



**ROSSFORD TRANSPORTATION IMPROVEMENT DISTRICT
WOOD COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 1999-1998



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**ROSSFORD TRANSPORTATION IMPROVEMENT DISTRICT
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REPORT OF INDEPENDENT ACCOUNTANTS

Rossford Transportation Improvement District
Wood County
P.O. Box 8
Rossford, Ohio 43460-0008

To Board Members:

We have audited the accompanying balance sheets of the Rossford Transportation Improvement District (the District), a component unit of Wood County, as of and for the years ended December 31, 1999 and 1998, and the related statements of expenses and changes in accumulated deficit and statements of cash flows for the years then ended. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these 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 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 financial statements referred to above present fairly, in all material respects, the financial position of the District, as of December 31, 1999 and 1998, and its results of operations and cash flows for the years then ended in conformity with generally accepted accounting principles.

The accompanying financial statements have been prepared assuming the District will continue as a going concern. As discussed in Note 5 to the financial statements, the District has been unable to pay debt obligations when due. Accordingly, there is substantial doubt about its ability to continue as a going concern. Management's plans in regards to these matters are also discussed in Note 5. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 25, 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. That report is an integral part of an audit performed under *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

Jim Petro
Auditor of State

August 25, 2000

**ROSSFORD TRANSPORTATION IMPROVEMENT DISTRICT
BALANCE SHEET
FOR THE YEARS ENDED DECEMBER 31, 1999 AND 1998**

	1999	1998
Assets:		
Current:		
Cash and Cash Equivalents	\$172,228	\$1,344,151
Receivables:		
Interest		11,567
Grants receivable	229,945	
Total Current Assets	402,173	1,355,718
Infrastructure	8,482,706	6,098,425
Total Assets	\$8,884,879	\$7,454,143
 Current Liabilities:		
Accounts Payable	\$1,100,973	\$537,121
Accrued Wages and Benefits Payable	4,179	3,740
Retainage Payable	13,925	125,775
Special Assessment Notes Payable	6,083,672	5,624,589
Water and Sewer Revenue Note Payable	1,245,005	1,151,051
Total Current Liabilities	8,447,754	7,442,276
 Equity:		
Accumulated Deficit	(563,325)	(238,133)
Contributed Capital	1,000,450	250,000
Total Equity	437,125	11,867
Total Liabilities and Retained Earnings	\$8,884,879	\$7,454,143

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

**ROSSFORD TRANSPORTATION IMPROVEMENT DISTRICT
STATEMENT OF EXPENSES AND CHANGES IN ACCUMULATED DEFICIT
FOR THE YEARS ENDED DECEMBER 31, 1999 AND 1998**

	1999	1998
Expenses:		
Administration	\$75,192	\$44,255
Operating Loss	(75,192)	(44,255)
Nonoperating Expenses		
Payment to the Rossford Arena Amphitheater Authority	250,000	
Payment to the Rossford Economic Growth Corporation		175,000
Total Nonoperating Expenses	250,000	175,000
Net Loss	(325,192)	(219,255)
Accumulated Deficit, January 1	(238,133)	(18,878)
Accumulated Deficit, December 31	(\$563,325)	(\$238,133)

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

**ROSSFORD TRANSPORTATION IMPROVEMENT DISTRICT
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 1999 AND 1998**

	1999	1998
Cash Flows From Operations:		
Operating Loss	(\$75,192)	(\$44,255)
Adjustments to Reconcile Operating Loss to Net Cash Used for Operations:		
Increase in Wages and Salaries Payable	439	3,740
Net Cash Used By Operations	(74,753)	(40,515)
Cash Flows From Capital Financing Activities:		
Infrastructure Construction	(1,407,192)	(5,140,650)
Proceeds from Bonds and Notes		6,472,462
Payment of Note		(25,000)
Contributions to the Crossroads Project	(250,000)	(175,000)
Construction Grants	520,505	250,000
Net Cash Provided (Used) by Capital Financing Activities	(1,136,687)	1,381,812
Cash Flows From Investing Activities		
Interest Paid		(123,877)
Interest Received	39,517	111,352
Net Cash Provided (Used) by Investing Activities	39,517	(12,525)
Net Increase (Decrease) in Cash and Cash Equivalents	(1,171,923)	1,328,772
Cash and Cash Equivalents, January 1	1,344,151	15,379
Cash and Cash Equivalents, December 31	\$172,228	\$1,344,151

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

Non-cash capital transactions

For 1999, the District capitalized net interest in the amount of \$525,176.
For 1998, the District capitalized net interest in the amount of \$304,136.

