



**Auditor of State
Betty Montgomery**

**TRANSPORTATION IMPROVEMENT DISTRICT
MUSKINGUM COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

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

To Members of the Board:

We have audited the accompanying financial statements of the governmental activities and each major fund, of the Transportation Improvement District, Muskingum County, Ohio (the District), as of and for the year ended December 31, 2003, 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 *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, as of December 31, 2003, 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.

As described in Note 3, during the year ended December 31, 2003, the District implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements- and Management's Discussion and Analysis- for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 20, 2004, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information the Governmental Accounting Standards Board requires. We applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

We conducted our audit to form opinions on the financial statements that collectively comprise the District's basic financial statements. The federal awards expenditure schedule is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. We subjected the federal awards expenditure 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.



Betty Montgomery
Auditor of State

August 20, 2004

**Transportation Improvement District
Management's Discussion and Analysis
For the Year Ended December 31, 2003**

The discussion and analysis of the Transportation Improvement District financial performance provides an overall review of the District's financial activities for the fiscal year ended December 31, 2003. 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 2003 are as follows:

- ✓ General Revenues accounted for \$121 thousand in revenue or 3% of all revenues. Program revenues accounted for \$4.7 million or 97% of total revenues.
- ✓ Total expenses were \$4.9 million in governmental activities.
- ✓ Outstanding debt increased from \$10,981,833 to \$14,559,305 through additional distributions of loan proceeds.

Using this Annual Financial Report

This report is designed to allow the reader to look at the financial activities of the Transportation Improvement District as a whole and is intended to allow the reader to obtain a summary view or a more detailed view of the District operations, as they prefer.

The Statement of Net Assets and the Statement of Changes in Net Assets provide information from a summary perspective showing the effects of the operations for the year 2003 and how they affected the operations of the District as a whole.

Reporting the of 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 "How did we do financially during fiscal year 2003?" 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.

**Transportation Improvement District
Management's Discussion and Analysis
For the Year Ended December 31, 2003**

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.

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

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

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Debt Service Fund, North Pointe Capital Projects Fund and State Route 93/22 Capital Projects Fund which are considered to be major funds.

**Transportation Improvement District
Management's Discussion and Analysis
For the Year Ended December 31, 2003**

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 2003 compared to 2002:

**(Table 1)
Net Assets**

	Governmental Activities	
	2003	2002
Assets		
Current and Other Assets	\$ 16,853,222	\$ 12,068,518
Total Assets	16,853,222	12,068,518
Liabilities		
Long-Term Liabilities	14,559,305	11,125,288
Other Liabilities	2,563,393	1,113,007
Total Liabilities	17,122,698	12,238,295
Net Assets		
Unrestricted (Deficit)	(269,476)	(169,777)
Total Net Assets	\$ (269,476)	\$ (169,777)

Total assets increased by \$4.78 million. This increase was the result of increases in contracts and loans receivable.

Total liabilities increased by \$4.88 million. This increase was the result of an increase in long-debt and contracts payable.

**Transportation Improvement District
Management's Discussion and Analysis
For the Year Ended December 31, 2003**

Table 2 shows the changes in net assets for fiscal year 2003. Since this is the first year the District has prepared financial statements following GASB Statement No. 34, revenue and expense comparisons to fiscal year 2002 are not available. This table will present two fiscal years in side-by-side comparisons in successive reporting years. This will enable the reader to draw further conclusion about the District's financial status and possibly project future problems.

**(Table 2)
Changes in Net Assets**

	Governmental Activities
	2003
Revenues	
<i>Program Revenues:</i>	
Operating Grants and Contributions	\$ 4,254,886
Charges for Services	463,529
<i>General Revenue:</i>	
Investments	4,319
Other	117,385
<i>Total Revenues</i>	4,840,119
Program Expenses	
General Government	10,000
Public Works	4,466,289
Interest and Fiscal Charges	463,529
<i>Total Program Expenses</i>	4,939,818
Decrease in Net Assets	\$ (99,699)

Governmental Activities

The program revenues for the governmental activities comes from several different sources, the most significant being loan proceeds and charges for services. Other prominent sources are grants and intergovernmental revenue.

General revenues include Interest and miscellaneous revenues.

**Transportation Improvement District
Management's Discussion and Analysis
For the Year Ended December 31, 2003**

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 \$5,288,463, which includes \$3,882,361 in debt proceeds, and expenditures of \$5,388,162.

Debt

The outstanding debt for the Transportation Improvement District as of December 31, 2003 was \$14,559,305. This balance reflected an increase of \$3,434,017 from the previous year's balance of \$10,981,833. Table 3 summarizes outstanding debt.

