



**MORROW COUNTY TRANSPORTATION IMPROVEMENT DISTRICT
MORROW COUNTY
DECEMBER 31, 2019**

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

Morrow County Transportation Improvement District
Morrow County
80 North Walnut Street
Mt. Gilead, Ohio 43338

To the Board:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of the Morrow County Transportation Improvement District, Morrow County, Ohio (the District), as of and for the years ended December 31, 2019, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the 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 District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no 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 and the major fund of the Morrow County Transportation Improvement District, Morrow County, Ohio, as of December 31, 2019, 2018 and 2017, and the respective changes in financial position thereof for the years then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 6 to the financial statements, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the 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 September 14, 2020, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Keith Faber
Auditor of State

Columbus, Ohio

September 14, 2020

MORROW COUNTY TRANSPORTATION IMPROVEMENT DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEARS ENDED DECEMBER 31, 2017, 2018 AND 2019 UNAUDITED

The management's discussion and analysis of the Morrow County Transportation Improvement District (the "District") financial performance provides an overall review of the District's financial activities for the years ended December 31, 2017, 2018 and 2019. The District was created in 2017 but did not have any financial activity until 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.

Financial Highlights

Key financial highlights for 2019 are as follows:

- The total net position reported by the District was \$(208,172).
- Program specific revenues accounted for \$1,820,000 and there were no general revenues for 2019.
- The District had \$2,028,172 in expenses related to governmental activities. These expenses were offset by program specific revenues (capital grants and contributions) of \$1,820,000.
- The District's major governmental fund is the general fund. The general fund had revenues and other financing sources of \$2,028,000 and expenditures of \$2,028,000 during 2019. The general fund's fund balance at year end was \$0.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those 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.

The statement of net position and statement of activities provide information about the activities of the whole District, 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. In the case of the District, the general fund is reported as the major fund.

Reporting the District as a Whole

Statement of Net Position and the Statement of Activities

While this document contains all 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 the District do financially during 2019?" The statement of net position and the statement of activities answer this question. These statements include all assets, deferred outflows of resources, liabilities, deferred inflows of resources, 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.

MORROW COUNTY TRANSPORTATION IMPROVEMENT DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEARS ENDED DECEMBER 31, 2017, 2018 AND 2019 UNAUDITED

The statement of net position and the statement of activities include all of the District's programs and services, and can be found on pages 10-11 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major governmental fund begins on page 8. Fund financial statements provide detailed information about the District's major funds. The District currently has only one fund; the general fund.

Governmental Funds

All of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the ending balances available for spending in future years. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed short-term view of the District's operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. The relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 12-15 of this report.

Notes to the Basic Financial Statements

The notes to the basic financial statements 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 16-21 of this report.

MORROW COUNTY TRANSPORTATION IMPROVEMENT DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2017, 2018 AND 2019
UNAUDITED

Government-wide Financial Analysis

The statement of net position provides the perspective of the District as a whole. The table below provides a summary of the District's net position at December 31, 2019.

| | Net Position |
|------------------------------|----------------------------|
| | Governmental Activities |
| | <u>December 31, 2019</u> |
| <u>Assets</u> | |
| Current and other assets | \$ 250,000 |
| Total assets | <u>250,000</u> |
| <u>Liabilities</u> | |
| Current liabilities | 250,172 |
| Long-term liabilities: | |
| Due in more than one year | <u>208,000</u> |
| Total liabilities | <u>458,172</u> |
| <u>Net position</u> | |
| Unrestricted (deficit) | <u>(208,172)</u> |
| Total net position (deficit) | <u>\$ (208,172)</u> |

Over time, net position can serve as a useful indicator of a government's financial position. At December 31, 2019, the District liabilities exceeded assets by \$208,172.

The table below provides a summary of the District's changes in net position for 2019.

| | Change in Net Position |
|---------------------------------------|-------------------------------|
| | Governmental Activities |
| | <u>2019</u> |
| Revenues: | |
| Program revenues: | |
| Capital grants and contributions | \$ 1,820,000 |
| Total program revenues | <u>1,820,000</u> |
| Program expenses: | |
| Public works | 2,028,000 |
| Interest and fiscal charges | <u>172</u> |
| Total program expenses | <u>2,028,172</u> |
| Change in net position | (208,172) |
| Net position at beginning of year | <u>-</u> |
| Net position (deficit) at end of year | <u>\$ (208,172)</u> |

MORROW COUNTY TRANSPORTATION IMPROVEMENT DISTRICT

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2017, 2018 AND 2019
UNAUDITED**

The District is currently primarily funded by contributions from Morrow County and State grants. During 2019, the District received \$100,000 and \$1,720,000 in contributions from Morrow County and the Ohio Department of Transportation, respectively.

