



**Auditor of State
Betty Montgomery**

**TRANSPORTATION IMPROVEMENT DISTRICT
MUSKINGUM COUNTY**

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Members of the Board:

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, as of and for the year ended December 31, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Transportation Improvement District, Muskingum County, Ohio, as of December 31, 2005, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 23, 2006, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Betty Montgomery
Auditor of State

June 23, 2006

TRANSPORTATION IMPROVEMENT DISTRICT

Management's Discussion and Analysis
For the Year Ended December 31, 2005

The discussion and analysis of the Transportation Improvement District (the District), financial performance provides an overall review of the District's financial activities for the fiscal year ended December 31, 2005. 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 2005 are as follows:

- ✓ General Revenues accounted for approximately \$82 thousand in revenue or approximately 13 percent of all revenues. Program revenues accounted for approximately \$570 thousand or 87% of total revenues.
- ✓ Total expenses were approximately \$600 thousand, all within governmental activities.
- ✓ Outstanding debt decreased from \$14,444,899 to \$13,801,373 through the scheduled repayment of debt.

Using this Annual Financial Report

This Statement of Net Assets and the Statement of Activities provide information from a summary perspective showing the effects of the operations for the year 2005 and how they affected the operations of the District as a whole.

Reporting of the Transportation Improvement District as a Whole

Statement of Net Assets and the Statement of Activities

The Statement of Net Assets 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 2005?" The Statement of Net Assets 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 assets and changes in those assets. This change in net assets 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 Assets and the Statement of Activities, the District has the following distinct activity:

- ✓ Governmental Activities - The District's programs and services are reported here, including general government, public works and interest expense.

TRANSPORTATION IMPROVEMENT DISTRICT

Management's Discussion and Analysis
For the Year Ended December 31, 2005

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 segregated for specific activities or objectives. The District uses many funds to account for financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the General Fund, the Debt Service Fund, the North Pointe Capital Projects Fund and the State Route 93/22 Capital Projects Fund.

Governmental Funds - The District's Activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

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 General Fund, Debt Service Fund, North Pointe Capital Projects Fund and State Route 93/22 Capital Projects Fund which are considered to be major funds.

TRANSPORTATION IMPROVEMENT DISTRICT

Management's Discussion and Analysis
For the Year Ended December 31, 2005

The Transportation Improvement District as a Whole

Recall that the Statement of Net Assets provides the perspective of the District as a whole. Table 1 provides a summary of the District's net assets for 2005 compared to 2004:

Table 1
Net Assets

	Governmental Activities	
	2005	2004
Assets		
Current and Other Assets	\$ 13,915,950	\$ 15,593,774
Total Assets	13,915,950	15,593,774
Liabilities		
Long-Term Liabilities	13,801,373	14,444,899
Other Liabilities	928,333	2,013,883
Total Liabilities	14,729,706	16,458,782
Net Assets		
Unrestricted (Deficit)	(813,756)	(865,008)
Total Net Assets	\$ (813,756)	\$ (865,008)

Total assets decreased by \$1,677,824 and total liabilities decreased \$1,729,076. 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.

In addition, construction on the Northpointe Drive project was completed and fewer construction costs remained outstanding. This resulted in a decrease in contracts payable and loans receivable as loan proceeds were the main source of revenue to pay the costs of this project.

Table 2 shows the changes in net assets for fiscal year 2005. Total revenues decreased by \$869,026 and total expenses decreased by \$1,515,810. This is due to the completion of Northpointe Drive. Since the Transportation Improvement District depends on grants and loans to fund its projects, when each project is completed, revenues and expenses will decrease until a new project is started. This also created an increase in net assets of \$51,252. This table will enable the reader to draw further conclusion about the District's financial status.