**(Table 3)
Outstanding Debt, at December 31**

	<u>Governmental Activities</u>	
	<u>2003</u>	<u>2002</u>
Loans Payable	<u>\$ 14,559,306</u>	<u>\$ 11,125,288</u>

The District has entered into two loan agreements with the State Infrastructure Bank. The loan proceeds are used to fund the two current projects the District is currently involved in. The principal and interest repayments on the loans are funded through charges for services pursuant to a contract between the District and Muskingum County.

Additional information concerning the District's debt can be found in note 7 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 Larry Merry, Administrative Agent of Transportation Improvement District, 205 N. 5th Street Zanesville, Ohio 43701. e-mail zmcport@golbalco.net.

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TRANSPORTATION IMPROVEMENT DISTRICT

Statement of Net Assets

December 31, 2003

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 737,030
Receivables:	
Contracts Receivable	14,559,305
Loans Receivable	1,511,273
Intergovernmental Receivable	<u>45,614</u>
<i>Total Assets</i>	<u>16,853,222</u>
Liabilities	
Contracts Payable	1,693,393
Due to Primary Government	870,000
Long Term Liabilities:	
Due Within One Year	457,349
Due Within More Than One Year	<u>14,101,956</u>
<i>Total Liabilities</i>	<u>17,122,698</u>
Net Assets	
Unrestricted	<u>(269,476)</u>
<i>Total Net Assets</i>	<u>\$ (269,476)</u>

See accompanying notes to the basic financial statements.

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TRANSPORTATION IMPROVEMENT DISTRICT
Statement of Activities
For the Year Ended December 31, 2003

	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Grants and Contributions	Revenue and Changes in Net Assets
				Governmental Activities
Governmental Activities				
General Government	\$ 10,000	\$ 0	\$ 0	\$ (10,000)
Public Works	4,466,289	0	4,254,886	(211,403)
Interest and Fiscal Charges	463,529	463,529	0	0
<i>Total Governmental Activities</i>	<u>4,939,818</u>	<u>463,529</u>	<u>4,254,886</u>	<u>(221,403)</u>

General Revenues

Investment Earnings	4,319
Miscellaneous	<u>117,385</u>
Total General Revenues	<u>121,704</u>
Change in Net Assets	(99,699)
Net Assets (Deficit) Beginning of Year	<u>(169,777)</u>
<i>Net Assets (Deficit) End of Year</i>	<u>\$ (269,476)</u>

See accompanying notes to the basic financial statements.

TRANSPORTATION IMPROVEMENT DISTRICT

*Balance Sheet
Governmental Funds
December 31, 2003*

	General	Debt Service	Capital Projects North Pointe	Capital Projects State Route 22/93
Assets				
Equity in Pooled Cash and Cash Equivalents	\$ 15,730	\$ 0	\$ 676,040	\$ 45,260
Receivables:				
Contracts Receivable	0	14,559,305	0	0
Loans Receivable	0	0	1,511,273	0
Intergovernmental Receivable	0	0	0	45,614
<i>Total Assets</i>	<u>\$ 15,730</u>	<u>\$ 14,559,305</u>	<u>\$ 2,187,313</u>	<u>\$ 90,874</u>
Liabilities and Fund Balances				
Liabilities				
Contracts Payable	\$ 0	\$ 0	\$ 1,470,339	\$ 223,054
Due to Primary Government	0	0	870,000	0
Deferred Revenue	0	14,559,305	0	0
<i>Total Liabilities</i>	0	14,559,305	2,340,339	223,054
Fund Balances				
Undesignated				
General Fund	15,730	0	0	0
Capital Projects Funds	0	0	(153,026)	(132,180)
<i>Total Fund Balances</i>	<u>15,730</u>	<u>0</u>	<u>(153,026)</u>	<u>(132,180)</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 15,730</u>	<u>\$ 14,559,305</u>	<u>\$ 2,187,313</u>	<u>\$ 90,874</u>

See accompanying notes to the basic financial statements.

