



Mary Taylor, CPA
Auditor of State

**TRANSPORTATION IMPROVEMENT DISTRICT
MUSKINGUM COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Directors:

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 year ended December 31, 2007, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in 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, 2007, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 13, 2008, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. 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.

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements. The Schedule of Federal Awards Expenditures is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. We subjected the Schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

June 13, 2008

TRANSPORTATION IMPROVEMENT DISTRICT
Management's Discussion and Analysis
For the Year Ended December 31, 2007
(Unaudited)

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

- ✓ General revenues accounted for approximately \$900 thousand in revenue or less than 1 percent of all revenues. Program revenues accounted for approximately \$900 thousand or 99% of total revenues.
- ✓ Total expenses were approximately \$900 thousand, all within governmental activities.
- ✓ Outstanding debt decreased from \$12,826,924 to \$11,813,391 through the scheduled repayment of debt.

Using this Annual Financial Report

The *Statement of Net Assets* and the *Statement of Activities* provide information from a summary perspective showing the effects of the operations for the year 2007 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 2007?" 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, 2007
(Unaudited)

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 several 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 nonmajor funds. The District's major governmental funds are the General Fund, the Debt Service Fund, the State Route 93/22 Capital Projects Fund, and the Road Work Development 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 major funds.

TRANSPORTATION IMPROVEMENT DISTRICT
Management's Discussion and Analysis
For the Year Ended December 31, 2007
(Unaudited)

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 2007 compared to 2006:

Table 1
Net Assets

	Governmental Activities	
	2007	2006
Assets		
Current and Other Assets	\$ 11,842,811	\$ 13,541,158
Total Assets	11,842,811	13,541,158
Liabilities		
Long-Term Liabilities	11,813,391	12,826,924
Other Liabilities	23,934	699,522
Total Liabilities	11,837,325	13,526,446
Net Assets		
Unrestricted (Deficit)	5,486	14,712
Total Net Assets	\$ 5,486	\$ 14,712

Total assets decreased by \$1,698,347 and total liabilities decreased \$1,689,121. 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 assets for fiscal year 2007. Total revenues decreased by \$2,221,555 and total expenses decreased by \$1,383,861. This is due to completion of work on the State Route 93/22 project and the Road Work Development Fund projects. Since the District depends on grants and loans to fund its projects, as projects are near completion or are completed, revenues and expenses will decrease. Conversely, when a new project is started, revenues and expenses will increase until the project is complete. This table will enable the reader to draw further conclusions about the District's financial status.

TRANSPORTATION IMPROVEMENT DISTRICT
Management's Discussion and Analysis
For the Year Ended December 31, 2007
(Unaudited)

The Transportation Improvement District as a Whole (continued)

Table 2
Changes in Net Assets

	Governmental Activities	
	2007	2006
Revenues		
Program Revenues:		
Grants and Contributions	\$ 409,486	\$ 2,585,953
Charges for Services	493,108	526,500
General Revenue:		
Intergovernmental	0	10,269
Miscellaneous	973	2,400
Total Revenues	<u>903,567</u>	<u>3,125,122</u>
Program Expenses		
General Government	10,000	4,827
Public Works	409,685	1,765,327
Interest and Fiscal Charges	493,108	526,500
Total Program Expenses	<u>912,793</u>	<u>2,296,654</u>
Increase (Decrease) in Net Assets	<u>\$ (9,226)</u>	<u>\$ 828,468</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.

General revenues include 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 \$2,170,902 and expenditures of \$1,926,326.

Debt

The outstanding debt for the Transportation Improvement District as of December 31, 2007 was \$11,813,391. This balance reflected a decrease of \$1,013,533 from the previous year's balance of \$12,826,924. Table 3 summarizes outstanding debt.

TRANSPORTATION IMPROVEMENT DISTRICT
 Management's Discussion and Analysis
 For the Year Ended December 31, 2007
 (Unaudited)

Debt (continued)

Table 3
Outstanding Debt, at December 31

	Governmental Activities	
	2007	2006
Loans Payable	\$ 11,813,391	\$ 12,826,924

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 payments 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, 2007

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 15,366
Receivables:	
Intergovernmental Receivable	14,054
Contracts Receivable	<u>11,813,391</u>
Total Assets	<u>11,842,811</u>
Liabilities	
Accounts Payable	200
Contracts Payable	12,019
Intergovernmental Loans Payable	11,715
Due to Primary Government	
Long Term Liabilities:	
Due Within One Year	1,050,888
Due Within More Than One Year	<u>10,762,503</u>
Total Liabilities	<u>11,837,325</u>
Net Assets	
Unrestricted	<u>5,486</u>
Total Net Assets	<u><u>\$ 5,486</u></u>

See accompanying notes to the basic financial statements.

