obligations of a political subdivision of the State of Ohio, if training requirements have been met;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in items 1 or 2, above, and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool State Treasury Asset Reserve of Ohio (STAR Ohio);
8. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty and two hundred seventy days, respectively, from the purchase date in an amount not to exceed forty percent of the interim monies available for investment at any one period.

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Secretary/Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited.

Except as noted above, an investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Secretary/Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Deposits with Financial Institutions

At December 31, 2019, the carrying amount of all District's deposits was \$881,815. As of December 31, 2019, \$631,815 of the District's bank balance of \$881,815 was exposed to custodial risk as discussed below, while \$250,000 was covered by the FDIC.

**LICKING COUNTY TRANSPORTATION IMPROVEMENT DISTRICT, OHIO
(A COMPONENT UNIT OF LICKING COUNTY)**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 4 - DEPOSITS - (Continued)

Custodial credit risk is the risk that, in the event of bank failure, the District’s deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 102% of the carrying value of the deposits.

Ohio law requires that deposits either be insured or protected by (1) eligible securities pledged to the District’s and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured, or (2) participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State. For 2019, the District’s financial institution was approved for a collateral rate of 102 percent through the OPCS. Although all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the District to a successful claim by the FDIC.

Investments

| <u>Measurement/Investment</u> | <u>Measurement Amount</u> | <u>Investment Maturities Less than 12 Months</u> | <u>S&P Rating</u> |
|---|-------------------------------|--|-----------------------|
| Net Asset Value Per Share: STAR Ohio | \$ 2,051,327 | \$ 2,051,327 | AAAm |

The District categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the District’s investment policy limits investment portfolio maturities to five years or less.

Credit Risk: STAR Ohio carries a rating of AAAm by Standard & Poor’s. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The District’s investment policy does not specifically address credit risk beyond the adherence to all relevant sections of the Ohio Revised Code.

**LICKING COUNTY TRANSPORTATION IMPROVEMENT DISTRICT, OHIO
(A COMPONENT UNIT OF LICKING COUNTY)**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 4 - DEPOSITS - (Continued)

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

NOTE 5 - RECEIVABLES

Receivables at December 31, 2019 consisted of intergovernmental receivables (presented as due from other governments) arising from grants and entitlements. Receivables have been recorded to the extent that they are measurable at December 31, 2019. All receivables are expected to be collected within the subsequent year.

NOTE 6 - CAPITAL ASSETS

Governmental activities capital asset activity for the year ended December 31, 2019, was as follows:

| <u>Governmental activities:</u> | Balance 12/31/18 | Additions | Disposals | Balance 12/31/19 |
|---|---------------------|-------------------|-----------------------|---------------------|
| <i>Capital assets, not being depreciated:</i> | | | | |
| Land | \$ 1,323,858 | \$ - | \$ (1,173,073) | \$ 150,785 |
| Total capital assets, not depreciated | 1,323,858 | - | (1,173,073) | 150,785 |
| <i>Capital assets, being depreciated:</i> | | | | |
| Equipment | 26,300 | - | - | 26,300 |
| Total capital assets, being depreciated | 26,300 | - | - | 26,300 |
| <i>Less: accumulated depreciation:</i> | | | | |
| Equipment | (2,630) | (2,630) | - | (5,260) |
| Total accumulated depreciation | (2,630) | (2,630) | - | (5,260) |
| Total capital assets, being depreciated, net | 23,670 | (2,630) | - | 21,040 |
| Total capital assets | <u>\$ 1,347,528</u> | <u>\$ (2,630)</u> | <u>\$ (1,173,073)</u> | <u>\$ 171,825</u> |

Equipment depreciation expense charged to governmental activities was \$2,630.

**LICKING COUNTY TRANSPORTATION IMPROVEMENT DISTRICT, OHIO
(A COMPONENT UNIT OF LICKING COUNTY)**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 7 – LONG-TERM OBLIGATIONS

Changes in the District’s long-term obligations were as follows:

| | Balance at | | | Balance at | Amounts |
|--|---------------------|---------------|---------------------|---------------------|-------------------|
| | <u>12/31/2018</u> | <u>Issued</u> | <u>Retired</u> | <u>12/31/2019</u> | <u>Due in</u> |
| | | | | | <u>One Year</u> |
| <i>Direct Borrowing:</i> | | | | | |
| Thornwood Drive Railroad Crossing Loan | \$ 200,000 | \$ - | \$ - | \$ 200,000 | \$ 200,000 |
| State Infrastructure Bank Bonds, Series 2017 | 4,615,000 | - | (130,000) | 4,485,000 | 140,000 |
| Etna State Route 310 SIB Bonds - Premium | <u>410,020</u> | <u>-</u> | <u>(17,892)</u> | <u>392,128</u> | <u>-</u> |
| Total Long-Term Obligations | <u>\$ 5,225,020</u> | <u>\$ -</u> | <u>\$ (147,892)</u> | <u>\$ 5,077,128</u> | <u>\$ 340,000</u> |

The Thornwood Drive Railroad Crossing loan was secured from the Heath-Newark-Licking County Port Authority and will be repaid in 2020. All loan proceeds were expended as December 31, 2019. The Thornwood Drive Railroad Crossing loan was secured with collateral from grants to be received from Ohio Jobs and Commerce and the Ohio Public Works Commission. In the event of default, the District’s General fund would be required to make payment if a material adverse change would occur. This loan has an interest rate of 0%.

