

**LUCAS COUNTY TRANSPORTATION IMPROVEMENT DISTRICT
A COMPONENT UNIT OF THE COUNTY OF LUCAS, OHIO**

Basic Financial Statements

Year Ended December 31, 2018

With Independent Auditors' Report

OHIO AUDITOR OF STATE KEITH FABER



Board of Trustees
Lucas County Transportation Improvement District
1049 S. McCord Road
Holland, Ohio 43528

We have reviewed the *Independent Auditors' Report* of the Lucas County Transportation Improvement District, Lucas County, prepared by Clark, Schaefer, Hackett & Co., for the audit period January 1, 2018 through December 31, 2018. 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 Lucas County Transportation Improvement District is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

April 26, 2019

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Lucas County Transportation Improvement District
Holland, Ohio:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Lucas County Transportation Improvement District (the District), a component unit of the County of Lucas, Ohio, as of and for the year ended December 31, 2018, 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 the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Lucas County Transportation Improvement District as of December 31, 2018, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 16, 2019 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's 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.

Clark, Schaefer, Hackett & Co.

Toledo, Ohio
April 16, 2019

LUCAS COUNTY TRANSPORTATION IMPROVEMENT DISTRICT
LUCAS COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018
(UNAUDITED)

This discussion and analysis of the Lucas County Transportation Improvement District's financial performance provides an overall review of the District's financial activities for the year ended December 31, 2018. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the financial statements and notes to the basic financial statements to enhance their understanding of the District's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2018 are as follows:

- The District's net position increased by \$283,079.
- During the period, the District generated \$5,202,065 of revenues and incurred expenses of \$4,918,986.

USING THIS ANNUAL REPORT

This annual report consists of two parts – management's discussion and analysis and the basic financial statements. The basic financial statements include two kinds of statements that present different views of the District. These statements are as follows:

1. *The Government-Wide Financial Statements* – These statements provide both long-term and short-term information about the District's overall financial status.
2. *The Fund Financial Statements* – These statements focus on individual parts of the District, reporting the District's operations in more detail than the government-wide statements.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

Government-Wide Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the District's assets and liabilities. All current year revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the District's net position and how it has changed. Net position (the difference between the District's assets and liabilities) is one way to measure the District's financial health or condition.

Over time, increases or decreases in the District's net position is an indicator of whether its financial health is improving or deteriorating, respectively. The government-wide financial statements of the District reflect the following category for its activities:

Governmental Activities – The District's programs and services are reported as governmental activities and include general government and public works.

LUCAS COUNTY TRANSPORTATION IMPROVEMENT DISTRICT
LUCAS COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018
(UNAUDITED)

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, not the District as a whole. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for particular purposes.

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 balances left at year-end available for spending in future periods. 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 statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance 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 financial statements when there are differences.

DISTRICT SUMMARY

The District as a Whole

The following table provides a summary of the District's Net Position at December 31:

	Governmental Activities	
	2018	2017
Current and Other Assets	\$ 1,972,951	\$ 814,652
Total Assets	1,972,951	814,652
Other Liabilities	1,067,778	192,558
Total Liabilities	1,067,778	192,558
Net Position:		
Restricted:		
Infrastructure Projects	62,847	305,072
Unrestricted	842,326	317,022
Total Net Position	\$ 905,173	\$ 622,094

LUCAS COUNTY TRANSPORTATION IMPROVEMENT DISTRICT
LUCAS COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018
(UNAUDITED)

The following table provides a summary of the District's changes in net position for the years ended December 31, 2018 and 2017:

	<u>Governmental Activities</u>	
	<u>2018</u>	<u>2017</u>
Program Revenues:		
Charges for Services	\$ 17,963	\$ 14,850
Capital Grants and Contributions	5,184,102	716,315
Total Revenues	<u>5,202,065</u>	<u>731,165</u>
Program Expenses		
General Government	49,752	35,516
Public Works	4,869,234	1,320,723
Total Expenses	<u>4,918,986</u>	<u>1,356,239</u>
Change in Net Position	283,079	(625,074)
Beginning Net Position	622,094	1,247,168
Ending Net Position	<u>\$ 905,173</u>	<u>\$ 622,094</u>