TRANSPORTATION IMPROVEMENT DISTRICT

Statement of Activities
for the Year Ended December 31, 2007

		<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Assets</u>
	Expenses	<u>Charges for Services</u>	<u>Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental Activities				
Current:				
General Government	\$ 10,000	\$	\$	\$ (10,000)
Public Works	409,685		409,486	(199)
Debt Service:				
Interest and Fiscal Charges	<u>493,108</u>	<u>493,108</u>		<u>0</u>
Total Governmental Activities	<u>\$ 912,793</u>	<u>\$ 493,108</u>	<u>\$ 409,486</u>	<u>(10,199)</u>
General Revenues				
Miscellaneous				<u>973</u>
Total General Revenues				<u>973</u>
Change in Net Assets				(9,226)
Net Assets (Deficit) Beginning of Year				<u>14,712</u>
Net Assets (Deficit) End of Year				<u>\$ 5,486</u>

See accompanying notes to the basic financial statements.

TRANSPORTATION IMPROVEMENT DISTRICT

Balance Sheet
December 31, 2007

	<u>General</u>	<u>Debt Service</u>	<u>State Route 93/22</u>	<u>Road Work Development Fund</u>	<u>Total Governmental Funds</u>
Assets					
Equity in Pooled Cash and Cash Equivalents	\$ 14,115	\$	\$	\$ 1,251	\$ 15,366
Receivables:					
Intergovernmental Receivable			2,019	12,035	14,054
Contracts Receivable		11,813,391			11,813,391
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Assets	<u>\$ 14,115</u>	<u>\$ 11,813,391</u>	<u>\$ 2,019</u>	<u>\$ 13,286</u>	<u>\$ 11,842,811</u>
Liabilities					
Accounts Payable	\$	\$	\$	\$ 200	\$ 200
Contracts Payable			2,019	10,000	12,019
Intergovernmental Loan Payable				11,715	11,715
Deferred Revenue		11,813,391			11,813,391
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities	0	11,813,391	2,019	21,915	11,837,325
Fund Balances					
Undesignated:					
General Fund	14,115				14,115
Debt Service Fund					0
Capital Projects Funds				(8,629)	(8,629)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Fund Balances	<u>14,115</u>	<u>0</u>	<u>0</u>	<u>(8,629)</u>	<u>5,486</u>
Total Liabilities and Fund Balances	<u>\$ 14,115</u>	<u>\$ 11,813,391</u>	<u>\$ 2,019</u>	<u>\$ 13,286</u>	<u>\$ 11,842,811</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, 2007

Total Governmental Fund Balances	\$ 5,486
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.	11,813,391
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	<u>(11,813,391)</u>
Net Assets of Governmental Activities	<u><u>\$ 5,486</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, 2007

	<u>General</u>	<u>Debt Service</u>	<u>State Route 93/22</u>	<u>Road Work Development</u>	<u>Total Governmental Funds</u>
Revenues:					
Intergovernmental	\$	\$ 1,506,641	\$ 199,274	464,014	\$ 2,169,929
Miscellaneous	973				973
Total Revenues	<u>973</u>	<u>1,506,641</u>	<u>199,274</u>	<u>464,014</u>	<u>2,170,902</u>
Expenditures:					
Current:					
General Government				10,000	10,000
Public Works			199,274	210,411	409,685
Debt Service:					
Principal Retirement		1,013,533			1,013,533
Interest and Fiscal Charges		493,108			493,108
Total Expenditures	<u>0</u>	<u>1,506,641</u>	<u>199,274</u>	<u>220,411</u>	<u>1,926,326</u>
Excess of Revenues Over/(Under) Expenditures	<u>973</u>	<u>0</u>	<u>0</u>	<u>243,603</u>	<u>244,576</u>
Net Change in Fund Balances	973	0	0	243,603	244,576
Fund balance (deficit) at beginning of year	<u>13,142</u>	<u>0</u>	<u>0</u>	<u>(252,232)</u>	<u>(239,090)</u>
Fund balance (deficit) at end of year	<u>\$ 14,115</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>(8,629)</u>	<u>\$ 5,486</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, 2007

Net Change in Fund Balances - Total Governmental Funds \$ 244,576

**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 assets (1,013,533)

Revenues deferred in the funds and recorded on the statement of activities in the prior year, are reported as revenues in the funds during the current year (253,802)

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. 1,013,533

Change in Net Assets of Governmental Activities \$ (9,226)

See accompanying notes to the basic financial statements.

