



**TRANSPORTATION IMPROVEMENT DISTRICT
MUSKINGUM COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED DECEMBER 31, 1999



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**TRANSPORTATION IMPROVEMENT DISTRICT
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REPORT OF INDEPENDENT ACCOUNTANTS

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

To Members of the Board:

We have audited the accompanying financial statement of the Transportation Improvement District, Muskingum County, Ohio, (the District) a component unit of Muskingum County, as of and for the year ended December 31, 1999. The financial statement is the responsibility of the District's management. Our responsibility is to express an opinion on the financial statement based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the District prepares its financial statement on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

As discussed in Note 3, the District began using fund accounting in 1999 to account for receipts and disbursements.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the cash balances of the Transportation Improvement District, Muskingum County, as of December 31, 1999, and its cash receipts and disbursements for the year then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 22, 2000, 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.

This report is intended solely for the information and use of management, the Board of Directors, and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

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Jim Petro
Auditor of State

May 22, 2000

**TRANSPORTATION IMPROVEMENT DISTRICT
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1999**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Capital Projects</u>	
Cash Receipts:			
Intergovernmental	\$	\$130,000	\$130,000
Interest	2,370		2,370
Miscellaneous	3,462		3,462
Total Cash Receipts	<u>5,832</u>	<u>130,000</u>	<u>135,832</u>
Cash Disbursements:			
Professional Services	7,709	786,456	794,165
Property Aquisition		228,148	228,148
Miscellaneous	70	282	352
Total Cash Disbursements	<u>7,779</u>	<u>1,014,886</u>	<u>1,022,665</u>
Excess of Cash Receipts Over/(Under) Cash Disbursements	<u>(1,947)</u>	<u>(884,886)</u>	<u>(886,833)</u>
Other Financing Sources/(Uses):			
Proceeds of Loans		1,620,000	1,620,000
Total Other Financing Sources/(Uses)	<u>0</u>	<u>1,620,000</u>	<u>1,620,000</u>
Excess of Cash Receipts and Other Financing Sources Over/(Under) Cash Disbursements and Other Financing Uses	<u>(1,947)</u>	<u>735,114</u>	<u>733,167</u>
Fund Cash Balances, January 1, 1999	<u>2,880</u>	<u>51,379</u>	<u>54,259</u>
Fund Cash Balances, December 31, 1999	<u>\$933</u>	<u>\$786,493</u>	<u>\$787,426</u>

The notes to the financial statement are an integral part of this statement.

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**TRANSPORTATION IMPROVEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENT
DECEMBER 31, 1999**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Transportation Improvement District, Muskingum County, 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 the House Bill 154, and the 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 had no financial activity until 1998 and, consequently, there are no financial statements prior to that time.

The District is a jointly governed entity administered 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. 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 appoint 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 presented as a discretely presented component unit in Muskingum County's December 31, 1999 Comprehensive Annual Financial Report, as defined by the provisions of GASB Statement No.14. Also, the Zanesville-Muskingum County Port Authority serves as the Administrative Agent for the Muskingum County Transportation Improvement District.

The District's management believes the financial statement represents all activities for which the District is financially accountable.

B. Basis of Accounting

The financial statement follows the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when a payment is made rather than when a liability is incurred.

The statement includes adequate disclosure of material matters, as prescribed or permitted by the Auditor of State

C. Cash and Investments

The District maintains a cash and investment pool used by all funds

**TRANSPORTATION IMPROVEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENT
DECEMBER 31, 1999
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting

The District uses fund accounting to segregate cash and investments that are restricted as to use. The District classifies its funds into the following types:

1. General Fund

This account serves as the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Capital Projects Fund

Capital projects funds account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds or trust funds). The Northpointe Drive Fund is used to account for receipts and disbursements relating to the Northpointe Drive project.

2. EQUITY IN POOLED CASH AND INVESTMENTS

The District maintains a cash and investment pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. At December 31, 1999, the District held demand deposits in an interest bearing account with a carrying amount of \$787,426. The bank balance was covered by federal deposit insurance or by collateral held by the pledging financial institution's trust department in the name of the District.

Statutes require the District to obtain collateral for all funds on deposit. At times during the year, the District permitted funds on deposit to be uncollateralized.

