



**Auditor of State
Betty Montgomery**

**TRANSPORTATION IMPROVEMENT DISTRICT
FAIRFIELD COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Transportation Improvement District
Fairfield County
210 East Main Street
Lancaster, Ohio 43130

To the Board of Trustees:

We have audited the accounts, financial records, files, and reports of the Transportation Improvement District, Fairfield County, Ohio (the District) as of and for the year ended December 31, 2003 following Ohio Admin. Code § 117-4-02.

There are no reportable findings or conditions as a result of performing these procedures.

This report is intended solely for the information and use of the audit committee, management, the Board of Trustees, and other officials authorized to receive this report under §117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery".

**Betty Montgomery
Auditor of State**

June 21, 2004

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**TRANSPORTATION IMPROVEMENT DISTRICT
FAIRFIELD COUNTY**

**Management's Discussion and Analysis
For the Year Ended December 31, 2003
Unaudited**

The discussion and analysis of the Transportation Improvement District of Fairfield County's (the "District") provides an overall review of the District's financial activities for the fiscal year December 31, 2003. Readers should also review the financial statements and notes to the basic financial statements to enhance their understanding of the District's financial performance.

Highlights

The District is organized to provide transportation projects under House Bill 154 and Ohio Revised Code 5540.01. The projects consist of various projects associated with the design or project management of approximately eleven miles of highway by-pass around the city of Lancaster, Ohio. The District has partnered with the Ohio Department of Transportation ("ODOT") to provide a basis for the cooperative arrangement in matters of right-of way acquisition and construction phases of the Route 33 Lancaster by-pass. The Fairfield County Board of Commissioners assists the District by making certain funds available to in order to facilitate the organization and operation of the District and development of projects.

Using This Annual Report

This annual report consists of a series of financial statements and notes to the financial statements. The basic financial statements consist of the following statements:

The statement of net assets includes include all assets and liabilities using the accrual basis of accounting similar to that which is used by most private-sector companies. This basis of accounting considers all of the initial period revenues and expenses regardless of when cash is received or paid.

The statement of activities tells the reader whether the financial position of the District has increased or decreased during the year. Over time, these increases and/or decreases are one indicator of whether the financial position of the District is improving or deteriorating.

**TRANSPORTATION IMPROVEMENT DISTRICT
FAIRFIELD COUNTY**

**Management's Discussion and Analysis
For the Year Ended December 31, 2003
Unaudited**

Table 1 provides a summary of the District's net assets as of December 31, 2003.

**Table 1
Net Assets**

| | |
|-------------------------------|--------------------------|
| ASSETS | |
| Current and other assets | \$ 101,548 |
| LIABILITIES | |
| Current and other liabilities | <u>896</u> |
| NET ASSETS | |
| Unrestricted | <u><u>\$ 100,652</u></u> |

Table 2 reflects the changes in net assets for the year ended December 31, 2003.

Table 2

| | |
|---------------------------------------|---------------------------|
| EXPENSES | |
| Project expense | \$ 10,368 |
| Insurance expense | 1,725 |
| Administrative expense | <u>2,262</u> |
| Total expenses | 14,355 |
| GENERAL REVENUES | |
| Interest | <u>221</u> |
| TOTAL (DECREASE) IN NET ASSETS | <u><u>\$ (14,134)</u></u> |

The District's overall decrease in net assets are carefully observed by the Fairfield County Commissioners. Appropriations are made when necessary.

**TRANSPORTATION IMPROVEMENT DISTRICT
FAIRFIELD COUNTY**

**Management's Discussion and Analysis
For the Year Ended December 31, 2003
Unaudited**

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The District did not have any capital assets during the year or as of December 31, 2003.

Debt

The District did not have debt during the year or as of December 31, 2003.

Current Issues

Currently, the District is looking for funding for the Plum-Coonpath Connector project, which will provide a much needed thoroughfare and improved access to the Village of Carroll when the U.S. 33 Bypass is completed.

The District is also partnering with the Fairfield County Airport Board to determine the economic benefit provided to the County by the Airport. The District also participated with the Airport Board on a planning/zoning study designed to preserve the future viability of the airport and to protect surrounding residents and landowners from potential airplane accidents.

The District has also assisted the U.S. 33 Growth Alliance with its efforts to have U.S. 33 between I-270 in Franklin County and the City of Lancaster become a full interstate look-a-like facility with interchanges and full limited access status.

Contacting the District's Financial Management

This financial report is designed to provide citizens and taxpayers with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions about this report or need additional financial information contact Brooks Davis, Director, Transportation Improvement District, 210 East Main Street, Lancaster, Ohio 43130 or e-mail at bdavis@co.fairfield.oh.us.