The most significant program expenses for the District are related to public works for transportation improvements. These expenses totaled \$2,028,000 during the year.

The statement of activities shows the cost of program services and the grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services for 2019. That is, it identifies the cost of these services supported by general revenues.

| | Governmental Activities | |
|-----------------------------|--------------------------------|-------------------------|
| | Total Cost of Services | Net Cost of Services |
| | <u>2019</u> | <u>2019</u> |
| Program expenses: | | |
| Public works | 2,028,000 | (208,000) |
| Interest and Fiscal Charges | <u>172</u> | <u>(172)</u> |
| Total | <u>\$ 2,028,172</u> | <u>\$ (208,172)</u> |

Governmental Funds

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

At December 31, 2019 the District had fund balance of \$0 as liabilities equal assets.

General Fund

The general fund is currently the District's only fund. In 2019 the general fund had revenues consisting of contributions and donations and intergovernmental grants of \$1,820,000. The general fund also had other financing sources (loan proceeds) of \$208,000. Total general fund expenditures were \$2,028,000 during 2019. The general fund's fund balance at year end was \$0.

Debt Administration

At December 31, 2019 the District has outstanding long-term obligations of \$208,000 consisting of loans payable. This entire amount is due in more than one year. See Note 3 in the notes to the basic financial statements for additional information.

Economic Conditions and Current Issues

The year ended December 31, 2019 was the District's first year of operations. The District was established to improve the transportation system in Morrow County in order to contribute to the creation or preservation of jobs, employment opportunities, and improvement of economic welfare of the people within the area of the District.

MORROW COUNTY TRANSPORTATION IMPROVEMENT DISTRICT

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2017, 2018 AND 2019
UNAUDITED**

Contacting the District Financial Management

This financial report is designed to provide citizens, taxpayers, and investors and creditors with a general overview of the District finances and to show the District accountability for the money it receives. If you have questions about this report or need additional financial information, contact, Patricia Davies, Fiscal Officer of the Transportation Improvement District, 48 East High Street, Room 7, Mount Gilead, Ohio 43338.

MORROW COUNTY TRANSPORTATION IMPROVEMENT DISTRICT

**STATEMENT OF NET POSITION
DECEMBER 31, 2019**

| | <u>Governmental Activities</u> |
|--|------------------------------------|
| Assets: | |
| Receivables: | |
| Intergovernmental | \$ 250,000 |
| Total assets. | <u>250,000</u> |
| Liabilities: | |
| Accounts payable. | 250,000 |
| Accrued interest payable | 172 |
| Long-term liabilities: | |
| Due in more than one year. | <u>208,000</u> |
| Total liabilities | <u>458,172</u> |
| Net position: | |
| Unrestricted (deficit) | <u>(208,172)</u> |
| Total net position (deficit) | <u>\$ (208,172)</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

MORROW COUNTY TRANSPORTATION IMPROVEMENT DISTRICT

STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2017, 2018 AND 2019

| | <u>Expenses</u> | <u>Program Revenues Capital Grants and Contributions</u> | <u>Net (Expense) Revenue and Changes in Net Position Governmental Activities</u> |
|---|---------------------|--|--|
| Governmental activities: | | | |
| Public works | \$ 2,028,000 | \$ 1,820,000 | \$ (208,000) |
| Interest and fiscal charges. | 172 | - | (172) |
| Total governmental activities | <u>\$ 2,028,172</u> | <u>\$ 1,820,000</u> | <u>(208,172)</u> |
| Change in net position | | | (208,172) |
| Net position at beginning of year | | | <u>-</u> |
| Net position (deficit) at end of year | | | <u>\$ (208,172)</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

MORROW COUNTY TRANSPORTATION IMPROVEMENT DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2019

| | <u>General</u> | <u>Total Governmental Funds</u> |
|---|-------------------|---|
| Assets: | | |
| Receivables: | | |
| Intergovernmental | \$ 250,000 | \$ 250,000 |
| Total assets | <u>\$ 250,000</u> | <u>\$ 250,000</u> |
| Liabilities: | | |
| Accounts payable | \$ 250,000 | \$ 250,000 |
| Total liabilities | <u>250,000</u> | <u>250,000</u> |
| Total liabilities and fund balances | <u>\$ 250,000</u> | <u>\$ 250,000</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