Governmental Activities

During 2018, Net Position of the District's governmental activities increased by \$283,079. Capital grants and contributions of \$5,184,102 and charges for services of \$17,963 were the result of contracts and intergovernmental agreements with funding partners. Total expenses for the period of \$4,918,986 were related to the administrative cost of operating the District (\$49,752) as well as transportation project costs (\$4,869,234) that has been classified as a *Public Works*-type of program expense. Overall, in 2018 the District's net position increased as the District continued to move forward with the project design and engineering of two new highway interchange projects, while continuing to look for other future funding sources for these projects.

The District's Funds

The District's governmental funds reported a combined fund balance of \$624,516 at December 31, 2018, which was an increase of \$2,422. The slight increase in 2018 was essentially flat compared to the prior year as funding partner revenues approximated project-related costs.

LUCAS COUNTY TRANSPORTATION IMPROVEMENT DISTRICT
LUCAS COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018
(UNAUDITED)

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of December 31, 2018, the District reported no capital assets.

Debt

As of December 31, 2018, the District reported no debt. However, in early 2019, the District agreed to obtain a State Infrastructure Bank loan in the amount of \$8,000,000 to advance the Dorr Street Interchange. See Note 9 for more information about this loan.

ECONOMIC FACTORS

As with most infrastructure projects to be undertaken by local governments, the 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 to develop, implement and construct the improvements envisioned to improve the prosperity, health, safety, and welfare of the people of Lucas County and the State of Ohio.

CONTACTING THE DISTRICT'S MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. Questions concerning any of the information provided in this report, or requests for additional financial information, should be addressed to the Secretary-Treasurer, Lucas County Transportation Improvement District, 1049 S. McCord Road, Holland, Ohio 43528.

LUCAS COUNTY TRANSPORTATION IMPROVEMENT DISTRICT
LUCAS COUNTY, OHIO
Statement of Net Position
December 31, 2018

	Governmental Activities
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$ 592,294
Intergovernmental Receivable	1,380,657
Total Assets	1,972,951
Liabilities:	
Accounts Payable	25,079
Contracts Payable	166,578
Intergovernmental Payable	876,121
Total Liabilities	1,067,778
Net Position:	
Restricted:	
Infrastructure Projects	62,847
Unrestricted	842,326
Total Net Position	\$ 905,173

See accompanying notes to the basic financial statements.

LUCAS COUNTY TRANSPORTATION IMPROVEMENT DISTRICT
LUCAS COUNTY, OHIO
Statement of Activities
For the Year Ended December 31, 2018

	Program Revenues			Net (Expense) Revenue and Change in Net Position
Expenses	Charges for Services	Capital Grants and Contributions	Governmental Activities	
Governmental Activities:				
General Government	\$ 49,752	\$ 17,963	\$ -	\$ (31,789)
Public Works	4,869,234	-	5,184,102	314,868
Total Governmental Activities	\$ 4,918,986	\$ 17,963	\$ 5,184,102	283,079
Change in Net Position				283,079
Net Position at Beginning of Year				622,094
Net Position at End of Year				\$ 905,173

See accompanying notes to the basic financial statements.

LUCAS COUNTY TRANSPORTATION IMPROVEMENT DISTRICT
LUCAS COUNTY, OHIO
Balance Sheet
Governmental Funds
December 31, 2018