For 1999, the District had an increase in contributed capital in the amount of \$750,450.

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**ROSSFORD TRANSPORTATION IMPROVEMENT DISTRICT
NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Rossford Transportation Improvement District (the District) is a body corporate and politic, created to finance and construct roads and water and sewer lines for the Crossroads of America Project (the Crossroads Project) in the City of Rossford. The District was formed under the Ohio Revised Code Chapter 5540, by action of the Board of Wood County Commissioners on May 20, 1997.

The Board of Wood County Commissioners appointed five members of the District's seven member Board of Trustees. The Speaker of the House of Representatives and the President of the Senate of the Ohio General Assembly each appointed one additional nonvoting trustee. The Board of Wood County Commissioners has the authority to remove Board members with or without cause.

Since Wood County appoints a voting majority of the District's Board and can remove them without cause, the District is included as a component unit in the County's financial statements.

B. Basis of Presentation

The District uses an economic resources measurement focus. This measurement focus provides that all assets and liabilities associated with its operation be included on the balance sheet. The District uses the accrual basis of accounting. The operating statements present increases (i.e., revenues and contributed capital) and decreases (i.e., expenses) in net total assets. Revenues are recognized when earned and expenses are recognized when incurred.

The District follows Governmental Accounting Standards Board (GASB) guidance applicable to proprietary operations and Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989 that do not conflict with or contradict GASB pronouncements.

C. Infrastructure

Roads and sewer lines (infrastructure) acquired or constructed for the Crossroads of America Project are capitalized at cost. Assets valued at less than \$1,000 are not capitalized.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements which extend the useful life or increase the capacity or operating efficiency of the asset are capitalized at cost.

The District capitalizes costs associated with planning, developing, engineering and constructing infrastructure.

D. Contributed Capital

The District records grants restricted to capital construction as contributed capital.

**ROSSFORD TRANSPORTATION IMPROVEMENT DISTRICT
NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

E. Capitalizing Interest

The District has capitalized all interest incurred during 1999 and 1998 as part of infrastructure cost. The District offset this with interest earned on its debt proceeds.

	<u>1999</u>	<u>1998</u>
Interest costs incurred	\$553,126	\$427,055
Less interest earned	<u>27,950</u>	<u>122,919</u>
Net interest capitalized	<u><u>\$525,176</u></u>	<u><u>\$304,136</u></u>

2. CASH AND CASH EQUIVALENTS

The District classifies certificates of deposit with maturities of less than three months as cash equivalents.

The District can invest in the following:

- United States Treasury bills, bonds, notes, 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;
- Bonds, notes, debentures, or any other obligation or security 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;
- 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;
- Interim deposits in eligible institutions applying for interim funds;
- Bonds and other obligations of the State of Ohio;
- No-load money market mutual funds consisting exclusively of obligations described in the first two bullets of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
- The State Treasury Asset Reserve of Ohio (STAR Ohio).

Ohio Law requires that deposits be placed in eligible banks or savings and loan associations located in Ohio. Any public depository in which the District places deposits must pledge as collateral eligible securities of aggregate market value equal to the excess of deposits not insured by the Federal Deposit Insurance Corporation (FDIC). The securities pledged as collateral are pledged to a pool for each individual financial institution in amounts equal to at least 110% of the carrying value of all public

**ROSSFORD TRANSPORTATION IMPROVEMENT DISTRICT
NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

deposits held by each institution. Obligations that may be pledged as collateral are limited to obligations of the United States and its agencies and obligations of any state, county, municipal corporation or other legally constituted authority of any other state, or any instrumentality of such county, municipal corporation or other authority.

Deposits

1999

At year end, the carrying amount of the District's deposits was \$172,228 and the bank balance was \$192,763. Federal depository insurance covered \$100,000 of the bank balance, and all remaining deposits were collateralized by financial institution collateral pools.

1998

At year end, the carrying amount of the District's deposits was \$1,344,151 and the bank balance was \$1,377,109. Federal depository insurance covered \$177,109 of the bank balance, and all remaining deposits were collateralized by financial institution collateral pools.