TRANSPORTATION IMPROVEMENT DISTRICT

Notes to the Financial Statements

December 31, 2007

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 executive 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 the Muskingum County, Ohio, December 31, 2007 Comprehensive Annual Financial Report, as defined by the provisions of GASB Statement Nos. 14 and 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 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

Notes to the Financial Statements

December 31, 2007

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 2007 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 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.

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.

Road Work Development Capital Projects Fund The Road Work Development Fund is used to account for grant monies for the design, upgrade, and/or construction of public roadways serving commercial or industrial economic development projects.

TRANSPORTATION IMPROVEMENT DISTRICT

Notes to the Financial Statements

December 31, 2007

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

Notes to the Financial Statements

December 31, 2007

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.

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. 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 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

Notes to the Financial Statements

December 31, 2007

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 for both the District and the County. At December 31, 2007, the District had cash and investments with a carrying amount of \$15,366, which is included in and collateralized with Muskingum County's cash management pool.

NOTE 4 - ACCOUNTABILITY

At December 31, 2007, the Road Work Development Fund had a deficit fund balance of \$8,629. This deficit resulted from the recognition of accrued liabilities in accordance with generally accepted accounting principles.

NOTE 5 - RECEIVABLES

Receivables at December 31, 2007 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	\$ 14,054
Contract Receivable	<u>11,813,391</u>
 Total	 <u>\$ 11,827,445</u>

NOTE 6 - LONG-TERM OBLIGATIONS

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

	<u>Outstanding 1/1/2007</u>	<u>Additions</u>	<u>(Reductions)</u>	<u>Outstanding 12/31/2007</u>	<u>Amounts Due In One Year</u>
Governmental Activities:					
General long-term obligations:					
State Infrastructure Bank - 4%	\$ 9,397,271	\$	\$ (528,119)	\$ 8,869,152	\$ 550,803
State Infrastructure Bank - 3% additional loan proceeds	<u>3,429,653</u>		<u>(485,414)</u>	<u>2,944,239</u>	<u>500,085</u>
 Total general long-term obligations	 <u>\$ 12,826,924</u>	 <u>\$ 0</u>	 <u>\$ (1,013,533)</u>	 <u>\$ 11,813,391</u>	 <u>\$ 1,050,888</u>

TRANSPORTATION IMPROVEMENT DISTRICT

Notes to the Financial Statements

December 31, 2007

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
2008	\$ 550,802	371,148	\$ 500,086	\$ 84,604
2009	574,461	347,490	515,200	69,489
2010	599,135	322,816	530,772	53,917
2011	624,868	297,083	546,815	37,875
2012	651,707	270,244	563,342	21,347
2013-2017	3,703,249	906,506	288,024	4,320
2018-2020	2,164,930	139,949		
Total	<u>\$ 8,869,152</u>	<u>\$ 2,655,236</u>	<u>\$ 2,944,239</u>	<u>\$ 271,552</u>

The District entered into a 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 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.

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 loan included \$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 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 \$4,131,202.

NOTE 7 - CONTRACTUAL COMMITMENTS

As of December 31, 2007, contracts payable included \$2,019 for the 93/22 road project and \$10,000 owed to the Zanesville-Muskingum County Port Authority for administration.

NOTE 8 - CURRENT PROJECTS

The 93/22 road project was in process at December 31, 2007, as well as various other projects in the Road Work Development Fund.