	Major Governmental Funds			Total Governmental Funds
	General	Dorr Street & I475/US23 Interchange	US20A & I475/US23 Interchange	
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$ 18,415	\$ 510,738	\$ 63,141	\$ 592,294
Interfund Receivable	1,650,000	-	-	1,650,000
Due from Other Governments	-	1,380,657	-	1,380,657
Total Assets	\$ 1,668,415	\$ 1,891,395	\$ 63,141	\$ 3,622,951
Liabilities:				
Accounts Payable	\$ 6,785	\$ 18,000	\$ 294	\$ 25,079
Contracts Payable	-	166,578	-	166,578
Interfund Payable	-	1,650,000	-	1,650,000
Due to Other Governments	-	876,121	-	876,121
Total Liabilities	6,785	2,710,699	294	2,717,778
Deferred Inflows of Resources:				
Unavailable Revenue - Intergovernmental	-	280,657	-	280,657
Total Deferred Inflows of Resources	-	280,657	-	280,657
Fund Balance:				
Nonspendable:				
Interfund Receivable	1,650,000	-	-	1,650,000
Restricted:				
Infrastructure Projects	-	-	62,847	62,847
Unassigned	11,630	(1,099,961)	-	(1,088,331)
Total Fund Balance	1,661,630	(1,099,961)	62,847	624,516
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 1,668,415	\$ 1,891,395	\$ 63,141	\$ 3,622,951

See accompanying notes to the basic financial statements.

LUCAS COUNTY TRANSPORTATION IMPROVEMENT DISTRICT
LUCAS COUNTY, OHIO
Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
December 31, 2018

Total Governmental Fund Balances	\$	624,516
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*Amounts Reported for Governmental Activities in the Statement of
Net Position are Different Because:*

Other long-term assets are not available to pay for current-period
expenditures and therefore are reported as deferred inflows of
resources in the funds:

Intergovernmental Revenues		<u>280,657</u>
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Net Position of Governmental Activities	<u>\$</u>	<u>905,173</u>
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See accompanying notes to the basic financial statements.

**LUCAS COUNTY TRANSPORTATION IMPROVEMENT DISTRICT
LUCAS COUNTY, OHIO**

*Statement of Revenues, Expenditures and
Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2018*

	Major Governmental Funds			Total Governmental Funds
	General	Dorr Street & I475/US23 Interchange	US20A & I475/US23 Interchange	
Revenues:				
Intergovernmental	\$ 1,100,000	\$ 3,309,971	\$ 493,474	\$ 4,903,445
Charges for Services	17,963	-	-	17,963
Total Revenues	1,117,963	3,309,971	493,474	4,921,408
Expenditures:				
General Government	49,752	-	-	49,752
Public Works	-	4,033,535	835,699	4,869,234
Total Expenditures	49,752	4,033,535	835,699	4,918,986
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,068,211	(723,564)	(342,225)	2,422
Other Financing Sources (Uses):				
Transfers In	-	50,000	100,000	150,000
Transfers Out	(150,000)	-	-	(150,000)
Total Other Financing Sources (Uses)	(150,000)	50,000	100,000	-
Net Change in Fund Balance	918,211	(673,564)	(242,225)	2,422
Fund Balance at Beginning of Year	743,419	(426,397)	305,072	622,094
Fund Balance at End of Year	\$ 1,661,630	\$ (1,099,961)	\$ 62,847	\$ 624,516

See accompanying notes to the basic financial statements.

LUCAS COUNTY TRANSPORTATION IMPROVEMENT DISTRICT
LUCAS COUNTY, OHIO
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, 2018

Net Change in Fund Balance - Total Governmental Funds	\$	2,422
 <i>Amounts Reported for Governmental Activities in the Statement of</i> <i>Activities are Different Because:</i>		
Revenues in the Statement of Activities that do not Provide Current Financial Resources are not Reported as Revenues in the Funds, Rather These Revenues are Reported as Deferred Inflows of Resources		280,657
Change in Net Position of Governmental Activities	\$	283,079

See accompanying notes to the basic financial statements.

Lucas County Transportation Improvement District
Lucas County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

1. REPORTING ENTITY

The Lucas 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 Lucas County Commissioners on April 22, 2014.

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 two years and there are no term limits for reappointment. The five voting Board members are appointed by the Board of Lucas County Commissioners. The Speaker of the Ohio House of Representatives and the President of the Ohio Senate each appoint one non-voting member. 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 among the voting members of the Board. 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 reported as a component unit of Lucas County, Ohio, as defined by the provisions of GASB statement numbers 14 and 39. As such, its activities are reported within the County's Comprehensive Annual Financial Report.