TRANSPORTATION IMPROVEMENT DISTRICT

Management's Discussion and Analysis
For the Year Ended December 31, 2005

The Transportation Improvement District as a Whole (continued)

Table 2
Changes in Net Assets

	Governmental Activities	
	2005	2004
Revenues		
Program Revenues:		
Grants and Contributions	\$ 71,971	\$ 996,747
Charges for Services	498,336	514,130
General Revenue:		
Unrestricted Grants	20,000	3,392
Miscellaneous	62,436	7,500
Total Revenues	<u>652,743</u>	<u>1,521,769</u>
Program Expenses		
General Government	27,604	36,118
Public Works	75,551	1,214,373
Intergovernmental	0	352,680
Interest and Fiscal Charges	498,336	514,130
Total Program Expenses	<u>601,491</u>	<u>2,117,301</u>
Increase (Decrease) in Net Assets	<u>\$ 51,252</u>	<u>\$ (595,532)</u>

Governmental Activities

The program revenues for the governmental activities come from several different sources, the most significant being grants from the State of Ohio and user charges from Muskingum County for Northpointe Drive.

General revenues include unrestricted grants and miscellaneous revenues.

The Transportation Improvement District Funds

The District's Governmental Funds are accounted for using the modified accrual method of accounting. All governmental funds had revenues of \$1,418,373, which included \$61,052 in debt proceeds, and expenditures of \$1,367,121.

Debt

The outstanding debt for the Transportation Improvement District as of December 31, 2005 was \$13,801,373. This balance reflected a decrease of \$643,526 from the previous year's balance of \$14,444,899. Table 3 summarizes outstanding debt.

TRANSPORTATION IMPROVEMENT DISTRICT
Management's Discussion and Analysis
For the Year Ended December 31, 2005

Debt (continued)

Table 3
Outstanding Debt, at December 31

	Governmental Activities	
	2005	2004
Loans Payable	\$ 13,801,373	\$ 14,444,899

The District has entered into two loan agreements with the State Infrastructure Bank. The loan proceeds were used to fund the Northpointe Drive project. The principal and interest repayments on the loans 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 Jerry Nolder, Administrative Agent of the Transportation Improvement District, 205 N. 5th Street, Zanesville, Ohio 43701. e-mail jerry.nolder@zmcport.com.

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TRANSPORTATION IMPROVEMENT DISTRICT
Statement of Net Assets
December 31, 2005

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 113,748
Receivables:	
Intergovernmental Receivable	829
Contracts Receivable	13,801,373
Total Assets	13,915,950
Liabilities	
Accounts Payable	490
Contracts Payable	77,843
Due to Primary Government	850,000
Long Term Liabilities:	
Due Within One Year	974,449
Due Within More Than One Year	12,826,924
Total Liabilities	14,729,706
Net Assets	
Unrestricted	(813,756)
Total Net Assets	\$ (813,756)

See accompanying notes to the basic financial statements.

TRANSPORTATION IMPROVEMENT DISTRICT
Statement of Activities
for the Year Ended December 31, 2005

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental Activities				
Current:				
General Government	\$ 27,604	\$ 0	\$ 0	\$ (27,604)
Public Works	75,551	0	71,971	(3,580)
Debt Service:				
Interest and fiscal charges	498,336	498,336	0	0
Total Governmental Activities	<u>601,491</u>	<u>498,336</u>	<u>71,971</u>	<u>(31,184)</u>
 General Revenues				
Grants not Restricted to Specific Programs				20,000
Miscellaneous				<u>62,436</u>
Total General Revenues				<u>82,436</u>
Change in net Assets				51,252
Net Assets (Deficit) Beginning of Year				<u>(865,008)</u>
Net Assets (Deficit) End of Year				<u><u>\$ (813,756)</u></u>

See accompanying notes to the basic financial statements.