TRANSPORTATION IMPROVEMENT DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
December 31, 2003
For the Year Ended December 31, 2003

	General	Debt Service	Capital Projects North Pointe	Capital Projects State Route 22/93	Total Governmental Funds
Revenues:					
Intergovernmental	\$ 0	\$ 901,873	\$ 0	\$ 382,525	1,284,398
Interest	4,319	0	0	0	4,319
Other	0	0	117,385	0	117,385
<i>Total Revenues</i>	<u>4,319</u>	<u>901,873</u>	<u>117,385</u>	<u>382,525</u>	<u>1,406,102</u>
Expenditures:					
Current:					
General Government	10,000	0	0	0	10,000
Public Works	11,830	0	2,700,124	301,158	3,013,112
Capital Outlay	0	0	1,239,630	213,547	1,453,177
Debt Service:					
Principal Retirement	0	448,344	0	0	448,344
Interest and Fiscal Charges	0	453,529	10,000	0	463,529
<i>Total Expenditures</i>	<u>21,830</u>	<u>901,873</u>	<u>3,949,754</u>	<u>514,705</u>	<u>5,388,162</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	(17,511)	0	(3,832,369)	(132,180)	(3,982,060)
Other Financing Sources (Uses):					
Proceeds of Notes	0	0	3,882,361	0	3,882,361
<i>Total Financing Sources/(Uses)</i>	<u>0</u>	<u>0</u>	<u>3,882,361</u>	<u>0</u>	<u>3,882,361</u>
<i>Net Change in Fund Balance</i>	(17,511)	0	49,992	(132,180)	(99,699)
<i>Fund balance at beginning of year</i>	33,241	0	(203,018)	0	(169,777)
<i>Fund balance at end of year</i>	<u>\$ 15,730</u>	<u>\$ 0</u>	<u>\$ (153,026)</u>	<u>\$ (132,180)</u>	<u>\$ (269,476)</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, 2003

Net Change in Fund Balances - Total Governmental Funds \$ (99,699)

Amounts reported for governmental activities in the statement of activities are different because:

Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds 3,434,017

Repayment of long term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.
Principal Retirement 448,344

Proceeds of notes transactions are recorded as revenues in the funds,

Change in Net Assets of Governmental Activities \$ (99,699)

See accompanying notes to the basic financial statements.

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**TRANSPORTATION IMPROVEMENT DISTRICT
MUSKINGUM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2003**

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. One ex-officio member is appointed by the President of the Ohio Senate and one ex-officio member is appointed by the Speaker of the 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 December 31, 2003 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 Muskingum County Transportation Improvement District. The District's management believes these financial statements represent all activities for which the District is financially accountable.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

**TRANSPORTATION IMPROVEMENT DISTRICT
MUSKINGUM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis of Presentation (Continued)

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. 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 2003.

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.

**TRANSPORTATION IMPROVEMENT DISTRICT
MUSKINGUM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Fund Accounting (Continued)

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

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

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

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.

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.

**TRANSPORTATION IMPROVEMENT DISTRICT
MUSKINGUM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting (Continued)

Revenues - Exchange and Non-Exchange Transactions (Continued)

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: interest, 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.

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 "Cash and Cash Equivalents" on the combined balance sheet.

The General Fund is the only fund allocated interest earnings from the repurchase agreement.

F. Capital Assets

The District reports no capital assets. A road constructed by the District is nearing completion but through contractual agreements, Muskingum County uses and maintains the road. The County reports this road as a capital asset on its books. It is the intent of the District management to grant Muskingum County title to the road upon full payment of the related debt.

**TRANSPORTATION IMPROVEMENT DISTRICT
MUSKINGUM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 provisions, enabling legislation, or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF FUND BALANCES/ NET ASSETS

Changes in Accounting Principles For 2003, the District has implemented GASB Statement No. 34, “Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments”; GASB Statement No. 37, “Basic Financial Statements for State and Local Governments: Omnibus”, GASB Statement No. 38, “Certain Financial Statement Note Disclosures”, and GASB Interpretation No. 6, “Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements”. At December 31, 2003, there was no effect on fund balance as a result of implementing GASB Statements No. 37 or No. 38.

GASB 34 creates new basic financial statements for reporting on the District’s financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type.

The beginning net asset amount for governmental activities reflects the change in fund balance for governmental funds at December 31, 2002, caused by the the reclassification of funds based on the guidance provided in Statement No. 34.

GASB Interpretation No. 6 clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could arise, in interpretation and practice.

**TRANSPORTATION IMPROVEMENT DISTRICT
MUSKINGUM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)**

NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF FUND BALANCES/ NET ASSETS (Continued)

Restatement of Fund Balance The restatements for GASB Statement No. 34 and GASB Interpretation No. 6 had no effect on fund balances of the major funds of the District as they were previously reported. The transition from governmental fund balance to net assets of the governmental activities is also presented.