The Treasurer of State of Ohio, through the State Transportation Infrastructure GRF Bond Fund Program, issued State of Ohio Transportation Project Revenue Bonds, Series 2017-1 in order to provide moneys to be loaned pursuant to Sections 5531.09 and 5531.10 of the Ohio Revised Code to the District for the purpose of financing street improvements, which include the acquisition, construction, equipping, and installation of road improvements, right-of-way purchases and issuance costs associated with the widening of State Route 310 from Interstate 70 to U.S. 40 (the “Project”); to pay capitalized interest during construction of the Project; and to pay the costs of issuance of the bonds.

The State Infrastructure Bank bonds issued totaled \$4,745,000 at an interest rate of 3.5% and are collateralized by income tax collections within the Etna Township Joint Economic Development Zone No. 1 and Joint Economic Development Zone No. 2. These revenues are then distributed to Licking County, Etna Township, the Southwest Licking Local School District and Etna Township Joint Economic Development Zone No. 2 Board which a portion of these revenues must be used to pay principal and interest associated with the State Infrastructure Bank bonds.

Principal and interest requirements to retire the bonds are as follows:

**LICKING COUNTY TRANSPORTATION IMPROVEMENT DISTRICT, OHIO
(A COMPONENT UNIT OF LICKING COUNTY)**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

NOTE 7 – LONG-TERM OBLIGATIONS - (Continued)

| Year Ending December 31, | State Infrastructure Bonds | | |
|-----------------------------|----------------------------|--------------|--------------|
| | Principal | Interest | Total |
| 2020 | \$ 140,000 | \$ 190,038 | \$ 330,038 |
| 2021 | 140,000 | 186,362 | 326,362 |
| 2022 | 145,000 | 182,162 | 327,162 |
| 2023 | 150,000 | 177,362 | 327,362 |
| 2024 | 160,000 | 171,262 | 331,262 |
| 2025-2029 | 905,000 | 735,060 | 1,640,060 |
| 2030-2034 | 1,095,000 | 482,685 | 1,577,685 |
| 2035-2039 | 1,200,000 | 225,207 | 1,425,207 |
| 2040-2041 | 550,000 | 25,110 | 575,110 |
| Total | \$ 4,485,000 | \$ 2,375,248 | \$ 6,860,248 |

NOTE 8 – INTERGOVERNMENTAL AGREEMENTS

The Licking County Commissioners, Licking County Engineers Office, Etna Township and the Heath-Newark Licking County Port Authority have committed to provide funding to the District to facilitate the development and implementation of the District’s projects. For 2019, Etna Township contributed \$50,000 to the District’s General fund.

In addition, as disclosed in Note 7 and Note 11, the Heath-Newark Licking County Port Authority provided a loan to facilitate the Thornwood Drive Railroad Crossing project and also entered into financing agreements with developers whereas a portion of the proceeds would be distributed to the District, respectively.

NOTE 9 - RISK MANAGEMENT

The District has not obtained commercial insurance based on limited exposure to risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

NOTE 10 - CONTINGENCIES

A. Grants

The District receives significant financial assistance from numerous federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds.

**LICKING COUNTY TRANSPORTATION IMPROVEMENT DISTRICT, OHIO
(A COMPONENT UNIT OF LICKING COUNTY)**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

NOTE 10 – CONTINGENCIES - (Continued)

However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District at December 31, 2019.

B. Litigation

The District is currently not involved in pending litigation at year-end.

NOTE 11 – RELATED PARTY TRANSACTIONS

As disclosed in Note 7, the Heath-Newark-Licking County Port Authority provided a loan to the District for the Thornwood Drive Railroad Crossing project. Finally, as disclosed in Note 8, the Heath-Newark-Licking County Port Authority entered into financing agreements with developers whereas a portion of the proceeds would be distributed to the District. These proceeds are recorded as contributions and donations within the General fund, State Route 310 Corridor fund, and Other Governmental funds (Thornwood Drive Corridor fund) of \$441,936, \$580,704 and \$82,200, respectively.

NOTE 12 – SUBSEQUENT EVENTS

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures may impact subsequent periods of the District. The District's investment portfolio may have incurred a significant decline in fair value, consistent with the general decline in financial markets. However, because the values of individual investments fluctuate with market conditions, and due to market volatility, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the District's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

In May of 2020, the District restructured its outstanding State Infrastructure Bank Bonds, Series 2017 with the Treasurer of the State of Ohio. This restructuring includes calling \$1.3 million dollars in fiscal year 2020 for a total projected savings of \$2,246,353.

**Independent Auditor's Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Required by *Government Auditing Standards***

Licking County Transportation Improvement District
Licking County
20 South 2nd Street
Newark, Ohio 43055

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Licking County Transportation Improvement District, Licking County, Ohio, a component unit of Licking County, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Licking County Transportation Improvement District's basic financial statements and have issued our report thereon dated June 15, 2020, wherein we noted as discussed in Note 12 to the financial statements, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Licking County Transportation Improvement 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 opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Licking County Transportation Improvement 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 Licking County Transportation Improvement 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. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

As part of reasonably assuring whether the Licking County Transportation Improvement 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*.

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

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.
June 15, 2020

OHIO AUDITOR OF STATE KEITH FABER



LICKING COUNTY TRANSPORTATION IMPROVEMENT DISTRICT

LICKING 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
JULY 21, 2020**