TRANSPORTATION IMPROVEMENT DISTRICT

Balance Sheet
December 31, 2005

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects North Pointe</u>	<u>Capital Projects State Route 93/22</u>	<u>Total Governmental Funds</u>
Assets					
Equity in Pooled Cash and Cash Equivalents	\$ 5,790	\$ 0	\$ 107,958	\$ 0	\$ 113,748
Receivables:					
Intergovernmental Receivable	0	0	0	829	829
Contracts Receivable	0	13,801,373	0	0	13,801,373
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Assets	<u>\$ 5,790</u>	<u>\$ 13,801,373</u>	<u>\$ 107,958</u>	<u>\$ 829</u>	<u>\$ 13,915,950</u>
Liabilities					
Accounts Payable	\$ 490	\$ 0	\$ 0	\$ 0	\$ 490
Contracts Payable	20,000	0	57,014	829	77,843
Due to Primary Government	0	0	850,000	0	850,000
Deferred Revenue	0	13,801,373	0	0	13,801,373
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities	20,490	13,801,373	907,014	829	14,729,706
Fund Balances					
Undesignated:					
General Fund	(14,700)	0	0	0	(14,700)
Capital Projects Funds	0	0	(799,056)	0	(799,056)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Fund Balances	<u>(14,700)</u>	<u>0</u>	<u>(799,056)</u>	<u>0</u>	<u>(813,756)</u>
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities and Fund Balances	<u>\$ 5,790</u>	<u>\$ 13,801,373</u>	<u>\$ 107,958</u>	<u>\$ 829</u>	<u>\$ 13,915,950</u>

See accompanying notes to the basic financial statements.

TRANSPORTATION IMPROVEMENT DISTRICT
Reconciliation of Total Governmental Fund Balances to
Net Assets Governmental Activities
December 31, 2005

Total Governmental Fund Balances	\$ (813,756)
Amounts reported for governmental activities in the statement of net assets are different because:	
Other long-term assets are not available to pay for current- period expenditures and therefore are deferred in the funds.	13,801,373
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	<u>(13,801,373)</u>
Net Assets of Governmental Activities	<u><u>\$ (813,756)</u></u>

See accompanying notes to the basic financial statements.

TRANSPORTATION IMPROVEMENT DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
for the Year Ended December 31, 2005

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects North Pointe</u>	<u>Capital Projects State Route 93/22</u>	<u>Total Governmental Funds</u>
Revenues:					
Intergovernmental	\$ 20,000	\$ 1,202,914	\$ 0	\$ 71,971	\$ 1,294,885
Miscellaneous	2,400	0	60,036	0	62,436
Total Revenues	<u>\$ 22,400</u>	<u>\$ 1,202,914</u>	<u>\$ 60,036</u>	<u>\$ 71,971</u>	<u>\$ 1,357,321</u>
Expenditures:					
Current:					
General Government	\$ 27,604	\$ 0	\$ 0	\$ 0	\$ 27,604
Public Works	0	0	14,052	61,499	75,551
Debt Service:					
Principal Retirement	0	704,578	0	0	704,578
Interest and Fiscal Charges	0	498,336	61,052	0	559,388
Total Expenditures	<u>27,604</u>	<u>1,202,914</u>	<u>75,104</u>	<u>61,499</u>	<u>1,367,121</u>
Excess of Revenues Over/(Under) Expenditures	<u>(5,204)</u>	<u>0</u>	<u>(15,068)</u>	<u>10,472</u>	<u>(9,800)</u>
Other Financing Sources:					
Proceeds of Notes	<u>0</u>	<u>0</u>	<u>61,052</u>	<u>0</u>	<u>61,052</u>
Total Financing Sources/(Uses)	<u>0</u>	<u>0</u>	<u>61,052</u>	<u>0</u>	<u>61,052</u>
Net Change in Fund Balances	(5,204)	0	45,984	10,472	51,252
Fund balance (deficit) at beginning of year	<u>(9,496)</u>	<u>0</u>	<u>(845,040)</u>	<u>(10,472)</u>	<u>(865,008)</u>
Fund balance (deficit) at end of year	<u>\$ (14,700)</u>	<u>\$ 0</u>	<u>\$ (799,056)</u>	<u>\$ 0</u>	<u>\$ (813,756)</u>

See accompanying notes to the basic financial statements.

TRANSPORTATION IMPROVEMENT DISTRICT
Reconciliation of the Changes
in Fund Balances of Governmental Funds to the Statement of Activities
for the Year Ended December 31, 2005

Net Change in Fund Balances - Total Governmental Funds \$ 51,252

**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 reduces long-term contracts receivable in the statement of net assets (704,578)

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 assets. 704,578

Change in Net Assets of Governmental Activities \$ 51,252

See accompanying notes to the basic financial statements.