The District's management believes these financial statements represent all activities for which the District is financially accountable.

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.

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.

Lucas County Transportation Improvement District
Lucas County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

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. Non-major funds are aggregated and presented in a single column. As of December 31, 2018, the District did not have any non-major funds to report.

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 fund assets and liabilities and deferred inflows of resources is reported as fund balance. The District has the following major governmental funds:

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.

Dorr Street & I475/US23 Interchange Fund – Accounts for resources to be used for infrastructure projects in the vicinity of the Dorr Street and I475/US23 Interchange area.

US20A & I475/US23 Interchange Fund – Accounts for resources to be used for infrastructure projects in the vicinity of the US20A and I475/US23 Interchange area.

Lucas County Transportation Improvement District
Lucas County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

Measurement Focus

Governmental-Wide Financial Statements - The government-wide financial statements are prepared using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the 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.

Fund Financial Statements - Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. As of December 31, 2018, the District did not have any non-major funds to report.

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 and deferred inflows of resources are generally 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.

Classification of Fund Balance

In accordance with GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions," the District's fund balance is divided into five classifications based primarily on the extent to which the District must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. **Nonspendable**

The District classifies fund balance as *nonspendable* when amounts are not in spendable form or are legally or contractually required to be maintained intact.

2. **Restricted**

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

Lucas County Transportation Improvement District
Lucas County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

3. Committed

The District's Board can *commit* amounts via formal action (resolution). The District must adhere to these commitments unless the District's Board amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the General Fund, *assigned* amounts represent intended uses established by the District's Board or by State Statute.

5. Unassigned

Unassigned fund balance is the residual classification for the General Fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are 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.

Basis of Accounting

The 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 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.

Lucas County Transportation Improvement District
Lucas County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

Non-exchange 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 non-exchange transactions must also be available before it can be recognized.

Deferred Inflows of Resources – In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. These amounts are deferred and recognized as inflow of resources in the periods that the amounts become available or for the periods in which they are to be used.

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.

Cash and Cash Equivalents

To improve cash management, cash received by the District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the balance sheet and statement of net position.

Receivables

At December 31, 2018, receivables consisted of an intergovernmental receivable of \$280,657 from the Ohio Department of Transportation and \$1,100,000 from Lucas County.

Capital Assets

The District reports no capital assets. Title to assets maintained by the District as part of project related expenditures will transfer to the County or State upon project completion.

Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements. In general, government fund payables and accrued liabilities that are incurred and are paid in a timely manner with current financial resources are reported as obligations of the funds. Long-term loans are recognized as a liability on the government fund financial statements when due.

Lucas County Transportation Improvement District
Lucas County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

Interfund Transactions

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 and eliminated in the Statement of Activities. Repayments from funds responsible for particular expenditures to the funds that initially paid for them are not presented on the financial statements.

Net Position

Net position represents the difference between assets and liabilities and deferred inflows of resources. Net position is reported as restricted when there are limitations imposed on its use either through constitutional provision, enabling legislation, or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

Estimates

The preparation of 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.

3. EQUITY IN POOLED CASH AND CASH EQUIVALENTS

Monies held by the District are classified by State statute into three categories.

Active deposits are public deposits necessary to meet current demands upon the District. Active deposits must be maintained either as cash by the District, 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 that 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.

Lucas County Transportation Improvement District
Lucas County, Ohio
Notes to the Basic Financial Statements
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The District has an Investment Policy that authorizes the Secretary-Treasurer to make investments of available monies from the funds of the District in securities as authorized by State law. These include:

- Bonds, notes, or other obligations of or guaranteed by the United States, or those for which the faith of the United States is pledged for payment of principal and interest thereon but does not include stripped principal or interest obligations of such obligations;
- Bonds, notes, debentures, or any other obligations or securities directly issued by a Federal government agency or instrumentality;
- Interim deposits in Board-approved depositories;
- Bonds and other obligations of the State;
- No-load money market mutual funds consisting exclusively of obligations described in the first two bullet points above and repurchase agreements secured by such obligations, provided such investments are made only through banks and savings and loan institutions authorized by R.C. 135.03;
- The State Treasury Asset Reserve (STAR Ohio).