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**TRANSPORTATION IMPROVEMENT DISTRICT
FAIRFIELD COUNTY
STATEMENT OF NET ASSETS
December 31, 2003**

ASSETS

ASSETS

| | |
|---------------------------|--------------------------|
| Cash and cash equivalents | \$ 100,903 |
| Prepaid expenses | <u>645</u> |
| TOTAL ASSETS | \$ <u>101,548</u> |

LIABILITIES

LIABILITIES

| | |
|------------------|--------|
| Accounts payable | \$ 896 |
|------------------|--------|

NET ASSETS

| | |
|---|--------------------------|
| Unrestricted net assets | <u>100,652</u> |
| TOTAL LIABILITIES AND NET ASSETS | \$ <u>101,548</u> |

See Accompanying Notes to the Basic Financial Statements

**TRANSPORTATION IMPROVEMENT DISTRICT
FAIRFIELD COUNTY
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2003**

| | | |
|---|-------------------------------|---------------------------------|
| EXPENSES | | |
| Project expense | \$ | 10,368 |
| Insurance expense | | 1,725 |
| Administrative expense | | <u>2,262</u> |
| | TOTAL EXPENSES | 14,355 |
| REVENUE | | |
| GENERAL REVENUES | | |
| Interest income | | <u>221</u> |
| | TOTAL REVENUE | <u>221</u> |
| (DECREASE) IN UNRESTRICTED NET ASSETS | | (14,134) |
| NET ASSETS BEGINNING OF YEAR - RESTATED (see note 7) | | <u>114,786</u> |
| | NET ASSETS END OF YEAR | <u><u>\$ 100,652</u></u> |

See Accompanying Notes to the Basic Financial Statements

**TRANSPORTATION IMPROVEMENT DISTRICT
FAIRFIELD COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE – BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For the Year Ended December 31, 2003**

| | <u>Original and Final Budget</u> | <u>Actual</u> | <u>Variance Favorable (Unfavorable)</u> |
|---|--------------------------------------|--------------------------|---|
| REVENUES | | | |
| Interest | \$ - | \$ 221 | \$ 221 |
| EXPENDITURES | | | |
| Current | | | |
| Legal services | 5,000 | 40 | 4,960 |
| Contractual services | 111,400 | 24,362 | 87,038 |
| Insurance | 2,000 | 1,818 | 182 |
| Process fees | 3,600 | 2,160 | 1,440 |
| Miscellaneous | <u>3,000</u> | <u>61</u> | <u>2,939</u> |
| TOTAL EXPENDITURES | <u>125,000</u> | <u>28,441</u> | <u>96,559</u> |
| EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES | (125,000) | (28,220) | 96,780 |
| FUND BALANCE AT BEGINNING OF YEAR | <u>129,123</u> | <u>129,123</u> | <u>-</u> |
| FUND BALANCE AT END OF YEAR | <u><u>\$ 4,123</u></u> | <u><u>\$ 100,903</u></u> | <u><u>\$ 96,780</u></u> |

See Accompanying Notes to the Basic Financial Statements

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TRANSPORTATION IMPROVEMENT DISTRICT
FAIRFIELD COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended December 31, 2003

1. REPORTING ENTITY

The Fairfield County Transportation Improvement District (the "District") is a body politic and corporate established for the purpose of financing, constructing, maintaining, repairing and operating selected transportation projects. The District was specifically formed under the auspices of House Bill 154 and Ohio Revised Code Chapter 5540, as amended, and created by action of the Board of County Commissioners of Fairfield County on June 23, 1998, exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is a component unit of Fairfield County and operates under an appointed five member board.

The Board of Trustees annually appoints the Chairman of the Board from the existing Board Members. The Chairman's responsibilities are to preside at all meetings of the Board; to be the chief officer of the District; perform all duties commonly incident to the position of presiding officer of a board, commission or business organization; and to exercise supervision over the business of the District, its officers and employees.

The accompanying basic financial statements comply with the provisions of Governmental Accounting Standards Board (GASB) Statement 14, "The Financial Reporting Entity", in that the basic financial statements include all organizations, activities and functions for which the District is financially accountable. Component units are legally separate entities for which the District (the primary entity) is financially accountable. Financial accountability is defined as the ability to appoint a voting majority of the organization's governing body and either (1) the District's ability to impose its will over the organization or (2) the potential that the organization will provide a financial benefit to, or impose a financial burden on the District. This report includes all activities considered by the management to which the District is financially accountable.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting.

Interest associated with the current fiscal period is considered susceptible to accrual and has been recognized as revenues of the current fiscal period. All other revenue items are considered measurable and available only when the District receives cash.

Government accounting standards also requires government-wide financial statements to use the economic resources measurement focus and the accrual basis of accounting. For the district, however, there are no differences between the accrual and modified accrual bases of accounting.

Prepaid Expenses

Payments made to vendors for services that will benefit periods beyond December 31, 2003, are recorded as prepaid expenses using the consumption method. An asset for prepaid amount is recorded at the time of the purchase and an expense is reported in the fiscal year in which services are consumed.

Fund Accounting

The District uses a fund 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. The District only uses a governmental fund, the General Fund.