	General	Debt Service	Capital Projects North Pointe	Capital Projects State Route 93/22	Total
Fund Balances, 12/31/02 (unchanged)	\$33,241	\$0	(\$203,018)	\$0	(\$169,777)
GASB 34 Adjustments:					
Long Term Liabilities					11,125,288
Long term (deferred)Assets					<u>(11,125,288)</u>
Governmental Activities Net Assets, 12/31/02					<u>(169,777)</u>

NOTE 4 – ACCOUNTABILITY

At December 31, 2003, the Northpointe Drive Fund and State Route 93/22 Fund had a deficit fund balance in the amount of \$153,026 and \$132,180, respectively. This deficit resulted from the recognition of accrued liabilities in accordance with generally accepted accounting principles.

NOTE 5 – DEPOSITS AND INVESTMENTS

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

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

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

**TRANSPORTATION IMPROVEMENT DISTRICT
MUSKINGUM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)**

NOTE 5 – DEPOSITS AND INVESTMENTS (Continued)

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

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC) or collateralized by the financial institution's public entity deposit pool.

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes debentures, or any other obligations or securities issued by any federal government agency or instrumentality; including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2% and be marked to market daily, and that the term of the agreement must not exceed 30 days;
4. Bonds and other obligations of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts, including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that instruments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's Investment Pool (STAROhio).

**TRANSPORTATION IMPROVEMENT DISTRICT
MUSKINGUM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)**

NOTE 5 – DEPOSITS AND INVESTMENTS (Continued)

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the clerk or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Deposits – At year end, the carrying amount of the District's deposits was \$737,030 and the bank balance was \$791,542. Of the bank balance:

1. \$100,000 was covered by Federal Depository Insurance;
2. \$691,542 was covered by securities held by a third party financial institution in the name of the District.

NOTE 6 – RECEIVABLES

Receivables at December 31, 2003 consisted of loan draw downs, contract, and intergovernmental grants. All receivables are considered collectible in full due to the stable condition of State Loan programs, 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 contracts and loan receivables follows:

Governmental Activities:	
Loan Receivable	\$ 1,511,273
Intergovernmental Receivable	45,614
Contract Receivable	<u>14,559,305</u>
Total	<u>\$ 16,116,192</u>

**TRANSPORTATION IMPROVEMENT DISTRICT
MUSKINGUM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)**

NOTE 7 – LONG-TERM OBLIGATIONS

Changes in the long-term obligations of the District during 2003 were as follows:

	Outstanding 1/1/2003	Additions	(Reductions)	Loan Balance 12/31/2003	Additional Loan Proceeds Receivable	Outstanding 12/31/2003	Amounts Due In One Year
Governmental Activities:							
General long-term obligations:							
State Infrastructure Bank - 4%	\$ 10,981,833	\$ 275,943	\$ (448,344)	\$ 10,809,432	\$ 1,400	\$ 10,810,832	\$ 457,349
State Infrastructure Bank - 3%							
additional loan proceeds	0	2,238,600	0	2,238,600	1,509,873	3,748,473	0
Total general long-term obligations	<u>\$ 10,981,833</u>	<u>\$ 2,514,543</u>	<u>\$ (448,344)</u>	<u>\$ 13,048,032</u>	<u>\$ 1,511,273</u>	<u>\$ 14,559,305</u>	<u>\$ 457,349</u>

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

	Loans			
	Principal	Interest	Principal	Interest
2004	\$ 457,349	\$ 451,542	\$ 0	\$ 0
2005	478,639	430,253	230,377	61,968
2006	499,197	409,695	471,172	113,517
2007	520,638	388,254	485,414	99,276
2008	543,001	365,891	500,085	84,605
2009-2013	3,085,537	1,458,921	2,444,154	186,949
2014-2018	3,807,601	736,859	0	0
2019-2020	1,307,385	55,953	0	0
	<u>\$ 10,699,347</u>	<u>\$ 4,297,368</u>	<u>\$ 4,131,202</u>	<u>\$ 546,315</u>

The District entered into a loan agreement December 23, 1998 with the Ohio Department of Transportation where the District is to receive up to \$11,060,000 of loan proceeds, plus the refinancing of accumulated interest in the amount of \$404,129, to be repaid over 20 years. As collateral for the loan, the State Infrastructure Bank has received an assignment of all use payments from Muskingum County and an assignment of Tax Increment Financing from the Longaberger Company. Loans payable include \$1,400 of capital outlay expenditures eligible to be drawn down from the loan as of December 31, 2003. As of December 31, 2003, the District had drawn down \$11,443,891 of \$11,464,129 total authorized.

**TRANSPORTATION IMPROVEMENT DISTRICT
MUSKINGUM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)**

NOTE 7 – LONG-TERM OBLIGATIONS (Continued)

An additional \$110,085 was drawn against the loan since the amortization schedule was prepared. The State Infrastructure Bank had not prepared a new schedule at the time the note disclosures were completed.