TRANSPORTATION IMPROVEMENT DISTRICT MUSKINGUM COUNTY

Notes to the Financial Statements
December 31, 2005

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 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 December 31, 2005 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 Muskingum County Transportation Improvement 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 Transportation Improvement District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

A. Basis of Presentation

The District's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-wide Financial Statements The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government.

The statement of net assets presents the financial condition of the governmental activities of the District at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function.

**TRANSPORTATION IMPROVEMENT DISTRICT
MUSKINGUM COUNTY**

Notes to the Financial Statements
December 31, 2005

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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. Nonmajor funds would be aggregated and presented in a single column, however, the District did not have any nonmajor funds in 2005.

B. Fund Accounting

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There is one category of funds: Governmental.

Governmental Funds Governmental Funds are those through which most governmental functions typically are financed. Governmental Fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between Governmental Fund assets and liabilities is reported as fund balance. The 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.

North Pointe Capital Projects Fund The North Pointe Capital Projects Fund is used to account for loan proceeds received from the State Infrastructure Bank for the North Pointe Drive Project.

State Route 93/22 Capital Projects Fund The State Route 93/22 Fund is used to account for grant monies for the State Route 93/22 project.

**TRANSPORTATION IMPROVEMENT DISTRICT
MUSKINGUM COUNTY**

Notes to the Financial Statements
December 31, 2005

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Measurement Focus

Governmental-wide Financial Statements The government-wide financial statements are prepared using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the District are included on the Statement of Net Assets. The Statement of Activities presents increases (e.g. revenues) and decreases (e.g. expenses) in total net assets.

Fund Financial Statements All Governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental Fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for Governmental Funds.

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental Funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

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

Nonexchange 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 nonexchange 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.

**TRANSPORTATION IMPROVEMENT DISTRICT
MUSKINGUM COUNTY**

Notes to the Financial Statements
December 31, 2005

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

E. Cash and Cash Equivalents

To improve cash management, cash received by the District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the combined balance sheet and statement of net assets. Prior to July 1, 2004, the General fund was the only fund allocated interest earnings.

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 books. The asset will revert 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 Government Fund financial statements when due.

H. Net Assets

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

**TRANSPORTATION IMPROVEMENT DISTRICT
MUSKINGUM COUNTY**

Notes to the Financial Statements
December 31, 2005

NOTE 3 - EQUITY IN POOLED CASH AND INVESTMENTS

The County Auditor serves as fiscal officer of the Board. The Ohio Revised Code prescribes allowable deposits and investments for both the District and the County. At December 31, 2005, the District had cash and investments with a carrying amount of \$113,748, which is included in and collateralized with Muskingum County's cash management pool.

NOTE 4 - ACCOUNTABILITY

At December 31, 2005, the North Pointe Fund had a deficit fund balance of \$799,056, and the General Fund had a deficit fund balance of \$14,700. These deficits resulted from the recognition of accrued liabilities in accordance with generally accepted accounting principles.

NOTE 5 - RECEIVABLES

Receivables at December 31, 2005 consisted of contracts and intergovernmental grants. All receivables are considered collectible in full due to the current fiscal year guarantee of federal funds, and the executed contracts with the Muskingum County Commissioners.

A summary of the principal items of intergovernmental and contracts receivables follows:

Governmental Activities:	
Intergovernmental Receivable	\$ 829
Contract Receivable	<u>13,801,373</u>
Total	<u>\$ 13,802,202</u>

NOTE 6 - LONG-TERM OBLIGATIONS

Changes in the long-term obligations of the District during 2005 were as follows:

	Outstanding 1/1/2005	Additions	(Reductions)	Outstanding 12/31/2005	Amounts Due In One Year
Governmental Activities:					
General long-term obligations:					
State Infrastructure Bank - 4%	\$ 10,374,749	\$ 0	\$ (474,201)	\$ 9,900,548	\$ 503,277
State Infrastructure Bank - 3% additional loan proceeds	<u>4,070,150</u>	<u>61,052</u>	<u>(230,377)</u>	<u>3,900,825</u>	<u>471,172</u>
Total general long-term obligations	<u>\$ 14,444,899</u>	<u>\$ 61,052</u>	<u>\$ (704,578)</u>	<u>\$ 13,801,373</u>	<u>\$ 974,449</u>

