



Dave Yost • Auditor of State



**TRANSPORTATION IMPROVEMENT DISTRICT  
MUSKINGUM COUNTY**

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# Dave Yost • 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, 2011, 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, 2011, 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 May 16, 2012, 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.

As described in Note 3, the District adopted the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State

May 16, 2012

**TRANSPORTATION IMPROVEMENT DISTRICT  
MUSKINGUM COUNTY**

Management's Discussion and Analysis  
For the Year Ended December 31, 2011

The discussion and analysis of the Transportation Improvement District, Muskingum County (the District), financial performance provides an overall review of the District's financial activities for the fiscal year ended December 31, 2011. 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 2011 are as follows:

- ✓ Program revenues accounted for \$768,153 or 100% of total revenues.
- ✓ Total expenses were \$760,285, all within governmental activities.
- ✓ Outstanding debt decreased from \$8,246,127 to \$6,235,926 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 2011 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 2011?" 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  
MUSKINGUM COUNTY**

Management's Discussion and Analysis  
For the Year Ended December 31, 2011

***Reporting the Transportation Improvement District's Most Significant Funds***

*Fund Financial Statements*

A fund is a grouping of related accounts that is used to maintain control over resources that have been safeguarded for specific activities or objectives. The District uses 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, 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.

***The 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 2011 compared to 2010:

**Table 1  
Net Assets**

|                          | Governmental Activities |              |
|--------------------------|-------------------------|--------------|
|                          | 2011                    | 2010         |
| <b>Assets</b>            |                         |              |
| Current and Other Assets | \$ 6,324,330            | \$ 8,344,284 |
| Total Assets             | 6,324,330               | 8,344,284    |
| <b>Liabilities</b>       |                         |              |
| Long-Term Liabilities    | 6,235,926               | 8,246,127    |
| Other Liabilities        | 63,968                  | 81,589       |
| Total Liabilities        | 6,299,894               | 8,327,716    |
| <b>Net Assets</b>        |                         |              |
| Unrestricted Net Assets  | 24,436                  | 16,568       |
| Total Net Assets         | \$ 24,436               | \$ 16,568    |



**TRANSPORTATION IMPROVEMENT DISTRICT  
MUSKINGUM COUNTY**

Management's Discussion and Analysis  
For the Year Ended December 31, 2011

***The District as a Whole (Continued)***

Total assets decreased by \$2,019,954 and total liabilities decreased by \$2,027,822. 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. One loan was paid in full during 2011.

Table 2 shows the changes in net assets for fiscal year 2011. Total revenues decreased by \$174,308 and total expenses decreased by \$194,642. This is mainly due to various projects in the Road Work Development Capital Project Fund. 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.

**Table 2  
Changes in Net Assets**

|                                    | Governmental Activities |            |
|------------------------------------|-------------------------|------------|
|                                    | 2011                    | 2010       |
| <b><i>Revenues</i></b>             |                         |            |
| <i>Program Revenues:</i>           |                         |            |
| Grants and Contributions           | \$ 529,153              | \$ 661,711 |
| Charges for Services               | 239,000                 | 280,750    |
| <i>Total Revenues</i>              | 768,153                 | 942,461    |
| <br><b><i>Program Expenses</i></b> |                         |            |
| General Government                 | 14,269                  | 34,177     |
| Public Works                       | 507,016                 | 640,000    |
| Interest and Fiscal Charges        | 239,000                 | 280,750    |
| <i>Total Program Expenses</i>      | 760,285                 | 954,927    |
| Increase (Decrease) in Net Assets  | 7,868                   | (12,466)   |
| Net Assets Beginning of Year       | 16,568                  | 29,034     |
| Net Assets End of Year             | \$ 24,436               | \$ 16,568  |

**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 Muskingum County and charges for services from Muskingum County.

There were no general revenues in 2011.

**TRANSPORTATION IMPROVEMENT DISTRICT  
MUSKINGUM COUNTY**

Management's Discussion and Analysis  
For the Year Ended December 31, 2011

***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 \$2,778,354 and expenditures of \$2,770,486.

**Debt**

The outstanding debt for the Transportation Improvement District was \$6,235,926 as of December 31, 2011. This balance reflected a decrease of \$2,010,201 from the previous year's balance of \$8,246,127. Table 3 summarizes outstanding debt.

