



**Auditor of State
Betty Montgomery**

**TRANSPORTATION IMPROVEMENT DISTRICT
FAIRFIELD COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report	1
Financial Statements:	
Balance Sheet - Governmental Fund Type	3
Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Fund Type	4
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Budget Basis) - Governmental Fund Type	5
Notes to the General-Purpose Financial Statements	7
Independent Accountants' Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	13

THIS PAGE INTENTIONALLY LEFT BLANK



**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Trustees:

We have audited the accompanying general-purpose financial statements of the Transportation Improvement District, Fairfield County, Ohio, (the District) as of and for the year ended December 31, 2002, 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 auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Transportation Improvement District, Fairfield County, Ohio, as of December 31, 2002, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2003, 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

March 28, 2003

35 N. Fourth St. / Second Floor / Columbus, OH 43215
Telephone: (614) 466-3402 (800) 443-9275 Fax: (614) 728-7199
www.auditor.state.oh.us

THIS PAGE INTENTIONALLY LEFT BLANK

**TRANSPORTATION IMPROVEMENT DISTRICT
FAIRFIELD COUNTY**

**BALANCE SHEET
GOVERNMENTAL FUND TYPE
DECEMBER 31, 2002**

	<u>Governmental Fund Type</u>
	<u>General Fund</u>
<u>Assets:</u>	
Cash	<u>\$129,123</u>
Total Assets	<u><u>\$129,123</u></u>
<u>Liabilities and Fund Equity:</u>	
<u>Liabilities:</u>	
Accounts Payable	<u>\$14,889</u>
Total Liabilities	14,889
<u>Fund Equity:</u>	
Fund Balance:	
Unreserved	<u>114,234</u>
Total Fund Equity	<u>114,234</u>
Total Liabilities and Fund Equity	<u><u>\$129,123</u></u>

See accompanying notes to the general-purpose financial statements.

**TRANSPORTATION IMPROVEMENT DISTRICT
FAIRFIELD COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - GOVERNMENTAL FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Governmental Fund Type</u>
	<u>General Fund</u>
<u>Revenues:</u>	
Intergovernmental	\$100,000
Interest	259
	<hr/>
Total Revenues	100,259
<u>Expenditures:</u>	
Current:	
General Government	37,981
	<hr/>
Total Expenditures	37,981
	<hr/>
Excess of Revenues Over Expenditures	62,278
Fund Balance at Beginning of Year	51,956
	<hr/>
Fund Balance at End of Year	<u><u>\$114,234</u></u>

See accompanying notes to the general-purpose financial statements.

**TRANSPORTATION IMPROVEMENT DISTRICT
FAIRFIELD COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)
GOVERNMENTAL FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2002**

	General Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>			
Intergovernmental	\$100,000	\$100,000	\$0
Interest	0	259	259
Total Revenues	100,000	100,259	259
<u>Expenditures:</u>			
Current:			
Legal Services	5,000	1,064	3,936
Contractual Services	92,000	27,991	64,009
Miscellaneous	3,000	62	2,938
Total Expenditures	100,000	29,117	70,883
Excess of Revenues Over Expenditures	0	71,142	71,142
Fund Balance at Beginning of Year	57,981	57,981	0
Fund Balance at End of Year	<u>\$57,981</u>	<u>\$129,123</u>	<u>\$71,142</u>

See accompanying notes to the general-purpose financial statements.

THIS PAGE INTENTIONALLY LEFT BLANK

**TRANSPORTATION IMPROVEMENT DISTRICT
FAIRFIELD COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002**

NOTE 1 - REPORTING ENTITY

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

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

The accompanying general-purpose financial statements comply with the provisions of Governmental Accounting Standards Board (GASB) Statement 14, "The Financial Reporting Entity", in that the general-purpose 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.

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 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 - 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 District 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 restrictions or limitations.

For financial statement presentation purposes, the District's fund is grouped into the governmental fund type category.

**TRANSPORTATION IMPROVEMENT DISTRICT
FAIRFIELD COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Fund Type:

Governmental funds are those through which most governmental functions of the District 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 - The general fund is the operating fund of the District and 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 provided it is expended or transferred according to the general laws of Ohio and the bylaws of the District.

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the governmental funds.

The District's revenue consists of a contribution from Fairfield County, a non-exchange transaction, in which the District receives value without directly giving equal value in return. This revenue is presented as an intergovernmental revenue source on the District's financial statements. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized. For the District, available means expected to be received within 60 days after year-end.

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.

**TRANSPORTATION IMPROVEMENT DISTRICT
FAIRFIELD COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Cash and Cash Equivalents

To improve cash management, all cash received by the District is pooled. Monies for its fund is maintained in a central bank account. Individual fund integrity is maintained through the District's records. The fund is presented as "cash" on the balance sheet. During 2002, the District had no investments.

Following Ohio statute, interest revenue earned on the District's bank account credited to the general fund during fiscal year 2002 amounted to \$259.

D. Accrued Liabilities

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources.

E. Unreserved Fund Balance

Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods.

NOTE 3 - BUDGETARY BASIS OF ACCOUNTING

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

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

**TRANSPORTATION IMPROVEMENT DISTRICT
FAIRFIELD COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002
(Continued)**

NOTE 3 - BUDGETARY BASIS OF ACCOUNTING (Continued)

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

Excess of Revenues Over Expenditures Governmental Fund Type	
	<u>General</u>
GAAP Basis	\$62,278
Net Revenue Accruals	0
Net Expenditure Accruals	<u>8,864</u>
Budget Basis	<u>\$71,142</u>

NOTE 4 - DEPOSITS

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

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

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

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

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

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

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

**TRANSPORTATION IMPROVEMENT DISTRICT
FAIRFIELD COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002
(Continued)**

NOTE 4 - DEPOSITS (Continued)

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

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be 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 \$129,123 and the bank balance was \$143,276. Deposits are either (1) insured by the Federal Depository Insurance Corporation, or (2) collateralized by the financial institution's public entity deposit pool.

**TRANSPORTATION IMPROVEMENT DISTRICT
FAIRFIELD COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002
(Continued)**

NOTE 5 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft or damage to and destruction of assets; errors and omissions; and natural disasters. During the year 2002, the District contracted with Clark Insurance Agency, Inc. for general liability coverage as follows:

General Liability:

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

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

NOTE 6 - CONTINGENCIES

Litigation

The District is currently not party to any litigation.



**Auditor of State
Betty Montgomery**

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

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

To the Board of Trustees:

We have audited the general-purpose financial statements of the Transportation Improvement District, Fairfield County, Ohio, (the District) as of and for the year ended December 31, 2002, and have issued our report thereon dated March 28, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's general-purpose 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 general-purpose 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 consider to be material weaknesses.

Transportation Improvement District
Fairfield County
Independent Accountants' Report On Compliance And On
Internal Control Required By *Government Auditing Standards*
Page 2

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

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

BETTY MONTGOMERY
Auditor of State

March 28, 2003



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

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
MAY 8, 2003**