MORROW COUNTY TRANSPORTATION IMPROVEMENT DISTRICT

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

| | | | |
|---|----------------|----|------------------|
| Total governmental fund balances | | \$ | - |
| <i>Amounts reported for governmental activities on the statement of net position are different because:</i> | | | |
| On the statement of net position interest is accrued on outstanding loans payable, whereas in the governmental funds, interest is accrued when due. | | | (172) |
| Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. | | | |
| Loans payable | <u>208,000</u> | | |
| Total | | | <u>(208,000)</u> |
| Net position (deficit) of governmental activities | | \$ | <u>(208,172)</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

MORROW COUNTY TRANSPORTATION IMPROVEMENT DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS
 FOR THE YEARS ENDED DECEMBER 31, 2017, 2018 AND 2019

| | <u>General</u> | <u>Total Governmental Funds</u> |
|---|------------------|---|
| Revenues: | | |
| Intergovernmental | \$ 1,720,000 | \$ 1,720,000 |
| Contributions and donations | 100,000 | 100,000 |
| Total revenues | <u>1,820,000</u> | <u>1,820,000</u> |
| Expenditures: | | |
| Current: | | |
| Public works | <u>2,028,000</u> | <u>2,028,000</u> |
| Total expenditures | <u>2,028,000</u> | <u>2,028,000</u> |
| Excess of expenditures over revenues | <u>(208,000)</u> | <u>(208,000)</u> |
| Other financing sources: | | |
| Loan proceeds | <u>208,000</u> | <u>208,000</u> |
| Total other financing sources | <u>208,000</u> | <u>208,000</u> |
| Net change in fund balances | - | - |
| Fund balances at beginning of year | - | - |
| Fund balances at end of year | <u>\$ -</u> | <u>\$ -</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

MORROW COUNTY TRANSPORTATION IMPROVEMENT DISTRICT

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2017, 2018 AND 2019**

| | | |
|---|--------------|-------------------------|
| Net change in fund balances - total governmental funds | \$ | - |
| <i>Amounts reported for governmental activities in the statement of activities are different because:</i> | | |
| Proceeds of loans are reported as an other financing source in the governmental funds; however, in the statement of activities it is not reported as revenue as it increases liabilities on the statement of net position. | | (208,000) |
| In the statement of activities, interest is accrued on outstanding loans, whereas in governmental funds, an interest expenditures is reported when due. | | |
| Increase in accrued interest payable | <u>(172)</u> | |
| Total | | <u>(172)</u> |
| Change in net position of governmental activities | \$ | <u>(208,172)</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

MORROW COUNTY TRANSPORTATION IMPROVEMENT DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2017, 2018 AND 2019

NOTE 1 - DESCRIPTION OF THE ENTITY

The Morrow County Transportation Improvement District (the District), is a body politic and corporate, created for the purpose to acquire, construct, enlarge, improve, equip, sell, lease, lease-purchase, exchange, or otherwise dispose of property, structures, and other facilities for 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 Morrow County Commissioners on May 31, 2017.

The District is governed by a Board of Trustees that acts as the authoritative and legislative body of the entity. The Board is comprised of seven members of whom five are voting and two are non-voting. Each Board member serves a term of one year and there are no term limits for reappointment. The five voting Board members are appointed by the Board of Morrow County Commissioners, one nonvoting member is appointed by the Speaker of the Ohio House of Representatives of the general assembly, and one nonvoting member is appointed by the President of the Senate of the general assembly.

The District is a political subdivision of the State of Ohio. In accordance with the Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organization Are Component Units" and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus", the District's primary government and basic financial statements include components units which are defined as legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District 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 District is legally entitled to or can otherwise access the organization's resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of organization. The District does not have any component units and does not include any organizations in its presentation. The District's management believes these basic financial statements present all activities for which the District is financially accountable. The District is a component unit of Morrow County, Ohio.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

A. Basis of Presentation

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.

MORROW COUNTY TRANSPORTATION IMPROVEMENT DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2017, 2018 AND 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. 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 limitations. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements During the year, the District segregates transactions related to certain District 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 District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds would be aggregated and presented in a single column; however, the District did not have any nonmajor funds in 2019 since all funds were considered as major.

A. Fund Accounting

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There is one category of funds: governmental.

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 funds' assets and liabilities is reported as fund balance. The following is the District's major governmental fund:

General Fund - The general fund accounts for all financial resources 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.

B. Measurement Focus

Government-wide Financial Statements The government-wide financial statements are prepared using the *economic resources* measurement focus. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of the District are included on the statement of net position. The statement of activities presents increases (e.g., revenues) and decreases (e.g., expenses) in total net position.

MORROW COUNTY TRANSPORTATION IMPROVEMENT DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2017, 2018 AND 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 deferred outflows of resources and current liabilities and deferred inflows of resources 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 statements for governmental funds.

