



**TRANSPORTATION IMPROVEMENT DISTRICT  
FAIRFIELD COUNTY**

**REGULAR AUDIT**

**FOR THE YEAR ENDED DECEMBER 31, 2000**



**JIM PETRO**  
**AUDITOR OF STATE**  

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**STATE OF OHIO**



**TRANSPORTATION IMPROVEMENT DISTRICT  
FAIRFIELD COUNTY**

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**REPORT OF INDEPENDENT ACCOUNTANTS**

Board of Trustees  
Fairfield County Transportation Improvement District  
Fairfield County  
407 E. Main Street  
Lancaster, Ohio 43130

We have audited the accompanying general-purpose financial statements of the Transportation Improvement District, Fairfield County, Ohio, (the District), a component unit of Fairfield County, as of and for the year ended December 31, 2000, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements 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 general-purpose 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.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Transportation Improvement District, Fairfield County, Ohio, as of December 31, 2000, and the results of its operations for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 22, 2001 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws and regulations. 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.

**JIM PETRO**  
Auditor of State

May 22, 2001

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**TRANSPORTATION IMPROVEMENT DISTRICT  
FAIRFIELD COUNTY**

**BALANCE SHEET  
GENERAL FUND  
AS OF DECEMBER 31, 2000**

	<u>General Fund</u>
<b>Assets:</b>	
Cash	<u>\$ 83,005</u>
<b>Total Assets</b>	<u><u>\$ 83,005</u></u>
<b>Equity:</b>	
Unreserved Fund Balance	<u>83,005</u>
Total Equity	<u>83,005</u>
<b>Total Equity</b>	<u><u>\$ 83,005</u></u>

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

**TRANSPORTATION IMPROVEMENT DISTRICT  
FAIRFIELD COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2000**

**REVENUES:**

Intergovernmental Revenues	\$ 100,000
Interest Income	<u>649</u>
Total Revenues	<u><u>100,649</u></u>

**EXPENDITURES:**

Current:	
General Government	<u>49,447</u>
<b>Total Expenditures</b>	<u><u>49,447</u></u>
Excess of Revenues Over Expenditures	51,202
Beginning Fund Balance	<u>31,803</u>
Ending Fund Balance	<u><u>\$ 83,005</u></u>

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



**TRANSPORTATION IMPROVEMENT DISTRICT  
FAIRFIELD COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
GENERAL FUND  
BUDGET AND ACTUAL (NON-GAAP BASIS)  
FOR THE YEAR ENDED DECEMBER 31, 2000**

	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>			
Intergovernmental Revenues	\$ 100,000	\$ 100,000	\$ 0
Interest Income	<u>0</u>	<u>649</u>	<u>649</u>
<b>Total Revenues</b>	<u>100,000</u>	<u>100,649</u>	<u>649</u>
<b>Expenditures:</b>			
Salaries	32,434	2,437	29,997
Materials and Supplies	6,500	651	5,849
Legal Services	10,000	3,214	6,786
Contractual Services	83,332	45,962	37,370
Other	<u>2,750</u>	<u>396</u>	<u>2,354</u>
<b>Total Expenditures</b>	<u>135,016</u>	<u>52,660</u>	<u>82,356</u>
Excess of Revenues Over (Under) Expenditures	(35,016)	47,989	83,005
Beginning Fund Balance	<u>35,016</u>	<u>35,016</u>	<u>0</u>
Ending Fund Balance	<u>\$ 0</u>	<u>\$ 83,005</u>	<u>\$ 83,005</u>

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

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**TRANSPORTATION IMPROVEMENT DISTRICT  
FAIRFIELD COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2000**

**1. DESCRIPTION OF THE DISTRICT AND REPORTING ENTITY**

**Reporting Entity**

The Fairfield County Transportation Improvement District (the District) is a body politic and corporate established 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 Fairfield County on June 23, 1998 exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is a component unit of Fairfield County and operates under an appointed 5 member board.

The Board of Trustees annually appoints the Chairman of the Board from the existing Board members. The Chairman's responsibilities are to preside at all meetings of the Board; to be the chief officer of the District; perform all duties commonly incident to the position of presiding officer of a board, commission or business organization; and to exercise supervision over the business of the District, its officers and employees.

The accompanying general purpose financial statements comply with the provisions of Governmental Accounting Standards Board (GASB) Statement 14, "The Financial Reporting Entity", in that the financial statements include all organizations, activities and functions for which the District is financially accountable. Component units are legally separate entities for which the District (the primary entity) is financially accountable. Financial accountability is defined as the ability to appoint a voting majority of the organization's governing body and either (1) the District's ability to impose its will over the organization or (2) the potential that the organization will provide a financial benefit to, or impose a financial burden on, the District. This report includes all activities considered by the management to which the District is financially accountable.

**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 government 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 Accounting - Fund Accounting**

The District uses funds to report its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

**TRANSPORTATION IMPROVEMENT DISTRICT  
FAIRFIELD COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2000  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**A. Basis of Accounting - Fund Accounting (Continued)**

The following category and fund type is used by the District.

**Governmental Fund Type**

Governmental funds are those through which most governmental functions typically are financed. The acquisition, use, and balances of the District's expendable financial resources and the related current liabilities are accounted for through governmental funds. The following is the District's governmental fund type:

**General Fund**

This fund is used to account 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 according to the general laws of Ohio and the bylaws of the District.

**B. Measurement Focus/Basis of Accounting**

The modified accrual basis of accounting is followed for the General Fund. Under this method of accounting, the District recognizes revenue when it becomes both measurable and available. Measurable means the amount of the transaction can be determined. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period, which for the purposes District is considered to be 31 days after year-end. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.