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

|               | Governmental Activities |              |
|---------------|-------------------------|--------------|
|               | 2011                    | 2010         |
| Loans Payable | \$ 6,235,926            | \$ 8,246,127 |

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. One loan was paid off during 2011.

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 Mike Jacoby, Administrative Agent of the Transportation Improvement District, 205 N. 5<sup>th</sup> Street, Zanesville, Ohio 43701. E-mail [mike@zmcport.com](mailto:mike@zmcport.com).

**TRANSPORTATION IMPROVEMENT DISTRICT**  
**MUSKINGUM COUNTY**  
Statement of Net Assets  
December 31, 2011

|  | <u>Governmental<br/>Activities</u> |
|--|------------------------------------|
| <b>Assets</b>                              |                                    |
| Equity in Pooled Cash and Cash Equivalents | \$ 24,580                          |
| Receivables:                               |                                    |
| Contracts Receivable                       | 6,235,926                          |
| Interest Receivable                        | <u>63,824</u>                      |
| Total Assets                               | <u><u>6,324,330</u></u>            |
| <b>Liabilities</b>                         |                                    |
| Accounts Payable                           | 144                                |
| Accrued Interest Payable                   | 63,824                             |
| Long Term Liabilities:                     |                                    |
| Due Within One Year                        | 648,096                            |
| Due Within More Than One Year              | <u>5,587,830</u>                   |
| Total Liabilities                          | <u><u>6,299,894</u></u>            |
| <b>Net Assets</b>                          |                                    |
| Unrestricted                               | <u>24,436</u>                      |
| <b>Total Net Assets</b>                    | <u><u>\$ 24,436</u></u>            |

See accompanying notes to the basic financial statements.

**TRANSPORTATION IMPROVEMENT DISTRICT  
MUSKINGUM COUNTY**

Statement of Activities  
for the Year Ended December 31, 2011

|  | <u>Expenses</u>   | <u>Program Revenues</u>         |                                     | <u>Net (Expense)<br/>Revenue and Changes<br/>in Net Assets<br/>Governmental<br/>Activities</u> |
|--|-------------------|---------------------------------|-------------------------------------|--|
|  |                   | <u>Charges<br/>for Services</u> | <u>Grants and<br/>Contributions</u> |  |
| <b>Governmental Activities</b>         |                   |                                 |                                     |  |
| Current:                               |                   |                                 |                                     |  |
| General Government                     | \$ 14,269         |                                 | \$ 22,137                           | \$ 7,868   |
| Public Works                           | 257,016           |                                 | 257,016                             | -  |
| Public Works - Intergovernmental       | 250,000           |                                 | 250,000                             | -  |
| Debt Service:                          |                   |                                 |                                     |  |
| Interest and Fiscal Charges            | <u>239,000</u>    | <u>\$ 239,000</u>               |                                     | <u>-</u>   |
| Total Governmental Activities          | <u>\$ 760,285</u> | <u>\$ 239,000</u>               | <u>\$ 529,153</u>                   | <u>7,868</u>   |
| Change in Net Assets                   |                   |                                 |                                     | 7,868  |
| Net Assets (Deficit) Beginning of Year |                   |                                 |                                     | <u>16,568</u>  |
| Net Assets (Deficit) End of Year       |                   |                                 |                                     | <u>\$ 24,436</u>   |

See accompanying notes to the basic financial statements.