3. INFRASTRUCTURE

Summary of changes in infrastructure for fiscal year 1999:

<u>Category</u>	<u>Balance 12/31/98</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/99</u>
Land	\$1,477,607	\$102,301		\$1,579,908
Roads and water/sewer lines		6,902,798		6,902,798
Construction in progress	4,620,818		(\$4,620,818)	
Totals	<u>\$6,098,425</u>	<u>\$7,005,099</u>	<u>(\$4,620,818)</u>	<u>\$8,482,706</u>

Summary of changes in infrastructure for fiscal year 1998:

<u>Category</u>	<u>Balance 12/31/97</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/98</u>
Land		\$1,477,607		\$1,477,607
Construction in progress	\$9,257	4,611,561		4,620,818
Totals	<u>\$9,257</u>	<u>\$6,089,168</u>		<u>\$6,098,425</u>

Through December 31, 1999, the District has constructed approximately 1.6 miles of four-lane highway connecting the north and south border of the Crossroads project area. The District has also constructed .6 miles of a connecting road (Arena Drive) to Lime City Road. The District also laid water and sewer lines adjacent to these roads. The City of Rossford (the City) is responsible for maintaining these roads.

**ROSSFORD TRANSPORTATION IMPROVEMENT DISTRICT
NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

4. LONG-TERM DEBT

Debt outstanding as of December 31, 1999 was:

	Issue Number	Interest Rate	Face Amount	Unearned Discount	Balance 12/31/99
Special Assessment Bond Anticipation Notes:					
Richard Kavanagh	R2,R3	8.49%	\$687,658	\$22,361	\$665,297
Mid Am Bank	R4	8.49%	584,929	19,021	565,908
William K. Miller & Thomas J. Miller	R5	8.49%	200,000	6,504	193,496
First Federal Bank	R6	8.49%	200,000	6,504	193,496
William Olpp	R7	8.49%	25,000	813	24,187
William Ankney	R8	8.49%	25,000	813	24,187
Mid Am Bank	R10	8.00%	<u>4,565,563</u>	<u>148,462</u>	<u>4,417,101</u>
Total Special Assessment Bond Anticipation Notes			6,288,150	204,478	6,083,672
Water and Sewer Revenue Note Citizen Savings Bank	R9	8.00%	<u>1,286,850</u>	<u>41,845</u>	<u>1,245,005</u>
Total Long-Term Debt			<u><u>7,575,000</u></u>	<u><u>246,323</u></u>	<u><u>7,328,677</u></u>

The notes listed above were issued at a discount. Interest charges accrue to reduce the discount, and are included in notes payable on the balance sheet. No interest costs were due on these notes during 1998 or 1999.

All of the above debt was due June 1, 2000. See Note 5 regarding refinancing activity subsequent to June 1, 2000.

5. GOING CONCERN

A. Long-Term Debt (see Note 4)

The District was unable to pay Note R9 on June 1, 2000. Perrysburg Township subsequently purchased note R9 from Citizens Savings Bank and is the current holder. No payments have been made on this note. This note will be paid from tap-in fees, as they are collected (see Note C below).

The District was also unable to pay the other debt due June 1, 2000. The creditors extended the due date until August 1. On August 1, the District refinanced this debt as follows:

Rossford City entered into a twenty-year lease-purchase agreement with the District. Lease payments made in August, 2000, were \$2,550,000, to retire Notes R2 through R8. The District assigned future special assessments sufficient to repay this amount, to the City (see Note B. below). The City owes \$1 annual payments through 2020, but may elect to prepay these amounts. Title to the north-south collector boulevard from the intersection of State route 795 and Simmons Road in Wood County, Ohio, extending south commencing at State Route 795 and terminating at US 20 and the east-west road known as "Arena Drive" will pass to the City at the end of the lease.

**ROSSFORD TRANSPORTATION IMPROVEMENT DISTRICT
NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

Perrysburg Township loaned the District \$4,565,000 to retire Note R10. These bonds bear interest of 8.5%, repayable over 20 years from special assessments (see Note B. below).

B. Special Assessments

The District can assess property benefitting from the roads and water and sewer lines the District has constructed. The District can assess owners up to 10% of the assessable value of this property. During 2000, the District determined the value of the assessable property to be \$171,317,400.