In March 2003, the District obtained approval for an additional State Infrastructure Loan to finance design revisions and completion of the Northpointe Drive Project. The proposed terms call for a loan amount of \$4,010,000, plus the refinancing of projected accumulated interest in the amount of \$121,202 to be repaid over 12 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. Loans payable recorded in the governmental activities include \$1,509,873 of capital outlay expenditures eligible to be drawn down from the loan as of December 31, 2003. As of December 31, 2003, the District had drawn down \$2,238,600 of \$4,131,202 total authorized.

NOTE 8 – CONTRACTUAL COMMITMENTS

As of December 31, 2003, the District had contractual commitments for the following projects:

	Contractual Commitment	Expended	Balance December 31, 2003
Luburg Inc./RF Scurlock Co. Joint Venture	<u>\$ 9,909,634</u>	<u>\$ 8,230,687</u>	<u>\$ 1,678,947</u>

NOTE 9 – CURRENT PROJECTS

The Northpointe Drive project is located between the City of Zanesville and the Village of Dresden. This roadway begins on the southern end at Richvale Road and extends north to intersect with State Route 60 at Dresden. The road is a continuous route in a two-lane configuration; however, enough right of way was purchased to potentially accommodate a future four-lane divided highway. During 2003, the Transportation Improvement District incurred additional construction fees and related costs for this project. As more fully explained in Note 11, Muskingum County advanced funds to the District to provide interim funding for this project, a portion of which was repaid during 2000.

As of December 31, 2003, the 93/22 road project is in the process of an ongoing feasibility study. The study is to determine which route would be best to construct the new main road. At the end of the year, no construction had been started.

**TRANSPORTATION IMPROVEMENT DISTRICT
MUSKINGUM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)**

NOTE 10 – RISK MANAGEMENT

Commercial Insurance

The District has obtained commercial insurance for the following risks:

- General liability, and
- Vehicles

NOTE 11 – INTERGOVERNMENTAL LOAN

During 1999, Muskingum County advanced the District \$1,620,000 in funding for the Northpointe Drive Extension Project. The District repaid \$750,000 of the loan on July 27, 2000 with proceeds from the State Infrastructure Bank loan. Management intends to repay the remainder with proceeds from the loan.

NOTE 12 – RELATED PARTY TRANSACTION

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

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**TRANSPORTATION IMPROVEMENT DISTRICT
..MUSKINGUM COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2003**

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	N/A	20.205	<u>\$301,158</u>
Total U.S. Department of Transportation			<u>301,158</u>
Total Federal Awards Expenditures			<u><u>\$301,158</u></u>

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

**TRANSPORTATION IMPROVEMENT DISTRICT
MUSKINGUM COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2003**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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



Auditor of State Betty Montgomery

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

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

To Members of the Board:

We have audited the financial statements of the governmental activities and each major fund, of the Transportation Improvement District, Muskingum County, Ohio (the District) as of and for the year ended December 31, 2003, which collectively comprise the District's basic financial statements and have issued our report thereon dated August 20, 2004, wherein we noted the District implemented a new financial reporting model. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grants, 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 such an opinion. The results of our tests disclosed no instances of noncompliance we must report under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report that we have reported to management of the District in a separate letter dated August 20, 2004.

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Transportation Improvement District
Muskingum County
Independent Accountants' Report on Compliance and on Internal Control
Required by *Government Auditing Standards*
Page 2

This report is intended solely for the information and use of the audit committee, management, the Board of Directors and federal awarding agencies, and pass-through entities, and is not intended to be, and should not be used by anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

August 20, 2004



**Auditor of State
Betty Montgomery**

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

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

To Members of the Board:

We have audited the compliance of the Transportation Improvement District, Muskingum County, Ohio (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended December 31, 2003. The District's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the District's management. 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 obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that 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 are applicable to its major federal program for the year ended December 31, 2003.

Transportation Improvement District
Muskingum County
Independent Accountants' Report on Compliance with Requirements Applicable
to Major Federal Programs and Internal Control Over Compliance in
Accordance with OMB Circular A-133
Page 2

The management of the District is responsible for establishing and maintaining effective internal control over compliance with 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 have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over federal compliance that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated August 20, 2004.

This report is intended for the information and use of the audit committee, management, the Board of Directors, and federal awarding agencies and pass-through entities, and is not intended to be, and should not be used by anyone other than these specified parties.



Betty Montgomery
Auditor of State

August 20, 2004

**TRANSPORTATION IMPROVEMENT DISTRICT
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2003**

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 reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<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

3. FINDINGS FOR FEDERAL AWARDS

None



**Auditor of State
Betty Montgomery**

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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
OCTOBER 18, 2004**