



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

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**STATE OF OHIO
OFFICE OF THE AUDITOR**

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REPORT OF INDEPENDENT ACCOUNTANTS

Board of Trustees
Transportation Improvement District
Fairfield County
407 E. Main Street
Lancaster, Ohio 43130

We have audited the accompanying general-purpose financial statements of the Transportation Improvement District, Fairfield County, Ohio, (the District), a component unit of Fairfield County, as of and for the year ended December 31, 1999, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards 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 general-purpose 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 opinion.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Fairfield County Transportation Improvement District, Fairfield County, Ohio as of December 31, 1999, and the results of its operations for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 7, 2000 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws and regulations.

JIM PETRO
Auditor of State

March 7, 2000

**BALANCE SHEET
GOVERNMENTAL FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 1999**

	<u>General Fund</u>
Assets :	
Equity in Pooled Cash and Investments	<u>\$ 35,016</u>
Total Assets	<u><u>\$ 35,016</u></u>
Liabilities:	
Accounts Payable	<u>3,213</u>
Total Liabilities	<u>3,213</u>
Fund Equity :	
Undesignated / Unreserved	<u>31,803</u>
Total Fund Balances	<u>31,803</u>
Total Liabilities and Fund Equity	<u><u>\$ 35,016</u></u>

The notes to the financial statements are an integral part of the statement.

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE
IN FUND BALANCE - GOVERNMENTAL FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 1999**

	General Fund
REVENUES:	
Intergovernmental Revenue	\$ 50,000
Interest Income	5
Total Revenue	<u>50,005</u>
EXPENDITURES:	
Current:	
General Government	47,143
Total Expenditures	<u>47,143</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,862
Beginning Fund Balance	<u>28,941</u>
Ending Fund Balance	<u>\$ 31,803</u>

The notes to the financial statements are an integral part of the statement.

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BASIS)
GOVERNMENTAL FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 1999**

	<u>General Fund</u>		
	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
Intergovernmental Revenue	\$ 50,000	\$ 50,000	\$ 0
Interest Income		<u>5</u>	<u>5</u>
Total Revenue	<u>50,000</u>	<u>50,005</u>	<u>5</u>
Expenditures:			
Salaries	1,382	275	1,107
Materials and Supplies	1,500	598	902
Legal Services	13,926	17,462	(3,536)
Contractual Services	59,633	34,272	25,361
Other	<u>2,500</u>	<u>335</u>	<u>2,165</u>
Total Expenditures	<u>78,941</u>	<u>52,942</u>	<u>25,999</u>
Excess of Revenue Over (Under) Expenditures	(28,941)	(2,937)	26,004
Beginning Fund Balance	<u>37,953</u>	<u>37,953</u>	<u>0</u>
Ending Fund Balance	<u>\$ 9,012</u>	<u>\$ 35,016</u>	<u>\$ 26,004</u>

The notes to the financial statements are an integral part of the statement.

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**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 1999**

1. DESCRIPTION OF THE DISTRICT AND REPORTING ENTITY

Reporting Entity

The Fairfield County Transportation Improvement District (the District) is a body politic and corporate established for the purpose of financing, constructing, maintaining, repairing and operating selected transportation projects. The District was specifically formed under the auspices of House Bill 154 and Ohio Revised Code chapter 5540, as amended, and created by action of the Board of County Commissioners of Fairfield County on June 23, 1998 exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is a component unit of Fairfield County and operates under an appointed 5 member board.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government 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 Accounting - Fund Accounting

The District uses funds to report its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 1999
(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis of Accounting - Fund Accounting (Continued)

The following category and fund type is used by the District.

Governmental Fund Type

Governmental funds are those through which most governmental functions typically are financed. The acquisition, use, and balances of the District's expendable financial resources and the related current liabilities are accounted for through governmental funds. The following is the District's governmental fund type:

General Fund

This fund is used to account 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 according to the general laws of Ohio and the bylaws of the District.

B. Measurement Focus/Basis of Accounting

The modified accrual basis of accounting is followed for the General Fund. Under this method of accounting, the District recognizes revenue when it becomes both measurable and available. Measurable means the amount of the transaction can be determined. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period, which for the purposes District is considered to be 31 days after year-end. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.