**TRANSPORTATION IMPROVEMENT DISTRICT
MUSKINGUM COUNTY**

Notes to the Financial Statements
December 31, 2005

NOTE 6 - LONG-TERM OBLIGATIONS (continued)

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

	Loans			
	State Infrastructure Bank - 4%		State Infrastructure Bank - 3%	
	Principal	Interest	Principal	Interest
2006	\$ 503,277	\$ 412,983	\$ 471,172	\$ 113,517
2007	528,119	393,832	485,414	99,276
2008	550,803	371,148	500,085	84,604
2009	574,461	347,490	515,200	69,489
2010	599,135	322,816	530,772	53,917
2011-2015	3,404,510	1,205,245	1,398,182	63,543
2016-2020	3,740,243	408,536	-	-
	\$ 9,900,548	\$ 3,462,050	\$ 3,900,825	\$ 484,346

The District accepted the terms of a loan agreement on June 15, 1999 and entered into a loan agreement with the Ohio Department of Transportation where the District is to receive up to \$11,106,000 of loan proceeds, plus the refinancing of accumulated interest in the amount of \$404,129, to be repaid over 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. As of December 31, 2005, the District had drawn down the total authorized amount of \$11,464,129.

In March 2003, the District obtained approval for an additional State Infrastructure Loan to finance design revisions and completion of the Northpointe Drive Project. The proposed terms call for a loan amount of \$4,010,000, plus the refinancing of projected accumulated interest in the amount of \$121,202 to be repaid over 10 years. In 2004, \$60,150 of accrued interest was added to the loan balance, and the remaining balance of \$61,052 of accrued interest was added during 2005. 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. As of December 31, 2005, the District had drawn down all of the \$4,131,202 total authorized.

NOTE 7 - CONTRACTUAL COMMITMENTS

As of December 31, 2005, the District is currently negotiating the final amounts owed on the completion of the Northpointe Drive project. Currently the balance on the remaining negotiated amount is \$57,014 owed to American Electric Power, which is reflected in these financial statements within contracts payable.

Also, \$829 in contracts payable is included in these financial statements for the 93/22 road project.

**TRANSPORTATION IMPROVEMENT DISTRICT
MUSKINGUM COUNTY**

Notes to the Financial Statements
December 31, 2005

NOTE 8 - CURRENT PROJECT

The 93/22 road project is in process at December 31, 2005.

NOTE 9 - RISK MANAGEMENT

The District has obtained commercial insurance for the following risks:

General liability, and
Vehicles

NOTE 10 - INTERGOVERNMENTAL LOAN

In 1999, Muskingum County advanced the District \$1,620,000 in funding for the Northpointe Drive Extension Project. The District repaid \$750,000 of the loan on July 27, 2000 with proceeds from the State Infrastructure Bank loan. On March 31, 2005, the District repaid \$20,000 of the loan with loan proceeds.

NOTE 11 - RELATED PARTY TRANSACTION

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

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' 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 Members of the Board:

We have audited the financial statements of the governmental activities and each major fund of Transportation Improvement District, Muskingum County, Ohio (the District), a component unit of Muskingum County, as of and for the year ended December 31, 2005, which collectively comprise the District's basic financial statements and have issued our report thereon dated June 23, 2006. 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting to determine our auditing procedures in order to express our opinions on the basic financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the District's basic 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, providing an opinion 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*.

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Telephone: (740) 594-3300 (800) 441-1389 Fax: (740) 594-2110
www.auditor.state.oh.us

Transportation Improvement District
Muskingum County
Independent Accountants' Report On Internal Control Over Financial Reporting And On
Compliance And Other Matters Required By *Government Auditing Standards*
Page 2

We intend this report solely for the information and use of the audit committee, management, and the Board of Directors. It is not intended for 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

June 23, 2006



**Auditor of State
Betty Montgomery**

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Columbus, Ohio 43216-1140

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800-282-0370

Facsimile 614-466-4490

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
JULY 18, 2006**