**C. Budget and Budgetary Accounting**

Legally, the Ohio Revised Code does not strictly impose a requirement on the District to follow the budgetary process, however, the District chose to follow a few of the budgetary processes for internal control purposes.

**Tax Budget**

In November 1999, the Board of Trustees adopted a proposed operating budget for the fiscal year which commenced January 1, 2000. The budget includes proposed expenditures and the means of financing.

**D. Cash**

Cash received by the District is maintained in a central bank account with individual fund balance integrity maintained throughout. During 2000 the District had no investments.

**TRANSPORTATION IMPROVEMENT DISTRICT  
FAIRFIELD COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2000  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Intergovernmental Revenues**

Intergovernmental revenues, such as contributions awarded on a non-reimbursement basis, are recorded as receivables and revenues when measurable and available.

Fairfield County in which the District is considered a component unit, contributed \$100,000 during 2000.

**F. Unreserved Fund Balance**

The unreserved portion of fund equity reflected for the General Fund is available for use within the specific purposes of that fund.

**3. BUDGETARY BASIS OF ACCOUNTING**

The District prepares its budget on a basis of accounting that differs from generally accepted accounting principles (GAAP). The actual results of operations are presented in the "Statement of Revenues, Expenditures, and Changes in Fund Balances—Budget and Actual" in accordance with the budget basis of accounting.

The major differences between the budgetary basis of accounting and GAAP are that:

- a) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- b) Expenditures are recorded when encumbered (budget basis) as opposed to when the liability is incurred (GAAP basis);

The following table summarizes the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type:

**Excess of Revenue Over Expenditures**

GAAP Basis	\$51,202
Adjustments:	
Expenditure Accruals	<u>(3,213)</u>
Budget Basis	<u>\$47,989</u>

**TRANSPORTATION IMPROVEMENT DISTRICT  
FAIRFIELD COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2000  
(Continued)**

**4. CASH**

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 savings or deposit accounts including, but not limited to, passbook accounts.

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), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

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 two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bond 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;

**TRANSPORTATION IMPROVEMENT DISTRICT  
FAIRFIELD COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2000  
(Continued)**

**4. CASH (Continued)**

6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAROhio);

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 treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits With Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements."

**Deposits:** At year end, the carrying amount of the District's deposits was \$83,005 and the bank balance was \$83,005. The entire balance was covered by federal depository insurance (FDIC).

**5. RETIREMENT SYSTEMS**

The District's employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer defined benefit pension plan administered by the Public Employees Retirement Board. PERS provides basic retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by Chapter 145 of the Ohio Revised Code. PERS issues a stand alone financial report that may be obtained by writing to the Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642.

Plan members are required to contribute 8.5 percent of their annual covered salary to fund pension obligations. For calendar year 2000, PERS instituted a temporary employer rate rollback for state and local governments. The District was required to contribute 6.54 percent of covered salary for 2000, a reduction from 9.35 percent for 1999. Contributions are authorized by state statute. The contribution rates are determined actuarially; 100 percent has been contributed for all three years.

The Public Employees Retirement System of Ohio (PERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in GASB Statement No. 12. A portion of each employer's contribution to PERS is set aside for the funding of postretirement health care based on authority granted by State statute. The 2000 employer contribution rate was 10.84 percent of covered payroll; 4.30 percent was the portion that was used to fund health care for 2000. For 1999, the contribution rate was 13.55 percent of covered payroll; 4.20 percent was the portion that was used to fund health care.

**TRANSPORTATION IMPROVEMENT DISTRICT  
FAIRFIELD COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2000  
(Continued)**

**5. RETIREMENT SYSTEMS (continued)**

Benefits are advance funded using the entry age normal cost method. Significant actuarial assumptions, based on PERS's latest actuarial review performed as of December 31, 1999, include a rate of return on investments of 7.75 percent, an annual increase in active employee total payroll of 4.75 percent compounded annually and an additional increase in total payroll of between .54 percent and 5.1 percent based on additional annual pay increases. Health care premiums were assumed to increase 4.75 percent annually.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets.

The number of active contributing participant was 401,339. The actual contribution and actuarially required contribution amounts are the same. PERS's net assets available for payment of benefits at December 31, 1999 were \$10,805.5 million. The actuarially accrued liability and the unfunded actuarial accrued liability were \$12,473.6 million and \$1,668.1 million, respectively.

For 2000, PERS elected to return to an actuarially pre-funded type of disclosure because it is a better presentation of PERS's actual funding methodology. Since 1997, disclosures had been based on a pay-as-you-go basis.

**6. RISK MANAGEMENT**

The District has obtained commercial insurance for the following risks:

- General liability
- Official's Bonds





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## REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS

Board of Trustees  
Fairfield County Transportation Improvement District  
Fairfield County  
407 E. Main Street  
Lancaster, Ohio 43130

We have audited the financial statements of Transportation Improvement District, Fairfield County, Ohio (the "District") as of December 31, 2000, and have issued our report thereon dated May 22, 2001. 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 statements are 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 no instances of noncompliance that are required to be reported 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 considered to be material weaknesses.

Transportation Improvement District  
Fairfield County  
Report on Compliance and on Internal Control Required By  
Government Auditing Standards  
Page 2

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

**JIM PETRO**  
Auditor of State

May 22, 2001



STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

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**TRANSPORTATION IMPROVEMENT DISTRICT**

**FAIRFIELD 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  
JUNE 19, 2001**