

Clermont County Transportation Improvement District

Clermont County, Ohio

Regular Audit

January 1, 2007 through December 30, 2007

Fiscal Year Audited Under GAGAS: 2007

BALESTRA, HARR & SCHERER, CPAs, Inc.

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Mary Taylor, CPA
Auditor of State

Board of Trustees
Clermont County Transportation Improvement District
175 East Main Street, Suite 150
Batavia, Ohio 45103

We have reviewed the *Independent Auditor's Report* of the Clermont County Transportation Improvement District, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period January 1, 2007 through December 31, 2007. 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 Clermont County Transportation Improvement District is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

June 30, 2008

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Clermont County Transportation Improvement District
Clermont County, Ohio

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Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants

Independent Auditor's Report

Members of the Board
Clermont County Transportation Improvement District
175 East Main Street, Suite 150
Batavia, Ohio 45103

We have audited the accompanying financial statements of the governmental activities and each major fund of the Clermont County Transportation Improvement District (the District), Clermont County, a component unit of Clermont County, as of and for the year ended December 31, 2007, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District, as of December 31, 2007, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 16, 2008 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. The purpose of that report is to describe the scope of our testing of internal controls over financial reporting and compliance and the results of that testing, and not to provide an opinion of the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 7 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Clermont County Transportation Improvement District
Independent Auditor's Report
Page 2

As described in Note 12, the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*.

A handwritten signature in cursive script that reads "Balestra, Harr & Scherer". The signature is written in black ink on a light-colored rectangular background.

Balestra, Harr & Scherer, CPAs, Inc.
May 16, 2008

**CLERMONT COUNTY TRANSPORTATION IMPROVEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007
(Unaudited)**

The discussion and analysis of Clermont County Transportation Improvement District's (the District's) financial performance provides an overall review of the District's financial activities for the year ended December 31, 2007. 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 2007 are as follows:

- The District's net assets increased by \$1,736,637 to a year end total of \$1,828,473.
- During the year, the District generated \$2,572,100 of revenues and incurred expenses of \$835,463.
- During the year, the District issued a \$5 million bond issue.

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 assets includes all of the District's assets and liabilities. All of the current year's 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 assets and how they have changed. Net assets (the difference between the District's assets and liabilities) are one way to measure the District's financial health or position.

Over time, increases or decreases in the District's net assets are 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, program development, program implementation and public works.

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 Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

DISTRICT SUMMARY

The District as a Whole

The following table provides a summary of the District's net assets for 2007 compared to 2006:

	Governmental Activities		Increase (Decrease)
	2007	2006	
Current and other assets	\$ 7,191,458	\$ 115,905	\$ 7,075,553
Total assets	7,191,458	115,905	7,075,553
Long-term debt outstanding	5,105,438	-	5,105,438
Other liabilities	257,547	24,069	233,478
Total liabilities	5,362,985	24,069	5,338,916
Net assets			
Unrestricted	1,828,473	91,836	1,736,637
Total net assets	\$ 1,828,473	\$ 91,836	\$ 1,736,637

Total assets increased by \$7,075,553 and total liabilities increased by \$5,338,916. Total asset increases are primarily due to intergovernmental revenues received during the year and the receipt of proceeds and premium related to a \$5,000,000 bond issue. Total liabilities increased due to the issuance of the bonds and higher payables at year end.

Changes in Net Assets – The following table shows the changes in net assets for fiscal year 2007. Since the District did not prepare financial statements in this format in 2006, a comparative analysis of government-wide data has not been presented. In future years, when prior year information is available, a comparative analysis will be presented.

	Governmental Activities
	2007
Revenues	
General revenues:	
Intergovernmental	\$2,478,500
Interest Income	93,600
Total revenues	2,572,100
Program Expenses	
General Government	152,968
Program Development	204,879
Program Implementation	160,298
Public Works	300,716
Interest and Fiscal Charges	16,602
Total expenses	835,463
Total Change in Net Assets	1,736,637
Beginning Net Assets	91,836
Ending Net Assets	\$1,828,473

Governmental Activities

Net assets of the District's governmental activities increased by \$1,736,637 during 2007. This primarily was a result of the operational startup nature of the District, which had limited project expenditures during the year.

The District's Funds

The District's governmental funds reported a combined fund balance of \$6,845,075, which is an increase from last year's total of \$91,836. This increase occurred solely within the General Fund since the General Fund provides transfers to project funds for project related expenditures when incurred. The increase in the General Fund was primarily due to the issuance of \$5 million of bonds during year as well as intergovernmental revenues.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of December 31, 2007, the District reported no capital assets.

Debt

The District issued \$5,000,000 of Clermont County Transportation Improvement District Roadway Improvement Revenue Bonds, Series 2007, dated December 5, 2007, to finance Phase 1 of the District's Regional Transportation Improvement Program. The bonds will mature in various amounts through 2016 and carry interest at rates varying from 3.875 percent to 4.250 percent per annum.

Additional information concerning the District's debt can be found in Note 6 to the basic financial statements.

ECONOMIC FACTORS

As the preceding information shows, the District is a relatively new organization that has just begun on its mission to improve the prosperity, health, safety, and welfare of the people of Clermont County and the State of Ohio.

As with most infrastructure projects undertaken by local governments, a challenge facing the District is the future of both state and Federal funding. With careful planning and monitoring of the District's finances and continued cooperation with local, state and Federal officials, management is confident that funding challenges can be overcome and quality services will continue in order to develop, implement and construct the improvements envisioned to improve the prosperity, health, safety, and welfare of the people of Clermont 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. If you have questions concerning any of the information provided in this report, or requests for additional financial information, should be addressed to Secretary-Treasurer, Clermont County Transportation Improvement District 175 E. Main Street, Suite 150 Batavia, Ohio 45103.

Clermont County Transportation Improvement District
Statement of Net Assets
December 31, 2007

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Investments	\$ 6,951,020
Intergovernmental Receivable	100,000
Accounts Receivable	35,000
Unamortized Bond Issuance Costs	105,438
Total Assets	<u>7,191,458</u>
Liabilities	
Accounts Payable	22,814
Contracts Payable	218,131
Accrued Interest Payable on Bonds	16,602
Long Term Liabilities:	
Due Within One Year	494,678
Due In More Than One Year	4,610,760
Total Liabilities	<u>5,362,985</u>
Net Assets	
Unrestricted	<u>1,828,473</u>
Total Net Assets	<u><u>\$ 1,828,473</u></u>

See accompanying notes to the basic financial statements

Clermont County Transportation Improvement District
Statement of Activities
For the Year Ended December 31, 2007

	Program Revenues			Net (Expense) Revenues and Changes in Net Assets
Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<i>Governmental Activities</i>				
General Government	\$ 152,968	\$ -	\$ -	\$ (152,968)
Program Development	204,879	-	-	(204,879)
Program Implementation	160,298	-	-	(160,298)
Public Works	300,716	-	-	(300,716)
Interest and Fiscal Charges	16,602	-	-	(16,602)
Total Governmental Activities	<u>\$ 835,463</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (835,463)</u>
General Revenues				
				2,478,500
				93,600
				2,572,100
				1,736,637
				91,836
				\$ 1,828,473

See accompanying notes to the basic financial statements

Clermont County Transportation Improvement District
Balance Sheet
Governmental Funds
December 31, 2007

	General Fund	Rail Freight Development Fund	SR 32 Corridor East Project Fund	SR 131 at McCormick Trail Widening (Grey Cliff) Project Fund	Wolfpen Pleasant Hill Improvement Project Fund	Amelia-Olive Branch Relocation Project Fund	Traffic Modeling and Simulation Fund	Business 28 Phase I Improvement Project Fund	Total Governmental Funds
Assets									
Equity in Pooled Cash and Investments	\$ 6,798,178	\$ 1,989	\$ 34,674	\$ -	\$ 5,416	\$ 25,908	\$ 33,856	\$ 50,999	\$ 6,951,020
Intergovernmental Receivable	100,000	-	-	-	-	-	-	-	100,000
Accounts Receivable	35,000	-	-	-	-	-	-	-	35,000
Total Assets	\$ 6,933,178	\$ 1,989	\$ 34,674	\$ -	\$ 5,416	\$ 25,908	\$ 33,856	\$ 50,999	\$ 7,086,020
Liabilities									
Accounts Payable	\$ 22,814	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 22,814
Contracts Payable	65,289	1,989	34,674	-	5,416	25,908	33,856	50,999	218,131
Total Liabilities	88,103	1,989	34,674	-	5,416	25,908	33,856	50,999	240,945
Fund Balances									
Unreserved, Undesignated in: General Fund	6,845,075	-	-	-	-	-	-	-	6,845,075
Total Fund Balances	6,845,075	-	-	-	-	-	-	-	6,845,075
Total Liabilities and Fund Balances	\$ 6,933,178	\$ 1,989	\$ 34,674	\$ -	\$ 5,416	\$ 25,908	\$ 33,856	\$ 50,999	\$ 7,086,020

See accompanying notes to the basic financial statements

**Clermont Count Transportation Improvement District
Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities
December 31, 2007**

Total Governmental Fund Balances \$ 6,845,075

Amounts reported for governmental activities in the statement of net assets are different because:

Long-term liabilities, including bonds payable, are not due and payable in the current period therefore are not reported in the funds

Bonds Payable	(5,000,000)
Premium on Bonds	(105,438)
Unamortized Bond Issuance Costs	105,438
Accrued Interest Payable	<u>(16,602)</u>

Net Assets of Governmental Activities \$ 1,828,473

See accompanying notes to the basic financial statements

Clermont County Transportation Improvement District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2007

	General Fund	Rail Freight Development Fund	SR 32 Corridor East Project Fund	SR 131 at McCormick Trail Widening (Grey Cliff) Project Fund	Wolfpen Pleasant Hill Improvement Project Fund	Amelia-Olive Branch Relocation Project Fund	Traffic Modeling and Simulation Fund	Business 28 Phase I Improvement Project Fund	Total Governmental Funds
Revenues:									
Intergovernmental Revenue	\$ 2,478,500	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,478,500
Total Revenues	2,478,500	-	-	-	-	-	-	-	2,478,500
Expenditures									
Current:									
General Government	152,968	-	-	-	-	-	-	-	152,968
Program Development	204,879	-	-	-	-	-	-	-	204,879
Program Implementation	160,298	-	-	-	-	-	-	-	160,298
Public Works	-	45,039	70,537	68,961	5,416	25,908	33,856	50,999	300,716
Total Expenditures	518,145	45,039	70,537	68,961	5,416	25,908	33,856	50,999	818,861
Excess (Deficiency) of Revenues Over Expenditures	1,960,355	(45,039)	(70,537)	(68,961)	(5,416)	(25,908)	(33,856)	(50,999)	1,659,639
Other Financing Sources (Uses):									
Interest Income	93,600	-	-	-	-	-	-	-	93,600
Bond Proceeds	5,000,000	-	-	-	-	-	-	-	5,000,000
Premium on Bond Issue	107,089	-	-	-	-	-	-	-	107,089
Cost of Bond Issuance	(107,089)	-	-	-	-	-	-	-	(107,089)
Transfers-In	-	45,039	70,537	68,961	5,416	25,908	33,856	50,999	300,716
Transfers-Out	(300,716)	-	-	-	-	-	-	-	(300,716)
Total Other Financing Sources (Uses)	4,792,884	45,039	70,537	68,961	5,416	25,908	33,856	50,999	5,093,600
Net Change in Fund Balances	6,753,239	-	-	-	-	-	-	-	6,753,239
Fund Balance at Beginning of Year	91,836	-	-	-	-	-	-	-	91,836
Fund Balance at End of Year	\$ 6,845,075	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,845,075

See accompanying notes to the basic financial statements

**Clermont 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 Fiscal Year Ended December 31, 2007**

Net Change in Fund Balances - Total Governmental Funds \$ 6,753,239

*Amounts reported for governmental activities in the Statement of Activities
 are different because:*

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes current financial resources of governmental funds. Neither transaction, however, has any effect on net assets

Issuance of Bonds	(5,000,000)
Premium on Bonds	(107,089)
Cost of Issuing bonds	107,089
Amortization of Premium on Bonds	(1,651)
Amortization of Cost of Issuance on Bonds	1,651

In the statement of activities, interest is accrued on outstanding bonds whereas in governmental funds, an interest expenditure is reported when due (16,602)

Change in Net Assets of Governmental Activities \$ 1,736,637

See accompanying notes to the basic financial statements

**CLERMONT COUNTY TRANSPORTATION IMPROVEMENT DISTRICT
CLERMONT COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007**

1. REPORTING ENTITY

The Clermont 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 Clermont County Commissioners on June 21, 2006.

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 ex-officio (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 Clermont County Commissioners. The Speaker of the Ohio House of Representatives and the President of the Ohio Senate each appoint one ex-officio 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 also reported as a component unit to Clermont 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.

A. Basis of Presentation

The District's basic financial statements consist of government-wide statements, including a Statement of Net Assets and a Statement of Activities, and fund financial statements which provide a more detailed level of financial information.

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities display information about the District as a whole. These statements include the financial activities of the primary government.

The Statement of Net Assets 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. While the focus of governmental fund financial statements is on major funds, the District has elected to present all funds that were active during 2007 as major funds.

B. 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 is reported as fund balance. The District has the following 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.

Rail Freight Development Fund - Provides for the assessment of opportunities for future rail freight development in Clermont County including a strategy for preserving rail freight serving the County and evaluating the viability of re-establishing regional rail service between Cincinnati and Portsmouth Ohio.

SR 32 Corridor East Project Fund - Provides for development of an access management plan for construction and modification of roadway and interchanges along SR 32 East.

SR 131 at McCormick Trail Widening (Grey Cliff) Project Fund - Provides for utility relocation and road widening at the intersection of SR131/McCormick Trail subdivision.

Wolfpen Pleasant Hill Improvement Project Fund - Provides for construction of additional lanes to facilitate north-south travel between SR 28 and SR 131, and additional turn lanes to accommodate access.

Amelia-Olive Branch Relocation Project Fund - Provides for relocation of part of Amelia-Olive Branch Rd.

Traffic Modeling and Simulation Fund - Provides for coding and model runs of OKI's Regional Travel Demand Modeling in support of the District's RTIP projects.

Business 28 Phase I Improvement Project Fund - Provides for the widening of existing Business SR 28 and consolidation of access points, and other related construction.

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

Fund Financial Statements - All Governmental funds are accounted for using a *flow of current financial resources* measurement focus. With this measurement focus, only current assets and current liabilities 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.

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 revenue, 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.

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.

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

Deferred Revenue - Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

On governmental fund financial statements, receivables that will not be collected within the available period have been reported as deferred revenue.

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

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 assets.

F. 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.

G. 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.

H. Net Assets

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

I. 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 INVESTMENTS

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.

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:

1. 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;
2. bonds, notes, debentures, or any other obligations or securities directly issued by a Federal government agency or instrumentality;
3. interim deposits in Board-approved depositories;
4. bonds and other obligations of the State;
5. no-load money market mutual funds consisting exclusively of obligations described in A. and B. above or 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;
6. The Ohio Subdivision Fund (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 a bank failure, the District's deposits may not be returned. Protection of District cash and deposits is provided by the Federal Deposit Insurance Corporation as well as qualified securities pledged by the institution holding the assets. Ohio law requires that deposits be placed in eligible banks or savings and loan associations located in Ohio. Any public depository in which the District places deposits

must pledge as collateral eligible securities of aggregate market value equal to the excess of deposits not insured by the Federal Deposit Insurance Corporation (FDIC). The securities pledged as collateral are pledged to a pool for each individual financial institution in amounts equal to at least 105 percent of the carrying value of all public deposits held by each institution. Obligations that may be pledged as collateral are limited to obligations of the United States and its agencies and obligations of any state, county, municipal corporation or other legally constituted authority of any state, or any instrumentality of such county, municipal corporation or other authority. Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees of the financial institutions.

At year-end, the carrying amount of the District's deposits was \$1,942,428 and the bank balance was \$1,986,691. Federal depository insurance covered \$120,343 of the bank balance.

Investments

As of December 31, 2007, the District had the following investment:

	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
STAR Ohio	\$5,008,592	0.11

Credit Risk: STAR Ohio carries a rating of AAAM by Standard and Poor's. The District has no investment policy dealing with investment credit risk beyond the requirements in state statutes. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

Interest Rate Risk – State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the District, and that an investment must be purchased with the expectation that it will be held until maturity. The District has no investment policy beyond the requirements of the Ohio Revised Code relating to interest rate risk.

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

4. INTERGOVERNMENTAL AGREEMENTS

The District has entered into intergovernmental agreements with the Clermont County Commissioners, Clermont County Engineers Office, Miami Township and Union Township to provide funding to the District to facilitate the development and implementation of the District's projects.

The intergovernmental agreements with the Clermont County Commissioners and Clermont County Engineers Office each provide for \$10,000,000 of funding commitments from

available revenue sources in the amount of \$1,000,000 per year for a period of 10 years beginning in 2007.

The intergovernmental agreements with Miami Township and Union Township each provide for \$1,000,000 of funding commitments from available revenue sources in the amount of \$100, 000 per year for a period of 10 years beginning in 2007.

As of December 31, 2007 the intergovernmental agreement balances are as follows:

	<u>Remaining Agreement</u>	<u>Current Balance Due</u>
Clermont County Commissioners	\$ 9,000,000	\$ -
Clermont County Engineers Office	9,000,000	-
Miami Township	900,000	-
Union Township	<u>1,000,000</u>	<u>100,000</u>
Total	<u>\$19,900,000</u>	<u>\$100,000</u>

5. ACCOUNTS RECEIVABLE

Accounts receivable consist of amounts due to the District at December 31, 2007 for deposits made as part of a bond issue. The amount was received by the District in January 2008.

6. LONG-TERM DEBT

Changes in the long-term debt of the District during 2007 were as follows:

	<u>Maturity/ Interest Rate</u>	<u>Balance January 1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance December 31, 2007</u>	<u>Amount Due Within One Year</u>
Series 2007 Roadway Improvement Bonds – \$5,000,000	2012 3.875- 4.250%	\$ -	\$5,000,000	\$ -	\$5,000,000	\$475,000
Premium on Bonds		-	<u>107,089</u>	<u>(1,651)</u>	<u>105,438</u>	<u>19,678</u>
Total		<u>\$ -</u>	<u>\$5,107,089</u>	<u>(\$1,651)</u>	<u>\$5,105,438</u>	<u>\$494,678</u>

The District issued Clermont County Transportation Improvement District Roadway Improvement Revenue Bonds, Series 2007, dated December 5, 2007, to provide initial partial funding for Phase 1 of the District's Regional Transportation Improvement Program. The Series 2007 bonds will mature on December 1 in various amounts ranging from \$475,000 in 2007 to \$650,000 in 2016. Interest, at rates varying from 3.875 percent to 4.250 percent per annum, is payable semi-annually on June 1 and December 1.

The District has pledged receipts which consist of 1) Project Funding of \$1 million per year from both the Clermont County Engineer and Clermont County Commissioners for 10 years, 2) Future Project Funding 3) Net RID revenues and 4) any other revenues, such as gifts or grants, to the extent they are not prohibited by their terms, to repay the principal and interest

on the bonds. The bonds are payable from pledged revenues through 2016. Annual principal and interest payments on the bonds are expected to require less than 4% of annual pledged revenues. There were no payments of interest or principal during 2007.

The annual requirements to retire governmental activities debt are as follows:

<u>Year ended December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 475,000	\$ 199,224	\$ 674,224
2009	495,000	183,057	678,057
2010	510,000	163,875	673,875
2011	530,000	144,112	674,112
2012	550,000	123,575	673,575
2013-2016	<u>2,440,000</u>	<u>263,125</u>	<u>2,703,125</u>
Total	<u>\$5,000,000</u>	<u>\$1,076,968</u>	<u>\$6,076,968</u>

7. CONTRACTUAL COMMITMENTS

As of December 31, 2007, the District had contractual commitments as follows:

<u>Original</u> <u>Contract Amounts</u>	<u>Paid to Date</u>	<u>Remaining</u> <u>Commitments</u>
<u>\$1,693,067</u>	<u>\$97,614</u>	<u>\$1,595,453</u>

8. TRANSFERS

During the year, the District transferred a total of \$300,716 out of the General Fund to the following project funds.

<u>Transfer-In Fund</u>	<u>Amount</u>
Rail Freight Development	\$ 45,039
SR 32 Corridor East Project	70,537
SR 131 McCormick Trail Widening Project	68,961
Wolfpen Pleasant Hill Improvement Project	5,416
Amelia-Olive Branch Relocation Project	25,908
Traffic Modeling and Simulation	33,856
Business 28 Phase I Improvement Project	<u>50,999</u>
Total	<u>\$300,716</u>

Transfers are made to provide funding as project expenditures are incurred.

9. CURRENT PROJECTS

The District was involved in the following projects during 2007:

- Rail Freight Development Project, which encompasses an assessment of opportunities for future rail freight development in Clermont County including a strategy for preserving rail freight serving the County and evaluating the viability of re-establishing regional rail service between Cincinnati and Portsmouth Ohio.

- SR 32 Corridor East Project, which provides for development of an access management plan for construction and modification of roadway and interchanges along SR 32 East (including Bauer Rd, Herold Rd, frontage roads from Bauer Rd to Half Acre Rd, Batavia Rd, and McKeever Pike to Dela Palma Rd access redesign).
- SR 131 at McCormick Trail Widening (Grey Cliff) Project, which provides for utility relocation, road widening and intersection improvements at the SR131/McCormick Trail entrance to the Grey Cliff subdivision.
- Wolfpen Pleasant Hill Improvement Project, which is for the construction of additional lanes from Allen Drive to SR 131 to facilitate north-south travel between SR 28 and SR 131, and additional turn lanes to accommodate access.
- Amelia-Olive Branch Relocation Project, which is for the relocation of part of Amelia-Olive Branch Rd to improve safety and provide a direct connection from SR 125 to the Olive Branch-Stonelick Rd interchange with SR 32.
- Traffic Modeling and Simulation Project, which includes coding and model runs of OKI's Regional Travel Demand Modeling in support of the District RTIP projects as a basis for the development of micro-simulation and traffic modeling.
- Business 28 Phase I Improvement Project, which encompasses the widening of existing Business SR 28 and consolidation of access points, as well as construction of drainage systems and concrete walks, street lighting, and landscaping.

10. RISK MANAGEMENT

The District has obtained commercial insurance for the following risks:

General liability
 Public Officials Liability
 Crime

Settled claims resulting from these risks have not exceeded commercial insurance coverage since inception of the District in July 2006.

11. BEGINNING FUND BALANCES AND NET ASSETS

The District began operations on July 1, 2006, and is presenting its initial set of financial statements as of and for the year ended December 31, 2007.

For the initial six month period ending December 31, 2006, the District maintained only a General Fund.

Net assets and governmental fund balances totaled \$91,836 at December 31, 2006.

During the six month period ending December 31, 2006, the District received \$157,000 of start-up funding from Clermont County, \$1,038 of interest earnings and incurred \$66,202 of legal and other start-up expenditures.

12. CHANGE IN ACCOUNTING PRINCIPLE

For 2007, the District implemented GASB Statement 48, “Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues.” GASB Statement 48 addresses how to account for the exchange of an interest in expected cash flows from collecting specific receivables or specific future revenues for immediate cash payments. The statement established criteria used to determine whether the transaction should be recorded as revenue or as a liability (a sale or a collateralized borrowing). The implementation of this statement did not result in any change to the financial statements.

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**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***

Members of the Board
Clermont County Transportation Improvement District
175 East Main Street, Suite 150
Batavia, Ohio 45103

We have audited the accompanying financial statements of the governmental activities and each major fund of the Clermont County Transportation Improvement District (the District), a component unit of Clermont County, as of and for the year ended December 31, 2007, which collectively comprise the District's basic financial statements as listed in the table of contents, and have issued our report thereon dated May 16, 2008, in which we indicated the District implemented GASB Statement No. 48. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

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

Members of the Board

Clermont County Transportation Improvement District

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*

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's basic financial statements are free of 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*.

This report is intended solely for the information and use of management and members of the Board and is not intended to be and should not be used by anyone other than these specified parties.



Balestra, Harr & Scherer, CPAs, Inc.
May 16, 2008



Mary Taylor, CPA
Auditor of State

CLERMONT COUNTY TRANSPORTATION IMPROVEMENT DISTRICT

CLERMONT 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 15, 2008**