TRANSPORTATION IMPROVEMENT DISTRICT

Notes to the Financial Statements

December 31, 2007

NOTE 9 - RISK MANAGEMENT

The District has obtained commercial insurance for the following risks:

- General liability
- Vehicles

NOTE 10 - INTERGOVERNMENTAL LOANS

During 2006, the Muskingum County Commissioners, Muskingum County Engineer's Office, and City of Zanesville advanced the District funding for road work development fund projects. The outstanding loans were reported as Intergovernmental Loans Payable to the City of Zanesville and Due to Primary Government to the County Commissioners and Engineer. The loans were repaid during 2007.

On January 11, 2007 the County Commissioners passed a resolution to advance the District \$20,000 in funding for the Road Work Development Fund, with monies to be repaid upon receipt of funding from the Ohio Department of Development. On December 14, 2007 the District repaid the loan to the County Commissioners.

On May 23, 2007 the Muskingum County Engineer's Office advanced the District \$5,000 in funding for the Road Work Development Fund, with monies to be repaid upon receipt of funding from the Ohio Department of Development. On November 8, 2007 the District repaid the loan to the County Commissioners.

On January 1, 2007, January 24, 2007, and April 30, 2007 the City of Zanesville advanced the District \$7,710, \$1,587, and \$10,430, respectively, in funding for the Road Work Development Fund, with monies to be repaid upon receipt of funding from the Ohio Department of Development. On June 27, 2007 the District repaid the loans to the City of Zanesville.

On December 13, 2007 the City of Zanesville advanced the District \$11,715 in funding for the Road Work Development Fund, with monies to be repaid upon receipt of funding from the Ohio Department of Development. The loan was not repaid during 2007 and is reported as Intergovernmental Loan Payable on the financial statements:

<u>Entity</u>	<u>Balance at January 1, 2007</u>	<u>Additions</u>	<u>Reductions</u>	<u>Outstanding at December 31, 2007</u>
Muskingum County:				
Commissioners	\$ 218,977	\$	\$ 218,977	\$ 0
Commissioners		20,000	20,000	0
Engineer	33,987	5,000	38,987	0
City of Zanesville	8,163	31,442	27,890	11,715
Total Intergovernmental Loans Payable	<u>\$ 261,127</u>	<u>\$ 56,442</u>	<u>\$ 305,854</u>	<u>\$ 11,715</u>

TRANSPORTATION IMPROVEMENT DISTRICT

Notes to the Financial Statements

December 31, 2007

NOTE 11 - RELATED PARTY TRANSACTIONS

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

The District, a discretely presented component unit of Muskingum County, received loans from the Muskingum County Commissioners and Muskingum County Engineer's Office during 2007. The intergovernmental loan activity is disclosed in Note 10.

NOTE 12 – SUBSEQUENT EVENTS

The State Infrastructure Bank and Ohio Department of Transportation are in the process of preparing revised payment schedules for the two loans related to the NorthPointe Drive Projects, as disclosed in Note 6. District management believes the overall net effect will have a favorable impact on the District.

**TRANSPORTATION IMPROVEMENT DISTRICT
MUSKINGUM COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2007**

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Cash Disbursements
<u>U.S. Department of Transportation</u>			
<i>Passed Through Ohio Department of Transportation:</i>			
Highway Planning and Construction	20428	20.205	\$ 597,604
Total Federal Award Expenditures			<u>\$ 597,604</u>

The Notes to the Schedule of Federal Awards Expenditures are an integral part of this Schedule

**TRANSPORTATION IMPROVEMENT DISTRICT
MUSKINGUM COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2007**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) is a summary activity of the District's federal award programs. The Schedule has been prepared on the cash basis of accounting.

NOTE B – GRANT REPAYMENT

The Ohio Department of Transportation (ODOT) determined that BBC&M, a subconsultant of M-E Companies, was over-paid \$11,733. As a result, BBC&M reimbursed M-E Companies, the engineer for the 93/22 project. M-E Companies then reimbursed the Transportation Improvement District, who in turn reimbursed ODOT, on September 27, 2007. This payment of \$11,733 has not been reflected in total federal expenditures.



Mary Taylor, CPA

Auditor of State

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 Board OF Directors:

We have audited 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 year ended December 31, 2007, which collectively comprise the District's basic financial statements and have issued our report thereon dated June 13, 2008. 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 as a basis for designing our audit procedures for expressing our opinions on the basic financial statements, but not to opine on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the District's internal control will not prevent or detect a material financial statement misstatement.

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

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*.