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. 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.

Deposits

Custodial credit risk is the risk that in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$342,294 of the District's bank balance of \$592,294 was exposed to custodial credit risk because those deposits were uninsured and uncollateralized.

The District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by:

- Eligible securities pledged to the District and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least one hundred five percent of the deposits being secured; or
- 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.

Lucas County Transportation Improvement District
Lucas County, Ohio
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For the Year Ended December 31, 2018

4. INTERGOVERNMENTAL AGREEMENTS

As of December 31, 2018, the District has entered into various intergovernmental agreements with the Lucas County Commissioners, Toledo-Lucas County Port Authority, Monclova Township and the City of Maumee to provide funding to the District to facilitate the development and implementation of the District's projects.

Further, the District's Board has authorized a 3 percent management fee (charged to the entity contracting with the District) to assist and manage certain projects authorized by the District's Board. This management fee has been recorded as charges for services in the District's financial statements. Management fees earned for the year ended December 31, 2018, totaled \$17,963.

5. INTERFUND ACTIVITY

Transfers

During 2018, the General Fund transferred \$50,000 to the Dorr Street & I475/US23 Interchange Capital Project Fund and \$100,000 to the US20A & I475/US23 Interchange Capital Project Fund to provide current resources for project expenditures.

Advances

In order to provide funding for current project expenditures, during 2018, the District advanced \$1,100,000 out of the General Fund into the Dorr Street & I475/US23 Interchange Capital Project Fund. During 2018, the Dorr Street & I475/US23 Interchange Capital Project Fund repaid the General Fund \$100,000 of open advances. This brought the aggregate outstanding advance amount between the two funds to \$1,650,000 at December 31, 2018. The District does not expect the open advance of \$1,650,000 to be repaid by December 31, 2019.

6. COMPLIANCE AND ACCOUNTABILITY

The General Fund provides advances and transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur. At December 31, 2018 (using the current financial resource measurement focus), the Dorr Street & I475/US23 Interchange Capital Project Fund had a deficit fund balance of \$1,099,961.

7. CONTRACTUAL COMMITMENTS

As of December 31, 2018, the District had open, unpaid contractual commitments related to engineering and design work of \$651,140.

8. RISK MANAGEMENT

The District has obtained commercial insurance for the following risks:

- General Liability
- Public Officials Liability
- Crime

There have been no claims resulting from these risks since the inception of the District. Additionally, there have been no significant changes in coverage during the year.

Lucas County Transportation Improvement District
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For the Year Ended December 31, 2018

9. SUBSEQUENT EVENTS

The District evaluated the effects subsequent events would have on the financial statements through the date of the auditors' report, which is the date the financial statements were available for issuance.

As a result of this evaluation, the following events requiring disclosure were noted:

On January 3, 2019 the District entered into a SIB (State Infrastructure Bank) loan agreement with the Ohio Department of Transportation that will provide funding to cover a portion of the Dorr Street & I475/US23 Interchange project. The agreement provides for loan proceeds of up to \$8,000,000.

In connection with this loan agreement, the District has an intergovernmental agreement with Lucas County that pledges Lucas County's Motor Vehicle License Tax and Motor Fuel Tax revenues to the District to cover the loan's debt service, through maturity.

The loan will close at the approximate time the project's construction is completed. The loan will mature 20 years from closing and carries interest at 3%.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Lucas County Transportation Improvement District
Holland, Ohio:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Lucas County Transportation Improvement District, a component unit of the County of Lucas, Ohio, (the District) as of and for the year ended December 31, 2018 and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated April 16, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. 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 deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Clark, Schaefer, Hackett & Co.

Toledo, Ohio
April 16, 2019



OHIO AUDITOR OF STATE
KEITH FABER



LUCAS COUNTY TRANSPORTATION IMPROVEMENT DISTRICT

LUCAS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MAY 9, 2019**