**TRANSPORTATION IMPROVEMENT DISTRICT  
MUSKINGUM COUNTY**

Balance Sheet  
December 31, 2011

|  | General                 | Debt<br>Service            | Road Work<br>Development | Total<br>Governmental<br>Funds |
|--|-------------------------|----------------------------|--------------------------|--------------------------------|
| <b>Assets</b>                              |                         |                            |                          |                                |
| Equity in Pooled Cash and Cash Equivalents | \$ 23,008               |                            | \$ 1,572                 | \$ 24,580                      |
| Receivables:                               |                         |                            |                          |                                |
| Contracts Receivable                       |                         | \$ 6,235,926               |                          | 6,235,926                      |
| Interest Receivable                        |                         | 63,824                     |                          | 63,824                         |
| <b>Total Assets</b>                        | <b><u>\$ 23,008</u></b> | <b><u>\$ 6,299,750</u></b> | <b><u>\$ 1,572</u></b>   | <b><u>\$ 6,324,330</u></b>     |
| <b>Liabilities</b>                         |                         |                            |                          |                                |
| Accounts Payable                           | \$ 144                  | \$                         | \$                       | \$ 144                         |
| Accrued Interest Payable                   |                         | 63,824                     |                          | 63,824                         |
| Deferred Revenue                           |                         | 6,235,926                  |                          | 6,235,926                      |
| <b>Total Liabilities</b>                   | <b><u>144</u></b>       | <b><u>6,299,750</u></b>    | <b><u>-</u></b>          | <b><u>6,299,894</u></b>        |
| <b>Fund Balances</b>                       |                         |                            |                          |                                |
| Restricted                                 |                         |                            | 1,572                    | 1,572                          |
| Unassigned                                 | 22,864                  |                            |                          | 22,864                         |
| <b>Total Fund Balances</b>                 | <b><u>22,864</u></b>    | <b><u>-</u></b>            | <b><u>1,572</u></b>      | <b><u>24,436</u></b>           |
| <b>Total Liabilities and Fund Balances</b> | <b><u>\$ 23,008</u></b> | <b><u>\$ 6,299,750</u></b> | <b><u>\$ 1,572</u></b>   | <b><u>\$ 6,324,330</u></b>     |

See accompanying notes to the basic financial statements.

**TRANSPORTATION IMPROVEMENT DISTRICT  
MUSKINGUM COUNTY**  
Reconciliation of Total Governmental Fund Balances to  
Net Assets Governmental Activities  
December 31, 2011

|  |                         |
|--|-------------------------|
| Total Governmental Fund Balances   | \$ 24,436               |
| Amounts reported for governmental activities in the<br>statement of net assets are different because:                        |                         |
| Other long-term assets are not available to pay for current-<br>period expenditures and therefore are deferred in the funds. | 6,235,926               |
| Long-term liabilities are not due and payable in the current period and<br>therefore are not reported in the funds.          | <u>(6,235,926)</u>      |
| Net Assets of Governmental Activities  | <u><u>\$ 24,436</u></u> |

See accompanying notes to the basic financial statements.

**TRANSPORTATION IMPROVEMENT DISTRICT  
MUSKINGUM COUNTY**

Statement of Revenues, Expenditures and Changes in Fund Balances  
for the Year Ended December 31, 2011

|  | General   | Debt<br>Service | Road Work<br>Development | Total<br>Governmental<br>Funds |
|--|-----------|-----------------|--------------------------|--------------------------------|
| <b>Revenues:</b>                             |           |                 |                          |                                |
| Intergovernmental                            | \$ 20,000 | \$ 2,249,201    | \$ 507,016               | \$ 2,776,217                   |
| Miscellaneous                                | 2,137     |                 |                          | 2,137                          |
|  | 22,137    | 2,249,201       | 507,016                  | 2,778,354                      |
| <b>Expenditures:</b>                         |           |                 |                          |                                |
| Current:                                     |           |                 |                          |                                |
| General Government                           | 14,269    |                 |                          | 14,269                         |
| Public Works                                 |           |                 | 257,016                  | 257,016                        |
| Public Works - Intergovernmental             |           |                 | 250,000                  | 250,000                        |
| Debt Service:                                |           |                 |                          |                                |
| Principal Retirement                         |           | 2,010,201       |                          | 2,010,201                      |
| Interest and Fiscal Charges                  |           | 239,000         |                          | 239,000                        |
|  | 14,269    | 2,249,201       | 507,016                  | 2,770,486                      |
| Excess of Revenues Over/(Under) Expenditures | 7,868     | -               | -                        | 7,868                          |
| Fund Balance (Deficit) at Beginning of Year  | 14,996    | -               | 1,572                    | 16,568                         |
| Fund Balance (Deficit) at End of Year        | \$ 22,864 | \$ -            | 1,572                    | \$ 24,436                      |

See accompanying notes to the basic financial statements.