D. 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 the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred outflows and inflows of resources, and in the presentation of expenses versus expenditures.

Revenues - Exchange and Non-Exchange 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 fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of the fiscal year-end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include grants, entitlements, and donations. Revenue from grants, entitlements, and donations is recognized in the fiscal 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 fiscal 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 the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

Deferred Outflows/Inflows of Resources In addition to assets, the statements of financial 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.

MORROW COUNTY TRANSPORTATION IMPROVEMENT DISTRICT

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017, 2018 AND 2019**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In addition to liabilities, the statement of financial position reports 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, deferred inflows of resources include unavailable revenue. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the District, unavailable revenue includes intergovernmental receivable. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

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.

E. Cash and Cash Equivalents

The Morrow County Treasurer maintains a cash and investment pool used for all County funds, including the District's funds. The District has no other cash deposits or investments and does not receive interest income on its cash balances held in the County Treasury.

Protection of the County's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution as security for repayment by Surety Company bonds deposited with the 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.

F. Capital Assets

The District reports no capital assets.

G. 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.

At December 31, 2019, payables consisted of accounts payable of \$250,000.

H. Receivables

At December 31, 2019, receivables consisted of an intergovernmental receivable of \$250,000 from the Ohio Department of Transportation.

MORROW COUNTY TRANSPORTATION IMPROVEMENT DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2017, 2018 AND 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. 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 governmental funds. The classifications are as follows:

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 the Board of Trustees removes or changes the specified use by taking the same type of action (resolution) 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.

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.

J. Net Position

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

K. Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

MORROW COUNTY TRANSPORTATION IMPROVEMENT DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017, 2018 AND 2019

NOTE 3 - LONG-TERM OBLIGATIONS

A. During 2019, the following activity occurred in the governmental activities long-term obligations:

| | Balance | | | Amounts | |
|---------------------------------|-----------------|-------------------|-----------------|-------------------|-----------------|
| | 12/31/18 | Increase | Decrease | Balance | Due in |
| Governmental activities: | <u>12/31/18</u> | <u>Increase</u> | <u>Decrease</u> | <u>12/31/19</u> | <u>One Year</u> |
| Loans payable | \$ - | \$ 208,000 | \$ - | \$ 208,000 | \$ - |
| Total governmental activities | <u>\$ -</u> | <u>\$ 208,000</u> | <u>\$ -</u> | <u>\$ 208,000</u> | <u>\$ -</u> |

Loans payable – On November 20, 2019, the District entered into a promissory note agreement with the Morrow County Treasurer’s Office in the amount of \$208,000, to pay for immediate appropriation costs for public infrastructure improvements. The interest rate of the loan shall be 2.45%, with payments beginning in 2021 and payable through 2025. Principal and interest on the loan will be paid from revenues generated within the Morrow County Transportation Improvement District fund.

B. A summary of the District’s future long-term debt funding requirements, including principal and interest payments as of December 31, 2019, follows:

| Year Ending December 31, | Loans Payable | |
|-----------------------------|-------------------|------------------|
| | <u>Principal</u> | <u>Interest</u> |
| 2020 | \$ - | \$ - |
| 2021 | 38,185 | 5,971 |
| 2022 | 41,456 | 2,700 |
| 2023 | 42,115 | 2,041 |
| 2024 | 42,780 | 1,375 |
| 2025 | <u>43,464</u> | <u>691</u> |
| Total | <u>\$ 208,000</u> | <u>\$ 12,778</u> |

NOTE 4 - RISK MANAGEMENT

The District has obtained commercial insurance coverage for general liability and vehicles.

NOTE 5 - CONTINGENCIES

Federal and State contracts are subject to review and audit by the grantor agencies or their designees. Such audits could lead to requests for reimbursement to the grantor agency for expenses disallowed under terms of the grant. There are no such claims pending and no known situations which would lead to such a claim. In addition, based upon prior experience and audit results, management believes that such disallowances, if any, would be immaterial.

NOTE 6 - 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 will impact subsequent periods of the District. The impact on the District’s future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

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OHIO AUDITOR OF STATE KEITH FABER



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

Morrow County Transportation Improvement District
Morrow County
Mt. Gilead, Ohio 43338

To the Board:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities and the major fund of the Morrow County Transportation Improvement District, Morrow County, (the District) as of and for the years ended December 31, 2019, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated September 14, 2020, wherein we noted the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the District.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. 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 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 District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

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

Keith Faber
Auditor of State

Columbus, Ohio

September 14, 2020

OHIO AUDITOR OF STATE KEITH FABER



MORROW COUNTY TRANSPORTATION IMPROVEMENT DISTRICT

MORROW COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 11/5/2020

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov