



OHIO AUDITOR OF STATE
KEITH FABER



**TRANSPORTATION IMPROVEMENT DISTRICT
MUSKINGUM COUNTY
DECEMBER 31, 2019 AND 2018**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Prepared by Management:	
Management's Discussion and Analysis – For the Year Ended December 31, 2019	3
Basic Financial Statements – For the Year Ended December 31, 2019:	
Government-wide Financial Statements:	
Statement of Net Position	7
Statement of Activities.....	8
Fund Financial Statements:	
Balance Sheet.....	9
Reconciliation of Total Governmental Fund Balances to Net Position Governmental Activities	10
Statement of Revenues, Expenditures and Changes in Fund Balances.....	11
Reconciliation of the Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	12
Notes to the Basic Financial Statements	13
Management's Discussion and Analysis – For the Year Ended December 31, 2018.....	21
Basic Financial Statements – For the Year Ended December 31, 2018:	
Government-wide Financial Statements:	
Statement of Net Position	25
Statement of Activities.....	26
Fund Financial Statements:	
Balance Sheet.....	27
Reconciliation of Total Governmental Fund Balances to Net Position Governmental Activities	28
Statement of Revenues, Expenditures and Changes in Fund Balances.....	29
Reconciliation of the Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	30
Notes to the Basic Financial Statements	31
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	39

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

Transportation Improvement District
Muskingum County
205 North Fifth Street
Zanesville, Ohio 43701

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Transportation Improvement District, Muskingum County, Ohio (the District), a component unit of Muskingum County, Ohio, as of and for the years ended December 31, 2019 and 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 preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Transportation Improvement District, Muskingum County, Ohio, as of December 31, 2019 and 2018, and the respective changes in financial position; thereof for the years then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 8 and Note 9 to the financial statements for 2019 and 2018, respectively, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the District. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 16, 2020, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Keith Faber
Auditor of State
Columbus, Ohio

June 16, 2020

**TRANSPORTATION IMPROVEMENT DISTRICT
MUSKINGUM COUNTY**

Management's Discussion and Analysis
For the Year Ended December 31, 2019

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

Financial Highlights

Key financial highlights for 2019 are as follows:

- ✓ The Total Net Position reported by the District decreased by \$3,196 from \$7,019 to \$3,823
- ✓ Program revenues accounted for \$35,269 or 100% of total revenues.
- ✓ Total expenses were \$38,465, all within governmental activities.
- ✓ Outstanding debt decreased from \$1,228,179 to \$416,010 through the scheduled repayment of debt.

Using this Annual Financial Report

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

Reporting of the Transportation Improvement District as a Whole

Statement of Net Position and the Statement of Activities

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

A question typically asked about the District's finances is, "How did we do financially during fiscal 2019?" The *Statement of Net Position* and the *Statement of Activities* answer this question. These statements include *all assets* and *liabilities* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account, all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the *Statement of Net Position* and the *Statement of Activities*, all the District's programs and services are reported as governmental activities, including general government, public works and interest expense.

**TRANSPORTATION IMPROVEMENT DISTRICT
MUSKINGUM COUNTY**

Management's Discussion and Analysis
For the Year Ended December 31, 2019

Reporting the Transportation Improvement District's Most Significant Funds

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been safeguarded for specific activities or objectives. The District uses three funds to account for financial transactions. Each of the District's funds is considered significant to the District's operations and reported as a major fund. As a result, the District has no non-major funds. The District's major governmental funds are the General Fund and the Debt Service Fund.

Governmental Funds – All of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the 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.

Information is presented separately in the governmental fund *Balance Sheet* and in the governmental fund *Statement of Revenues, Expenditures, and Changes in Fund Balances* for the major funds.

The District as a Whole

Recall that the Statement of Net Position provides the perspective of the District as a whole. Table 1 provides a summary of the District's net position for 2019 compared to 2018:

**Table 1
Net Position**

	Governmental Activities	
	2019	2018
Assets		
Current and Other Assets	\$ 424,103	\$ 1,247,840
Total Assets	424,103	1,247,840
Liabilities		
Long-Term Liabilities	416,010	1,228,179
Other Liabilities	4,270	12,642
Total Liabilities	420,280	1,240,821
Net Position		
Unrestricted	3,823	7,019
Total Net Position	\$ 3,823	\$ 7,019

**TRANSPORTATION IMPROVEMENT DISTRICT
MUSKINGUM COUNTY**

Management's Discussion and Analysis
For the Year Ended December 31, 2019

The District as a Whole (Continued)

Total assets decreased by \$823,737 and total liabilities decreased by \$820,541. A portion of these changes can be attributed to debt payments made to the State Infrastructure Bank from revenues received from Muskingum County. This decreased the District's long-term liabilities and receivables for amounts due to be received from Muskingum County in future periods to retire this debt.

Table 2 shows the changes in net position for fiscal year 2019 compared to 2018. Total revenues decreased by \$84,734 and total expenses decreased by \$82,193. This is mainly due to a lack of a grant funded project in FY2019. Since the District depends on grants and loans to fund its projects, as projects progress, revenues and expenditures will rise or fall depending on the amount of work completed on each project. This table will enable the reader to draw further conclusions about the District's financial status.

**Table 2
Changes in Net Position**

Governmental Activities		
	2019	2018
<i>Revenues</i>		
<i>Program Revenues:</i>		
Capital Grants and Contributions	\$ 0	\$ 58,582
Operating Grants and Contributions		8,000
Charges for Services	35,269	53,421
	35,269	120,003
<i>Total Revenues</i>		
	35,269	120,003
<i>Program Expenses</i>		
General Government	5,095	10,989
Public Works	0	58,582
Interest and Fiscal Charges	33,370	51,087
	38,465	120,658
<i>Total Program Expenses</i>		
	38,465	120,658
Increase (Decrease) in Net Position	(3,196)	(655)
Net Position Beginning of Year	7,019	7,674
	7,019	7,674
Net Position End of Year	\$ 3,823	\$ 7,019
	3,823	7,019

**TRANSPORTATION IMPROVEMENT DISTRICT
MUSKINGUM COUNTY**

Management's Discussion and Analysis
For the Year Ended December 31, 2019

Governmental Activities

The program revenues for the governmental activities come from several different sources, the most significant being grants and charges for services from Muskingum County.

There were no general revenues in 2019.

The Transportation Improvement District Funds

The District's governmental funds are accounted for using the modified accrual method of accounting. The governmental funds had revenues of \$847,438 and expenditures of \$850,634.

Debt

The outstanding debt for the Transportation Improvement District was \$416,010 as of December 31, 2019. This balance reflected a decrease of \$812,169 from the previous year's balance of \$1,228,179.

**Table 3
Outstanding Debt as of December 31, 2019**

	Governmental Activities	
	2019	2018
Loans Payable	\$ 416,010	\$ 1,228,179

The District has entered into a loan agreement with the State Infrastructure Bank. The loan proceeds were used to fund the Northpointe Drive project. The principal and interest repayments on the loan are funded through charges for services pursuant to a contract between the District and Muskingum County.

Additional information concerning the District's debt can be found in Note 5 to the basic financial statements.

Contacting the District's Finance Department

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 any questions about this report or need additional financial information, contact Amy Young at the Transportation Improvement District, 205 N. 5th Street, Zanesville, Ohio 43701. E-mail amy@zmcport.com.

TRANSPORTATION IMPROVEMENT DISTRICT
MUSKINGUM COUNTY
Statement of Net Position
December 31, 2019

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 3,249
Receivables:	
Contracts Receivable	416,010
Interest Receivable	4,258
Prepays	586
Total Assets	424,103
Liabilities	
Accounts Payable	12
Accrued Interest Payable	4,258
Long Term Liabilities:	
Due Within One Year	416,010
Total Liabilities	420,280
Net Position	
Unrestricted	3,823
Total Net Position	\$ 3,823

See accompanying notes to the basic financial statements.

**TRANSPORTATION IMPROVEMENT DISTRICT
MUSKINGUM COUNTY**

Statement of Activities
for the Year Ended December 31, 2019

	<u>Expenses</u>	<u>Program Revenues</u>	<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Governmental Activities</u>
Governmental Activities			
Current:			
General Government	\$ 5,095	\$ 1,899	\$ (3,196)
Debt Service:			
Interest and Fiscal Charges	<u>33,370</u>	<u>33,370</u>	<u>0</u>
Total Governmental Activities	<u>\$ 38,465</u>	<u>\$ 35,269</u>	<u>(3,196)</u>
			(3,196)
			<u>7,019</u>
			<u>\$ 3,823</u>

See accompanying notes to the basic financial statements.

**TRANSPORTATION IMPROVEMENT DISTRICT
MUSKINGUM COUNTY**

Balance Sheet
December 31, 2019

	General	Debt Service	Total Governmental Funds
Assets			
Equity in Pooled Cash and Cash Equivalents	\$ 3,249	\$ 0	\$ 3,249
Receivables:			
Contracts Receivable	0	416,010	416,010
Interest Receivable	0	4,258	4,258
Prepays	586	0	586
Total Assets	\$ 3,835	\$ 420,268	\$ 424,103
Liabilities			
Accounts Payable	\$ 12	\$ 0	\$ 12
Accrued Interest Payable		4,258	4,258
Total Liabilities	12	4,258	4,270
Deferred Inflows of Resources			
Unavailable Revenue	0	416,010	416,010
Total Deferred Inflows of Resources	0	416,010	416,010
Fund Balances			
Nonspendable	586	0	586
Unassigned	3,237	0	3,237
Total Fund Balances	3,823	0	3,823
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 3,835	\$ 420,268	\$ 424,103

See accompanying notes to the basic financial statements.

**TRANSPORTATION IMPROVEMENT DISTRICT
MUSKINGUM COUNTY**
Reconciliation of Total Governmental Fund Balances to
Net Position Governmental Activities
December 31, 2019

Total Governmental Fund Balances	\$	3,823
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 deferred inflows of resources in the funds.		416,010
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		<u>(416,010)</u>
Net Position of Governmental Activities	\$	<u><u>3,823</u></u>

See accompanying notes to the basic financial statements.

**TRANSPORTATION IMPROVEMENT DISTRICT
MUSKINGUM COUNTY**

Statement of Revenues, Expenditures and Changes in Fund Balances
for the Year Ended December 31, 2019

	General	Debt Service	Total Governmental Funds
Revenues:			
Intergovernmental	\$ 0	\$ 845,539	\$ 845,539
Miscellaneous	1,899	0	1,899
Total Revenues	1,899	845,539	847,438
Expenditures:			
Current:			
General Government	5,095	0	5,095
Debt Service:			
Principal Retirement	0	812,169	812,169
Interest and Fiscal Charges	0	33,370	33,370
Total Expenditures	5,095	845,539	850,634
Net Change in Fund Balances	(3,196)	0	(3,196)
Fund Balance (Deficit) at Beginning of Year	7,019	0	7,019
Fund Balance (Deficit) at End of Year	\$ 3,823	\$ 0	\$ 3,823

See accompanying notes to the basic financial statements.

**TRANSPORTATION IMPROVEMENT DISTRICT
MUSKINGUM COUNTY**

Reconciliation of the Changes
in Fund Balances of Governmental Funds to the Statement of Activities
for the Year Ended December 31, 2019

Net Change in Fund Balances - Total Governmental Funds \$ (3,196)

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

Revenues received for long-term contracts receivable are recorded as revenue in the fund statements, but reduce long-term contracts receivable in the statement of net position. 416,010

Repayment of long-term debt principal is an expenditure in the fund statements, but the repayment reduces long-term liabilities in the statement of net position. (416,010)

Change in Net Position of Governmental Activities \$ (3,196)

See accompanying notes to the basic financial statements.

**TRANSPORTATION IMPROVEMENT DISTRICT
MUSKINGUM COUNTY**

Notes to the Basic Financial Statements
December 31, 2019

NOTE 1 - REPORTING ENTITY

The Transportation Improvement District, Muskingum County (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 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 Muskingum County on November 20, 1995.

The District is governed by a Board of Directors that acts as the authoritative and legislative body of the entity. The Board is comprised of seven members, with five members appointed by a majority vote of the Board of Commissioners of Muskingum County. The Board of Directors also includes one (1) ex-officio member appointed by the President of the Ohio Senate and one (1) ex-officio member appointed by the Speaker of the Ohio House of Representatives.

The Board of Directors appoints a Chairman, who presides at all meetings and is the chief officer of the District. He has the authority to sign all contracts, releases, notes, bonds and other instruments and documents to be executed on behalf of the District. He is the chief officer of the District for the purpose of civil process and is authorized to accept such services on behalf of the District. He performs such other duties and has such authority as may be provided from time to time by the Board.

The District is a discretely presented component unit in Muskingum County's Comprehensive Annual Financial Report, as defined by the provisions of GASB Statement No. 14 and No. 39. Also, the Zanesville-Muskingum County Port Authority serves as the Administrative Agent for the District. The District's management believes these financial statements represent all activities for which the District is financially accountable.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

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

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.

**TRANSPORTATION IMPROVEMENT DISTRICT
MUSKINGUM COUNTY**

Notes to the Basic Financial Statements
December 31, 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis of Presentation (Continued)

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 would be aggregated and presented in a single column; however, the District did not have any non-major funds in 2019 since all funds were considered as major.

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

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

Debt Service Fund The Debt Service Fund is used to account for the accumulation of financial resources for, and the payment of, general long-term debt principal, interest and related costs.

C. Measurement Focus

Government-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.

**TRANSPORTATION IMPROVEMENT DISTRICT
MUSKINGUM COUNTY**

Notes to the Basic Financial Statements
December 31, 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus (Continued)

Fund Financial Statements All governmental funds are accounted for using a *flow of current financial resources* measurement focus. With this measurement focus, only current assets and deferred outflows of resources and current liabilities and deferred inflows of resources 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 outflows and inflows of resources, and in the presentation of expenses versus expenditures.

Revenues - Exchange and Non-Exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of the fiscal year-end.

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: grants and entitlements.

Deferred Outflows/Inflows of Resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. The District had no deferred outflows of resources for 2019.

**TRANSPORTATION IMPROVEMENT DISTRICT
MUSKINGUM COUNTY**

Notes to the Basic Financial Statements
December 31, 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting (Continued)

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include unavailable revenue. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the District, unavailable revenue includes long term contracts receivable. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

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

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable.

E. Cash and Cash Equivalents

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".

F. Capital Assets

The District reports no capital assets. A road constructed by the District has been completed but through contractual agreements, Muskingum County uses and maintains the road. The County reports this road as a capital asset on its financial statements. Title to the asset will transfer to the County upon full payment of the related debt.

G. Accrued Liabilities and Long-term Obligations

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

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

H. Fund Balance

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

**TRANSPORTATION IMPROVEMENT DISTRICT
MUSKINGUM COUNTY**

Notes to the Basic Financial Statements
December 31, 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Fund Balance (Continued)

1. Nonspendable

The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The "not in spendable form" includes items that are not expected to be converted to cash.

2. Restricted

Fund balance is reported as 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.

3. Committed

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

4. Assigned

Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed.

5. Unassigned

The unassigned fund balance is the residual classification for the General Fund and includes amounts not contained 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 the amounts in any of the unrestricted fund balance classifications could be used.

I. Net Position

Net Position represents the difference between all other elements in a statement of financial position. Net Position is 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.

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

**TRANSPORTATION IMPROVEMENT DISTRICT
MUSKINGUM COUNTY**

Notes to the Basic Financial Statements
December 31, 2019

NOTE 3 - EQUITY IN POOLED CASH AND INVESTMENTS

The County Auditor serves as fiscal officer of the District. The Ohio Revised Code prescribes allowable deposits and investments from both the District and the County. At December 31, 2019, the District had cash and investments with a carrying amount of \$3,249. Throughout the year the District's cash and investment balances were included in and collateralized with Muskingum County's cash management pool.

NOTE 4 - RECEIVABLES

Receivables at December 31, 2019 consisted of contracts receivable and interest receivable from Muskingum County for \$416,010 and \$4,258, respectively. All receivables are considered collectible in full due to the executed contracts with the Muskingum County Commissioners.

NOTE 5 - LONG-TERM OBLIGATIONS

Changes in the long-term obligations of the District during 2019 were as follows:

	<u>Outstanding January 1, 2019</u>	<u>Additions</u>	<u>(Reductions)</u>	<u>Outstanding December 31, 2019</u>	<u>Amounts Due In One Year</u>
Governmental Activities:					
Direct Borrowings:					
State Infrastructure					
Bank - 3%	\$ 1,228,179	\$ 0	\$ (812,169)	\$ 416,010	\$ 416,010

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

	<u>Loan</u>	
	<u>State Infrastructure Bank - 3%</u>	
	<u>Principal</u>	<u>Interest</u>
2020	416,010	6,760

The District entered into the loan agreement on June 15, 1999 with the Ohio Department of Transportation (ODOT) to finance the Northpointe Drive Project over a period of 20 years. As collateral for the loan, the State Infrastructure Bank has received an assignment of all use payments from Muskingum County and an assignment of tax increment financing from the Longaberger Company. The loan contains provisions that in the event of default (1) ODOT may have access and examine the records and financial data of the District; (2) ODOT may pursue all remedies to enforce the performance and observance of any other obligation or agreement of the District for the loan; and (3) ODOT may proceed at law or in equity to enforce the provisions of the Guaranty Agreement against the County. The District received the total authorized amount of \$11,464,129, which included the refinancing of accumulated interest of \$404,129. During 2009, State Infrastructure Bank amended the loan agreement to reflect an interest rate of 3% plus an administrative fee of .25% per annum.

**TRANSPORTATION IMPROVEMENT DISTRICT
MUSKINGUM COUNTY**

Notes to the Basic Financial Statements
December 31, 2019

NOTE 6 - RISK MANAGEMENT

The District has obtained commercial insurance for the following risks:

- General liability
- Vehicles

NOTE 7 - RELATED PARTY TRANSACTIONS

The District currently shares office space with the Zanesville Muskingum County Port Authority in the Welcome Center, located at 205 North Fifth Street, Zanesville.

The District is a discretely presented component unit of Muskingum County.

NOTE 8 – SUBSEQUENT EVENTS

The United States, the State of Ohio and Muskingum County declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the District. The impact on the District's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

Also, during 2020, the District was awarded a grant from JobsOhio of approximately \$1.48 million towards the National Road Business Park project.

NOTE 9 - CHANGE IN ACCOUNTING PRINCIPLES

The Governmental Accounting Standards Board (GASB) recently issued GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. The District evaluated implementing these certain GASB pronouncements based on the guidance in GASB 95.

For 2019, the District implemented GASB Statement no. 84, *Fiduciary Activities*, Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, and related guidance from (GASB) Implementation Guide No. 2019-2, *Fiduciary Activities*. The District also implemented the Governmental Accounting Standards Board's (GASB) *Implementation Guide no. 2018-1*. These changes were incorporated in the District's 2019 financial statements; however, there was no effect on beginning fund balances/net position.

GASB Statement No. 84 established specific criteria for identifying activities that should be reported as fiduciary activities and clarifies whether and how business type activities should report their fiduciary activities. The District does not have any funds that meet the criteria for being classified as fiduciary.

GASB Statement No. 88 improves the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. These changes were incorporated in the District's 2019 financial statements; however, there was no effect on beginning net position/fund balances.

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**TRANSPORTATION IMPROVEMENT DISTRICT
MUSKINGUM COUNTY**

Management's Discussion and Analysis
For the Year Ended December 31, 2018

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

Financial Highlights

Key financial highlights for 2018 are as follows:

- ✓ The Total Net Position reported by the District decreased by \$655 from \$7,674 to \$7,019
- ✓ Program revenues accounted for \$120,003 or 100% of total revenues.
- ✓ Total expenses were \$120,658, all within governmental activities.
- ✓ Outstanding debt decreased from \$2,014,582 to \$1,228,179 through the scheduled repayment of debt.

Using this Annual Financial Report

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

Reporting of the Transportation Improvement District as a Whole

Statement of Net Position and the Statement of Activities

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

A question typically asked about the District's finances is, "How did we do financially during fiscal 2018?" The *Statement of Net Position* and the *Statement of Activities* answer this question. These statements include *all assets* and *liabilities* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account, all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the *Statement of Net Position* and the *Statement of Activities*, all the District's programs and services are reported as governmental activities, including general government, public works and interest expense.

**TRANSPORTATION IMPROVEMENT DISTRICT
MUSKINGUM COUNTY**

Management's Discussion and Analysis
For the Year Ended December 31, 2018

Reporting the Transportation Improvement District's Most Significant Funds

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been safeguarded for specific activities or objectives. The District uses three funds to account for financial transactions. Each of the District's funds is considered significant to the District's operations and reported as a major fund. As a result, the District has no non-major funds. The District's major governmental funds are the General Fund, the Debt Service Fund and the Bethesda Drive Fund.

Governmental Funds – All of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the 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.

Information is presented separately in the governmental fund *Balance Sheet* and in the governmental fund *Statement of Revenues, Expenditures, and Changes in Fund Balances* for the major funds.

The District as a Whole

Recall that the Statement of Net Position provides the perspective of the District as a whole. Table 1 provides a summary of the District's net position for 2018 compared to 2017:

**Table 1
Net Position**

	Governmental Activities	
	2018	2017
Assets		
Current and Other Assets	\$ 1,247,840	\$ 2,292,947
Total Assets	1,247,840	2,292,947
Liabilities		
Long-Term Liabilities	1,228,179	2,014,582
Other Liabilities	12,642	270,691
Total Liabilities	1,240,821	2,285,273
Net Position		
Unrestricted	7,019	7,674
Total Net Position	\$ 7,019	\$ 7,674

**TRANSPORTATION IMPROVEMENT DISTRICT
MUSKINGUM COUNTY**

Management's Discussion and Analysis
For the Year Ended December 31, 2018

The District as a Whole (Continued)

Total assets decreased by \$1,045,107 and total liabilities decreased by \$1,044,452. A portion of these changes can be attributed to debt payments made to the State Infrastructure Bank from revenues received from Muskingum County. This decreased the District's long-term liabilities and receivables for amounts due to be received from Muskingum County in future periods to retire this debt.

Table 2 shows the changes in net position for fiscal year 2018 compared to 2017. Total revenues decreased by \$208,629 and total expenses decreased by \$210,827. This is mainly due to projects in the Bethesda Drive Capital Project Fund. Since the District depends on grants and loans to fund its projects, as projects progress, revenues and expenditures will rise or fall depending on the amount of work completed on each project. This table will enable the reader to draw further conclusions about the District's financial status.

**Table 2
Changes in Net Position**

Governmental Activities		
	2018	2017
<i>Revenues</i>		
<i>Program Revenues:</i>		
Capital Grants and Contributions	\$ 58,582	\$ 250,000
Operating Grants and Contributions	8,000	0
Charges for Services	53,421	78,632
	120,003	328,632
 <i>Program Expenses</i>		
General Government	10,989	5,194
Public Works	58,582	250,000
Interest and Fiscal Charges	51,087	76,291
	120,658	331,485
Increase (Decrease) in Net Position	(655)	(2,853)
Net Position Beginning of Year	7,674	10,527
Net Position End of Year	\$ 7,019	\$ 7,674

Governmental Activities

The program revenues for the governmental activities come from several different sources, the most significant being grants and charges for services from Muskingum County. There were no general revenues in 2018.

**TRANSPORTATION IMPROVEMENT DISTRICT
MUSKINGUM COUNTY**

Management's Discussion and Analysis
For the Year Ended December 31, 2018

The Transportation Improvement District Funds

The District's governmental funds are accounted for using the modified accrual method of accounting. The governmental funds had revenues of \$906,406 and expenditures of \$907,061.

Debt

The outstanding debt for the Transportation Improvement District was \$1,228,179 as of December 31, 2018. This balance reflected a decrease of \$786,403 from the previous year's balance of \$2,014,582.

**Table 3
Outstanding Debt as of December 31**

	Governmental Activities	
	2018	2017
Loans Payable	\$ 1,228,179	\$ 2,014,582

The District has entered into a loan agreement with the State Infrastructure Bank. The loan proceeds were used to fund the Northpointe Drive project. The principal and interest repayments on the loan are funded through charges for services pursuant to a contract between the District and Muskingum County.

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

Contacting the District's Finance Department

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 any questions about this report or need additional financial information, contact Amy Young at the Transportation Improvement District, 205 N. 5th Street, Zanesville, Ohio 43701. E-mail amy@zmcport.com.

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

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 6,501
Receivables:	
Contracts Receivable	1,228,179
Interest Receivable	12,570
Prepays	590
Total Assets	1,247,840
Liabilities	
Accounts Payable	72
Accrued Interest Payable	12,570
Long Term Liabilities:	
Due Within One Year	812,169
Due Within More Than One Year	416,010
Total Liabilities	1,240,821
Net Position	
Unrestricted (deficit)	7,019
Total Net Position	\$ 7,019

See accompanying notes to the basic financial statements.

**TRANSPORTATION IMPROVEMENT DISTRICT
MUSKINGUM COUNTY**
Statement of Activities
for the Year Ended December 31, 2018

	Program Revenues			Net (Expense) Revenue and Changes in Net Position
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities				
Current:				
General Government	\$ 10,989	\$ 2,334	\$ 8,000	\$ (655)
Public Works	58,582	0	0	0
Debt Service:				
Interest and Fiscal Charges	51,087	51,087	0	0
Total Governmental Activities	\$ 120,658	\$ 53,421	\$ 8,000	\$ (655)
Change in Net Position				(655)
Net Position Beginning of Year				7,674
Net Position End of Year				\$ 7,019

See accompanying notes to the basic financial statements.

**TRANSPORTATION IMPROVEMENT DISTRICT
MUSKINGUM COUNTY**

Balance Sheet
December 31, 2018

	General	Debt Service	Total Governmental Funds
Assets			
Equity in Pooled Cash and Cash Equivalents	\$ 6,501	\$ 0	\$ 6,501
Receivables:			
Contracts Receivable	0	1,228,179	1,228,179
Interest Receivable	0	12,570	12,570
Prepays	590	0	590
Total Assets	\$ 7,091	\$ 1,240,749	\$ 1,247,840
Liabilities			
Accounts Payable	\$ 72	\$ 0	\$ 72
Accrued Interest Payable		12,570	12,570
Total Liabilities	72	12,570	12,642
Deferred Inflows of Resources			
Unavailable Revenue	0	1,228,179	1,228,179
Total Deferred Inflows of Resources	0	1,228,179	1,228,179
Fund Balances			
Nonspendable	590	0	590
Unassigned	6,429	0	6,429
Total Fund Balances	7,019	0	7,019
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 7,091	\$ 1,240,749	\$ 1,247,840

See accompanying notes to the basic financial statements.

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

Total Governmental Fund Balances	\$	7,019
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 deferred inflows of resources in the funds.		1,228,179
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		<u>(1,228,179)</u>
Net Position of Governmental Activities	\$	<u><u>7,019</u></u>

See accompanying notes to the basic financial statements.

**TRANSPORTATION IMPROVEMENT DISTRICT
MUSKINGUM COUNTY**

Statement of Revenues, Expenditures and Changes in Fund Balances
for the Year Ended December 31, 2018

	General	Debt Service	Bethesda Drive	Total Governmental Funds
Revenues:				
Intergovernmental	\$ 8,000	\$ 837,490	\$ 58,582	\$ 904,072
Miscellaneous	2,334	0	0	2,334
Total Revenues	<u>10,334</u>	<u>837,490</u>	<u>58,582</u>	<u>906,406</u>
Expenditures:				
Current:				
General Government	10,989	0	0	10,989
Public Works - Intergovernmental	0	0	58,582	58,582
Debt Service:				
Principal Retirement	0	786,403	0	786,403
Interest and Fiscal Charges	0	51,087	0	51,087
Total Expenditures	<u>10,989</u>	<u>837,490</u>	<u>58,582</u>	<u>907,061</u>
Net Change in Fund Balances	(655)	0	0	(655)
Fund Balance (Deficit) at Beginning of Year	<u>7,674</u>	<u>0</u>	<u>0</u>	<u>7,674</u>
Fund Balance (Deficit) at End of Year	<u><u>\$ 7,019</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 7,019</u></u>

See accompanying notes to the basic financial statements.

**TRANSPORTATION IMPROVEMENT DISTRICT
MUSKINGUM COUNTY**

Reconciliation of the Changes
in Fund Balances of Governmental Funds to the Statement of Activities
for the Year Ended December 31, 2016

Net Change in Fund Balances - Total Governmental Funds \$ (655)

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

Revenues received for long-term contracts receivable are recorded as revenue in the fund statements, but reduce long-term contracts receivable in the statement of net position. 786,403

Repayment of long-term debt principal is an expenditure in the fund statements, but the repayment reduces long-term liabilities in the statement of net position. (786,403)

Change in Net Position of Governmental Activities \$ (655)

See accompanying notes to the basic financial statements.

**TRANSPORTATION IMPROVEMENT DISTRICT
MUSKINGUM COUNTY**

Notes to the Basic Financial Statements
December 31, 2018

NOTE 1 - REPORTING ENTITY

The Transportation Improvement District, Muskingum County (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 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 Muskingum County on November 20, 1995.

The District is governed by a Board of Directors that acts as the authoritative and legislative body of the entity. The Board is comprised of seven members, with five members appointed by a majority vote of the Board of Commissioners of Muskingum County. The Board of Directors also includes one (1) ex-officio member appointed by the President of the Ohio Senate and one (1) ex-officio member appointed by the Speaker of the Ohio House of Representatives.

The Board of Directors appoints a Chairman, who presides at all meetings and is the chief officer of the District. He has the authority to sign all contracts, releases, notes, bonds and other instruments and documents to be executed on behalf of the District. He is the chief officer of the District for the purpose of civil process and is authorized to accept such services on behalf of the District. He performs such other duties and has such authority as may be provided from time to time by the Board.

The District is a discretely presented component unit in Muskingum County's Comprehensive Annual Financial Report, as defined by the provisions of GASB Statement No. 14 and No. 39. Also, the Zanesville-Muskingum County Port Authority serves as the Administrative Agent for the District. The District's management believes these financial statements represent all activities for which the District is financially accountable.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

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

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.

**TRANSPORTATION IMPROVEMENT DISTRICT
MUSKINGUM COUNTY**

Notes to the Basic Financial Statements
December 31, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis of Presentation (Continued)

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 would be aggregated and presented in a single column; however, the District did not have any non-major funds in 2018 since all funds were considered as major.

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

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

Debt Service Fund The Debt Service Fund is used to account for the accumulation of financial resources for, and the payment of, general long-term debt principal, interest and related costs.

Bethesda Drive Capital Projects Fund The Bethesda Drive Project Fund is used to account for grant monies for the upgrade and/or construction of Bethesda Drive.

C. Measurement Focus

Government-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.

**TRANSPORTATION IMPROVEMENT DISTRICT
MUSKINGUM COUNTY**

Notes to the Basic Financial Statements
December 31, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus (Continued)

Fund Financial Statements All governmental funds are accounted for using a *flow of current financial resources* measurement focus. With this measurement focus, only current assets and deferred outflows of resources and current liabilities and deferred inflows of resources 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 outflows and inflows of resources, and in the presentation of expenses versus expenditures.

Revenues - Exchange and Non-Exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of the fiscal year-end.

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: grants and entitlements.

Deferred Outflows/Inflows of Resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. The District had no deferred outflows of resources for 2018.

**TRANSPORTATION IMPROVEMENT DISTRICT
MUSKINGUM COUNTY**

Notes to the Basic Financial Statements
December 31, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting (Continued)

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include unavailable revenue. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the District, unavailable revenue includes long term contracts receivable. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

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

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable.

E. Cash and Cash Equivalents

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".

F. Capital Assets

The District reports no capital assets. A road constructed by the District has been completed but through contractual agreements, Muskingum County uses and maintains the road. The County reports this road as a capital asset on its financial statements. Title to the asset will transfer to the County upon full payment of the related debt.

G. Accrued Liabilities and Long-term Obligations

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

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

H. Fund Balance

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

**TRANSPORTATION IMPROVEMENT DISTRICT
MUSKINGUM COUNTY**

Notes to the Basic Financial Statements
December 31, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Fund Balance (Continued)

1. Nonspendable

The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The "not in spendable form" includes items that are not expected to be converted to cash.

2. Restricted

Fund balance is reported as 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.

3. Committed

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

4. Assigned

Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed.

5. Unassigned

The unassigned fund balance is the residual classification for the General Fund and includes amounts not contained 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 the amounts in any of the unrestricted fund balance classifications could be used.

I. Net Position

Net Position represents the difference between all other elements in a statement of financial position. Net Position is 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.

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

**TRANSPORTATION IMPROVEMENT DISTRICT
MUSKINGUM COUNTY**

Notes to the Basic Financial Statements
December 31, 2018

NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLE

For fiscal year 2018, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements, Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period, and Statement No. 90, Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61. However, there was no effect on beginning net position/fund balance.

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS

The County Auditor serves as fiscal officer of the District. The Ohio Revised Code prescribes allowable deposits and investments from both the District and the County. At December 31, 2018, the District had cash and investments with a carrying amount of \$6,501. Throughout the year the District's cash and investment balances were included in and collateralized with Muskingum County's cash management pool.

NOTE 5 - RECEIVABLES

Receivables at December 31, 2018 consisted of contracts receivable and interest receivable from Muskingum County for \$1,228,179 and \$12,570, respectively. All receivables are considered collectible in full due to the executed contracts with the Muskingum County Commissioners.

NOTE 6 - LONG-TERM OBLIGATIONS

Changes in the long-term obligations of the District during 2018 were as follows:

	<u>Outstanding January 1, 2018</u>	<u>Additions</u>	<u>(Reductions)</u>	<u>Outstanding December 31, 2018</u>	<u>Amounts Due In One Year</u>
Governmental Activities:					
General long-term obligations:					
State Infrastructure					
Bank - 3%	\$ 2,014,582	\$ 0	\$ (786,403)	\$ 1,228,179	\$ 812,169

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

	<u>Loan</u>	
	<u>State Infrastructure Bank - 3%</u>	
	<u>Principal</u>	<u>Interest</u>
2019	812,169	33,370
2020	416,010	6,760
	<u>\$ 1,228,179</u>	<u>\$ 40,130</u>

**TRANSPORTATION IMPROVEMENT DISTRICT
MUSKINGUM COUNTY**

Notes to the Basic Financial Statements
December 31, 2018

NOTE 6 - LONG-TERM OBLIGATIONS (Continued)

The District entered into the loan agreement on June 15, 1999 with the Ohio Department of Transportation to finance the Northpointe Drive Project over a period of 20 years. As collateral for the loan, the State Infrastructure Bank has received an assignment of all use payments from Muskingum County and an assignment of tax increment financing from the Longaberger Company. The District received the total authorized amount of \$11,464,129, which included the refinancing of accumulated interest of \$404,129. During 2009, State Infrastructure Bank amended the loan agreement to reflect an interest rate of 3% plus an administrative fee of .25% per annum.

NOTE 7 - RISK MANAGEMENT

The District has obtained commercial insurance for the following risks:

- General liability
- Vehicles

NOTE 8 - RELATED PARTY TRANSACTIONS

The District currently shares office space with the Zanesville Muskingum County Port Authority in the Welcome Center, located at 205 North Fifth Street, Zanesville.

The District is a discretely presented component unit of Muskingum County.

NOTE 9 – SUBSEQUENT EVENTS

The United States, the State of Ohio and Muskingum County declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the District. The impact on the District's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

Also, during 2020, the District was awarded a grant from JobsOhio of approximately \$1.48 million towards the National Road Business Park project.

NOTE 10 - CHANGE IN ACCOUNTING PRINCIPLES

For 2018, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 85, Omnibus 2017 and Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period.

For 2018, the District also implemented the Governmental Accounting Standards Board's (GASB) Implementation Guide No. 2017-1. These changes were incorporated in the District's 2018 financial statements; however, there was no effect on beginning net position/fund balance.

GASB 85 addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits (OPEB)). These changes were incorporated in the District's 2018 financial statements; however, there was no effect on beginning net position/fund balance.

GASB 89 establishes accounting requirements for interest cost incurred before the end of a construction period. These changes were incorporated in the District's 2018 financial statements; however, there was no effect on beginning net position.

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OHIO AUDITOR OF STATE KEITH FABER



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

Transportation Improvement District
Muskingum County
205 North Fifth Street
Zanesville, Ohio 43701

To the Board of Directors:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities and each major fund of the Transportation Improvement District, Muskingum County, Ohio, (the District), a component unit of Muskingum County, Ohio, as of and for the years ended December 31, 2019 and 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 June 16, 2020 wherein we noted the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the District.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

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

Keith Faber
Auditor of State
Columbus, Ohio

June 16, 2020

OHIO AUDITOR OF STATE KEITH FABER



MUSKINGUM COUNTY TRANSPORTATION IMPROVEMENT DISTRICT

MUSKINGUM 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
JUNE 30, 2020**