3. RESTATEMENT OF PRIOR YEAR BALANCES

Prior to 1999, all financial activity of the District was accounted for through the use of a bank account. In order to account for the various projects the District has planned, the District implemented fund accounting during 1999, and the portion of the December 31, 1998 bank balance pertaining to the Northpointe Project was segregated from the general operating monies of the District as follows:

General Fund	\$ 2,880
Northpointe Fund	\$51,379

**TRANSPORTATION IMPROVEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENT
DECEMBER 31, 1999**

(Continued)

4. CURRENT PROJECT

The Northpointe Drive project is located between the City of Zanesville and the Village of Dresden. This proposed roadway will begin on the southern end at Richvale Road and extend north to intersect with State Route 60 at Dresden. The project will be built as a continuous route in a two-lane configuration; however, enough right of way will be purchased to potentially accommodate a future four lane divided highway. During 1999, the Transportation Improvement District incurred engineering costs, construction fees, legal fees, property acquisition and related costs for this project. As more fully explained in note 6, Muskingum County advanced funds to the District to provide interim funding for this project.

An agreement between the State of Ohio, Department of Transportation(ODOT), and the Muskingum County Transportation Improvement District (the District) was entered into on December 23, 1998. This project is for financing the construction of Northpointe Drive Extension located between the City of Zanesville and the Village of Dresden. The proposed terms call for a loan amount of \$11,060,000, plus the refinancing of projected accumulated interest in the amount of \$470,050, to be repaid over 20 years, which coincide with the terms of the cooperative agreement between Muskingum County, the District, and ODOT. As collateral for the loan, the State Infrastructure Bank has received an assignment of all use payments from Muskingum County and an assignment of Tax Increment Financing from the Longaberger Company. As of May 22, 2000, the District has drawn down \$1,039,138 from the loan and Muskingum County has established, and deposited \$925,000 into, a Guaranty Fund to collateralize the loan.

Based on the preliminary terms of the project, the anticipated loan payments, including interest and administrative fees of \$5,083,494, are as follows:

<u>Year Ending December 31</u>	<u>Amounts</u>
2002	\$ 461,487
2003	922,975
2004	922,975
2005	922,975
2006	922,975
2007 through 2011	4,614,873
2012 through 2016	4,614,873
2017 through 2020	<u>3,230,411</u>
Totals	<u>\$16,613,544</u>

5. FUTURE PROJECT

Discussions have been held and the District plans to have a feasibility study performed on a State Route 93/State Route 22 Connector Road Project. This project would connect the existing SR 93 on the southwest end of Zanesville with SR 40 on the west side. This project would be financed entirely by the State of Ohio Department of Transportation.

**TRANSPORTATION IMPROVEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENT
DECEMBER 31, 1999**

(Continued)

6. INTERGOVERNMENTAL LOAN

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



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REPORT OF INDEPENDENT ACCOUNTANTS 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 statement of the Transportation Improvement District, Muskingum County, Ohio, (the District) a component unit of Muskingum County, as of and for the year ended December 31, 1999, and have issued our report thereon dated May 22, 2000. We conducted our audit in accordance with generally accepted auditing standards 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 statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as item 1999-61010-001. We also noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated May 22, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority'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 a matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of the District in a separate letter dated May 22, 2000.

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

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

A handwritten signature in black ink, appearing to read "Jim Petro", with a large, stylized flourish at the end.

Jim Petro
Auditor of State

May 22, 2000

**TRANSPORTATION IMPROVEMENT DISTRICT
SCHEDULE OF FINDINGS
DECEMBER 31, 1999**

FINDING RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

Finding Number	1999-61060-001
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Noncompliance Citation

Ohio Rev. Code 135.18 states, in part, the Treasurer of a political subdivision must require the depository to provide as security an amount equal to the funds on deposit at all times. Such security may consist of federal deposit insurance, surety company bonds, or pledged securities.

On November 24, 1999, the District received loan proceeds of \$1,000,000 from Muskingum County which was deposited in the regular checking account at Century National Bank. This account was collateralized by \$100,000 of FDIC coverage until a sweep account was established on December 24, 1999 at which time additional collateral was pledged. As a result, District deposits were not adequately collateralized from November 24, 1999 through December 24, 1999. Failure to obtain adequate collateralization could result in a loss of District funds.

We recommend the District actively monitor bank accounts to assure all funds on deposit are adequately collateralized.



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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
AUGUST 15, 2000**