**TRANSPORTATION IMPROVEMENT DISTRICT  
MUSKINGUM COUNTY**

Reconciliation of the Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
for the Year Ended December 31, 2011

Net Change in Fund Balances - Total Governmental Funds \$ 7,868

**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 (2,010,201)

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. 2,010,201

Change in Net Assets of Governmental Activities \$ 7,868

See accompanying notes to the basic financial statements.



**TRANSPORTATION IMPROVEMENT DISTRICT  
MUSKINGUM COUNTY**

Notes to the Basic Financial Statements  
December 31, 2011

**NOTE 1 - REPORTING ENTITY**

The Transportation Improvement District, Muskingum County (the District), is a body politic and corporate, created for the purpose of financing, constructing, maintaining, repairing, and operating selected transportation projects. The District was specifically formed under the auspices of House Bill 154, and Ohio Revised Code Chapter 5540, as amended, and created by action of the Board of County Commissioners of Muskingum County on November 20, 1995.

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

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

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

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Basis of Presentation**

The District's basic financial statements consist of government-wide statements, including a Statement of Net 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 Basic Financial Statements  
December 31, 2011

**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 2011 since all funds were considered as major.

**B. Fund Accounting**

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

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

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

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

**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.

**C. Measurement Focus**

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

**TRANSPORTATION IMPROVEMENT DISTRICT  
MUSKINGUM COUNTY**

Notes to the Basic Financial Statements  
December 31, 2011

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Measurement Focus (Continued)**

**Fund Financial Statements** All governmental funds are accounted for using a *flow of current financial resources* measurement focus. With this measurement focus, only current assets and 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.

**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.

**TRANSPORTATION IMPROVEMENT DISTRICT  
MUSKINGUM COUNTY**

Notes to the Basic Financial Statements  
December 31, 2011

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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 financial statements. Title to the asset will transfer to the County upon full payment of the related debt.

**G. Accrued Liabilities and Long-term Obligations**

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

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

**H. Fund Balance**

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

**1. Nonspendable**

The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The "not in spendable form" includes items that are not expected to be converted to cash. It also includes the long-term amount of loans and notes receivable, prepaids, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed, or assigned.

**2. Restricted**

The restricted fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

**3. Committed**

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action (resolution) of the Board of Directors. Those committed amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts.

**TRANSPORTATION IMPROVEMENT DISTRICT  
MUSKINGUM COUNTY**

Notes to the Basic Financial Statements  
December 31, 2011

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**H. Fund Balance (Continued)**

**3. Committed (Continued)**

Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for the use in satisfying those contractual requirements.

**4. Assigned**

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

**5. Unassigned**

The unassigned fund balance is the residual classification for the General Fund and includes amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which the amounts in any of the unrestricted fund balance classifications could be used.

**I. Net 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.

**NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLE**

For 2011, the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions". GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The implementation of this statement resulted in the reclassification of fund balance to unassigned for the General Fund in the amount of \$22,864 and restricted for the Road Work Development Fund in the amount of \$1,572.

**TRANSPORTATION IMPROVEMENT DISTRICT  
MUSKINGUM COUNTY**

Notes to the Basic Financial Statements  
December 31, 2011

**NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS**

The County Auditor serves as fiscal officer of the District. The Ohio Revised Code prescribes allowable deposits and investments from both the District and the County. At December 31, 2010, the District had cash and investments with a carrying amount of \$24,580, which is included in and collateralized with Muskingum County's cash management pool.

**NOTE 5 - RECEIVABLES**

Receivables at December 31, 2011 consisted of contracts receivable and interest receivable from Muskingum County for \$6,235,926 and \$63,824, respectively. All receivables are considered collectible in full due to the executed contracts with the Muskingum County Commissioners.