We intend this report solely for the information and use of management, the Board of Directors and federal awarding agencies and pass-through entities. We intend it for no one other than these specified parties.

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

Mary Taylor, CPA
Auditor of State

June 13, 2008



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

To the Board of Directors:

Compliance

We have audited the compliance of the Transportation Improvement District, Muskingum County, Ohio, (the District), a component unit of Muskingum County, Ohio, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that apply to its major federal program for the year ended December 31, 2007. The Summary of Auditor's Results section of the accompanying Schedule of Findings identifies the District's major federal program. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended December 31, 2007.

Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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Transportation Improvement District
Muskingum County
Independent Accountants' Report on Compliance with Requirements
Applicable to Each Major Federal Program and on Internal Control Over
Compliance In Accordance With OMB Circular A-133.

Page 2

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the District's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency.

A control deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood that the District's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings as 2007-001 to be a significant deficiency.

A material weakness is significant deficiency, or combination of significant deficiencies, that result in more than a remote likelihood that the District's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements. We did not consider the deficiency described in the accompanying Schedule of Findings to be a material weakness.

The District's response to the finding we identified is described in the accompanying Schedule of Findings. We did not audit the District's response and, accordingly, we express no opinion on it.

We intend this report solely for the information and use of management, the Board of Directors, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



Mary Taylor, CPA
Auditor of State

June 13, 2008

**TRANSPORTATION IMPROVEMENT DISTRICT
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2007**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other significant deficiencies in internal control reported for major federal programs?	Yes
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	Yes
<i>(d)(1)(vii)</i>	Major Programs (list):	Highway Planning and Construction – CFDA # 20.205
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

None

**TRANSPORTATION IMPROVEMENT DISTRICT
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2007
(Continued)**

3. FINDINGS FOR FEDERAL AWARDS

Finding Numbers	2007-001
CFDA Title and Number	CFDA 20.205
Federal Award Number / Year	PID # 20428 - 2007
Federal Agency	United States Department of Transportation
Pass-Through Agency	Ohio Department of Transportation

Significant Deficiency – Cash Management

Audits of States, Local Governments, and Non-Profit Organizations, Office of Management and Budget (OMB) Circular A-133, Subpart C, §300(b) states, in part, that the auditee shall maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.

The agreement between the Ohio Department of Transportation (ODOT) and the Transportation Improvement District (District) states that the District shall review and approve all invoices from the contractor and shall ensure their accuracy in both amount and in relation to the progress made on the project. The District shall pay one hundred percent (100%) of the approved consultant invoices and submit a written request to ODOT for reimbursement. In addition, ODOT shall reimburse the District one hundred percent (100%) of the eligible costs up to a maximum amount, as specified by ODOT. Funding through ODOT shall be applied only to the eligible costs associated with the actual environmental, planning, and design of the transportation project improvement activities.

Payments made to the District for the Highway Planning and Construction Grant in the total amount of \$597,604 were not made on a reimbursement basis. Although grant monies were paid to the District on the basis of work performed, the contractor was not paid until the District received the grant monies from ODOT. By following this procedure, payments to the contractor were delayed and, at times, payments were made beyond 30 days from the date invoices were received by the District.

We recommend the District and ODOT amend the agreement to provide for the manner in which the grant has been operating or adhere to the provisions of the existing grant agreement.

Officials' Response

During 2007, the Administrative Agent contacted ODOT regarding amendment of the grant agreement. ODOT indicated that the grant agreement cannot be amended after project commencement. For any future grants, the District and ODOT will consider the option of ODOT making payments directly to contractors, once satisfactory documentation of work performed has been reviewed by responsible District representatives and forwarded to ODOT.

**TRANSPORTATION IMPROVEMENT DISTRICT
MUSKINGUM COUNTY**

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A-133 § .315(c)
DECEMBER 31, 2007**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2007-001	See the officials' response included within the Schedule of Findings.	When additional funding is obtained.	Jerry Nolder, Administrative Agent

**TRANSPORTATION IMPROVEMENT DISTRICT
MUSKINGUM COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A-133 §.315(b)
DECEMBER 31, 2007**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2006-001	The Federal Highway Planning and Construction Grant was not administered on a reimbursement basis.	No.	Not corrected. Repeated as finding 2007-001 for the 2007 audit.



Mary Taylor, CPA
Auditor of State

**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 1, 2008**