TRANSPORTATION IMPROVEMENT DISTRICT
FAIRFIELD COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
For the Year Ended December 31, 2003

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

General Fund - The General Fund is used to account for all financial resources of the District and is available to the District for any purpose provided it is expended according to the general laws of Ohio and the bylaws of the District

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 fiscal year-end. Under the modified accrual basis, only interest is considered to be both measurable and available at fiscal year end.

Non-exchange transactions, in which the District receives value without directly giving value in return, includes donations. On an accrual basis, revenue from 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 specific purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must be available before it can be recognized.

The District had no exchange transactions in 2003.

Expenses/Expenditures

On an 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

Cash received by the District is pooled. Monies for its fund is maintained in a ledger bank account. Individual fund integrity is maintained throughout the District's records. The fund is presented as "cash and cash equivalents" on the statement of net assets. During 2003, the District had no investments.

Interest Revenue

Following Ohio Statute, interest revenue earned on the District's bank account credited to the general fund during fiscal year 2003 amounted to \$221.

3. BUDGETARY BASIS OF ACCOUNTING

While the District is reporting financial position, results of operations, and changes in its fund balance on the basis of accounting principles generally accepted in the United States of America (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements. The Statement of Revenues, Expenditures and Changes in Fund Balance–Budget and Actual (Non-GAAP Budget Basis) – Governmental Fund Type is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

**TRANSPORTATION IMPROVEMENT DISTRICT
FAIRFIELD COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
For the Year Ended December 31, 2003**

3. BUDGETARY BASIS OF ACCOUNTING - CONTINUED

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).

The following table summarizes the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type.

**Excess of Revenues Over Expenditures
Governmental Fund Type**

| | General |
|---------------------------|----------------|
| GAAP Basis | \$ (14,134) |
| Net Revenue Accruals | - |
| Net Expenditures Accruals | (14,086) |
| Budget Basis | \$ (28,220) |

4. DEPOSITS

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

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;

**TRANSPORTATION IMPROVEMENT DISTRICT
FAIRFIELD COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
For the Year Ended December 31, 2003**

4. DEPOSITS - CONTINUED

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bond and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in the this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio); and
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at one time.

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 purchase with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits With Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements."

Deposits: At year end, the bank balance and carrying amount of the District's deposit was \$100,903. Deposits are either insured by the Federal Depository Insurance Corporation, or collateralized by the financial institution's public entity deposit pool.

5. DISCRETELY PRESENTED COMPONENT UNIT

Under Government Accounting Standards Board Statement No. 14, the Organization is also considered to be a discretely presented component unit of Fairfield County and is presented as such within Fairfield County's basic financial statements for the fiscal year ended December 31, 2003.

**TRANSPORTATION IMPROVEMENT DISTRICT
FAIRFIELD COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
For the Year Ended December 31, 2003**

6. CHANGE IN ACCOUNTING PRONOUNCEMENT

In 2003, the District implemented GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. Statement No. 34 established new financial reporting requirements for all state and local governments and requires the following: Management Discussion and Analysis, and basic financial statements (including government-wide, fund financial statements, notes to the financial statements, and required supplementary information).

The District does not present Fund Financial Statements because, for the District, there are no differences between the accrual and modified accrual bases of accounting

The implementation of GASB 34 had no effect on net assets reported at December 31, 2002

7. CHANGES IN FUND BALANCE/RETAINED EARNINGS

In the prior year, prepaids was understated. The correction caused a change in the excess of revenues and other financing sources over (under) expenditures and other uses as previously reported for the year ended December 31, 2002:

| | | |
|--|----|--------|
| Excess as previously reported | \$ | 62,278 |
| Understatement of Prepaids | | 552 |
| Restated amount for the year ended December 31, 2002 | \$ | 62,830 |

The understatement of prepaids had the following effect on fund balance as previously reported for the year ended December 31, 2002:

| | | |
|--|----|---------|
| Amount as previously reported | \$ | 114,234 |
| Understatement of Prepaids | | 552 |
| Restated amount for the year ended December 31, 2002 | \$ | 114,786 |

8. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft or damage to and destruction of assets; errors and omissions; and natural disasters. During the year 2003, the District contracted with Clark Insurance Agency, Inc. for general liability coverage as follows:

General Liability:

| | | |
|-----------------|--|-------------|
| Per Claim | | \$1,000,000 |
| Aggregate Limit | | \$1,000,000 |

Settled claims have not exceeded coverage in any of the post three years. There have been no reductions in insurance coverage from last year.

**TRANSPORTATION IMPROVEMENT DISTRICT
FAIRFIELD COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
For the Year Ended December 31, 2003**

9. CONTINGENCIES

Litigation

The District is currently not party to any litigation.



**Auditor of State
Betty Montgomery**

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TRANSPORTATION IMPROVEMENT DISTRICT

FAIRFIELD COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JULY 27, 2004**