**NOTE 6 - LONG-TERM OBLIGATIONS**

Changes in the long-term obligations of the District during 2011 were as follows:

|  | Outstanding<br>January 1, 2011 | Additions   | (Reductions)          | Outstanding<br>December 31, 2011 | Amounts<br>Due<br>In One Year |
|--|--------------------------------|-------------|-----------------------|----------------------------------|-------------------------------|
| Governmental Activities:                                   |                                |             |                       |                                  |                               |
| General long-term obligations:                             |                                |             |                       |                                  |                               |
| State Infrastructure Bank - 3%                             | \$ 6,863,460                   | \$ 0        | \$ (627,534)          | \$ 6,235,926                     | \$ 648,096                    |
| State Infrastructure Bank - 3%<br>additional loan proceeds | <u>1,382,667</u>               | <u>0</u>    | <u>(1,382,667)</u>    | <u>0</u>                         | <u>0</u>                      |
| Total general long-term<br>Obligations                     | <u>\$ 8,246,127</u>            | <u>\$ 0</u> | <u>\$ (2,010,201)</u> | <u>\$ 6,235,926</u>              | <u>\$ 648,096</u>             |

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

|           | Loan                           |                   |
|-----------|--------------------------------|-------------------|
|           | State Infrastructure Bank - 3% |                   |
|           | Principal                      | Interest          |
| 2012      | \$ 648,096                     | \$ 197,444        |
| 2013      | 669,329                        | 176,210           |
| 2014      | 691,259                        | 154,280           |
| 2015      | 713,908                        | 131,632           |
| 2016      | 737,298                        | 108,241           |
| 2017-2020 | <u>2,776,036</u>               | <u>183,350</u>    |
|           | <u>\$ 6,235,926</u>            | <u>\$ 951,157</u> |

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

**TRANSPORTATION IMPROVEMENT DISTRICT  
MUSKINGUM COUNTY**

Notes to the Basic Financial Statements  
December 31, 2011

**NOTE 6 - LONG-TERM OBLIGATIONS (Continued)**

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 8 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. During 2011, this loan was paid in full.

**NOTE 7 - CURRENT PROJECTS**

Various projects in the Road Work Development Capital Projects Fund were ongoing at December 31, 2011.

**NOTE 8 - RISK MANAGEMENT**

The District has obtained commercial insurance for the following risks:

- General liability
- Vehicles

**NOTE 9 – INTERGOVERNMENTAL LOANS**

On April 13, 2011, the District Board of Directors passed a resolution approving a 629 Grant/Loan Reimbursement Agreement with the Muskingum County Commissioners in the amount of \$200,000 in funding to pay invoices for the Moxadarla Bridge Project, with monies to be repaid upon receipt of funding from the Ohio Department of Development. On June 8, 2011, a resolution was approved to include EastPointe Drive repairs in the scope of the work approved in the April 13, 2011 resolution above. On July 26, 2011, the District repaid the loan to the County Commissioners.

On April 4, 2011, the District received a loan from the City of Zanesville, approved by resolution by the District Board of Directors, to increase revenue in the amount of \$50,000 from the City of Zanesville for funding of Other Projects. On May 5, 2011, the District repaid the loan to the City of Zanesville.

**NOTE 10 - RELATED PARTY TRANSACTIONS**

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

The District, a discretely presented component unit of Muskingum County, received loans from the Muskingum County Commissioners during 2011. The intergovernmental loan activity is disclosed in Note 9.

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# Dave Yost • 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, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated May 16, 2012, wherein we noted the District has adopted Governmental Accounting Standards Board Statement No. 54. 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 the purpose of expressing our opinions on the financial statements, but not for the purpose of opining 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 deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A material weakness is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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 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 did note a certain matter not requiring inclusion in this report that we reported to the District's management in a separate letter dated May 16, 2012.

We intend this report solely for the information and use of management, the Board of Directors, and others within the District. We intend it for no one other than these specified parties.

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

**Dave Yost**  
Auditor of State

May 16, 2012



# Dave Yost • 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  
MAY 29, 2012**