C. Budget and Budgetary Accounting

Legally, the Ohio Revised Code does not strictly impose a requirement on the District to follow the budgetary process, however, the District chose to follow a few of the budgetary processes for internal control purposes only.

Tax Budget

In October 1999, the Board of Trustees adopted a proposed operating budget for the fiscal year which commenced January 1, 1999. The budget includes proposed expenditures and the means of financing.

Lapsing of Appropriations

At the close of each year, the balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. carried forward to the succeeding fiscal year and

Per 1977 Op. Attorney General No. 77-068, "districts which do not exercise its authority to levy taxes upon real property in said district is not subject to the requirements of ORC 5705.27 through 5705.412. However, the District chose to adopt a budget in October 1999, therefore the budget vs. actual is presented for informational purposes".

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 1999
(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Cash and Investments

Cash received by the District is maintained in a central bank account with individual fund balance integrity maintained throughout. During 1999 the District had no investments.

E. Intergovernmental Revenues

For the General Fund, intergovernmental revenues, such as contributions awarded on a non-reimbursement basis, are recorded as receivables and revenues when measurable and available.

Fairfield County, in which the District is considered a component unit, contributed \$50,000 during 1999.

F. Accrued Liabilities

The General Fund payables and accrued liabilities are reported as obligations of the fund regardless of whether they will be liquidated with current resources. In general, amounts paid more than thirty one days after year end are considered not to have been paid with current available financial resources.

G. Fund Balance Reserves

Reserved Fund Balances indicate that portion of fund equity which is not available for current appropriation or is legally segregated for a specific use. The District had no reservations of fund balance as of December 31, 1999.

The unreserved portions of fund equity reflected for the General Fund are available for use within the specific purpose of that fund.

H. 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. BUDGETARY BASIS OF ACCOUNTING

The District prepares its budget on a basis of accounting that differs from generally accepted accounting principles (GAAP). The actual results of operations are presented in the "Statement of Revenues, Expenditures, and Changes in Fund Balances--Budget and Actual--Governmental Fund Type" in accordance with the budget basis of accounting.

The major differences between the budgetary basis of accounting and GAAP are that:

- a) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- b) Expenditures are recorded when expended as opposed to when the liability is incurred (GAAP basis);

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 1999
(Continued)

3. BUDGETARY BASIS OF ACCOUNTING (Continued)

The following table summarizes the adjustments necessary to reconcile the GAAP and budgetary basis statements for the Governmental Fund Type:

	Excess of Revenue Over Expenditures Governmental Fund Type
	General
GAAP Basis	\$(2,862)
Adjustments:	
Expenditure Accrual (net change)	(75)
Budget Basis	\$(2,937)

4. CASH

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

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 1999
(Continued)

4. CASH (Continued)

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bond and other obligations of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts, including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAROhio);

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. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

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

Deposits: At year end, the carrying amount of the District's deposits was \$35,016 and the bank balance was \$35,016. The entire balance was covered by federal depository insurance (FDIC).

5. RISK MANAGEMENT

The District did not maintain liability insurance nor was any official bonded. The District has commissioned Clark Insurance, Inc., Lancaster, Ohio to initiate a policy for both liability insurance and the official's bond to take effect March 1, 2000.

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**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY
GOVERNMENT AUDITING STANDARDS**

Board of Trustees
Transportation Improvement District
Fairfield County
407 E. Main Street
Lancaster, Ohio 43130

We have audited the financial statements of Transportation Improvement District, Fairfield County, Ohio (the District) as of December 31, 1999, and have issued our report thereon dated March 7, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we considered to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated March 7, 2000.

Transportation Improvement District
Fairfield County
Report on Compliance and on Internal Control Required By
Government Auditing Standards
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This report is intended for the information and use of management, and the Board of Trustees, and is not intended to be and should not be used by anyone other than these specified parties.

JIM PETRO
Auditor of State

March 7, 2000



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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TRANSPORTATION IMPROVEMENT DISTRICT

FAIRFIELD COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
APRIL 4, 2000**