In April 2000, the District levied \$6,350,280 in assessments. Property owners could elect to pay their total assessment by May 31, 2000, or pay semiannually (including interest) over the life of the debt payable from assessments. Through August 25, 2000, the District collected approximately \$206,000 in assessments.

Several property owners have filed suit with the Wood County Common Pleas Court questioning the fair values upon which the assessments were based. As of August 25, 2000, the effect of this suit on the District's ability to enforce the assessments is indeterminable.

C. Tap-in Fees

Debt issued to finance sewer line construction (\$1,245,005) is payable by tap-in fees chargeable to property owners using these sewer lines. As of August 25, 2000, no sewer services have been provided or billed.

D. Arena Amphitheater

One of the major components of the Crossroads Project was to be an amphitheater and an arena. The Rossford Arena-Amphitheater Authority (RAAA) began constructing these facilities in 1998. In November, 1999, construction ceased due to insufficient financing. The arena and amphitheater are substantially incomplete. As of August 25, 2000, it is unknown when or if construction will resume. The District is not responsible for liabilities incurred by the RAAA.

6. PAYMENTS TO THE CROSSROADS PROJECT

During 1999, the District loaned \$250,000, at 6%, payable to the RAAA to assist it in meeting its current obligations. The loan was due March 1, 2000. The District agreed to extend the due date. As of August 25, 2000, the RAAA has a significant net deficit, and will be unable to repay the District without additional financing. Due to the uncertainty of repayment, the District's financial statements present this transaction as a contribution. A majority of the RAAA board members belong to the executive branch of the City of Rossford.

During 1998, the District paid \$175,000 to the Rossford Economic Growth Corporation (the Corporation). Several businesses formed the Corporation as an Ohio non-profit organization, to acquire land for use in the Crossroads project. The Corporation agreed to repay this to the District on demand, including 5% interest. As of August 25, 2000, the Corporation has a significant net deficit, and will be unable to repay the District without additional financing. The District's financial statements therefore present this payment as a contribution.

The District will continue to pursue repayment of these amounts.

**ROSSFORD TRANSPORTATION IMPROVEMENT DISTRICT
NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

7. INSURANCE AND RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. The District is covered through the City of Rossford's insurance contract with the Ohio Government Risk Management Plan (the OGRMP), a public entity risk plan formed under § 2744.081 of the Ohio Revised Code. OGRMP is a common risk management and insurance program for 585 member political subdivisions. The City of Rossford insures the District under the City of Rossford's policy. The City of Rossford pays the annual premium on behalf of the District to the OGRMP for its general insurance coverage. The OGRMP agreement requires the organization to be self-sustaining through member premiums and will reinsure all covered claims in excess of a member's deductible through commercial insurance and reinsurance companies.



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

Rossford Transportation Improvement District
Wood County
P.O. Box 8
Rossford, Ohio 43460-0008

To Board of Trustees:

We have audited the financial statements of the Rossford Transportation Improvement District (the District), a component unit of Wood County, as of and for the years ended December 31, 1999 and 1998, and have issued our report thereon dated August 25, 2000. Our report expressed substantial doubt about the District's ability to continue as a going concern. 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards*. This instance is disclosed in the accompanying Schedule of Findings as 1999-20187-001. We also noted a certain immaterial instance of noncompliance that we have reported to management of the District in a separate letter dated August 25, 2000.

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 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, which we have reported to management of the District in a separate letter dated August 25, 2000.

Rossford Transportation Improvement District
Wood 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, 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

August 25, 2000

**ROSSFORD TRANSPORTATION IMPROVEMENT DISTRICT
SCHEDULE OF FINDING
DECEMBER 31, 1999 AND 1998**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number 1999-20187-001

During 1998, the Rossford Transportation Improvement District issued a note payable to Perrysburg Township in the amount of \$1,286,850. This obligation was subsequently sold to Citizens Savings Bank and was subject to an agreement whereby Perrysburg Township would repurchase the debt from Citizens Savings Bank in the event of default by the District. Section 1 of the debt agreement states that the Rossford Transportation Improvement District shall pay the note holder the sum of \$1,286,850 on June 1, 2000. The District was unable to pay this obligation on its due date of June 1, 2000, contrary to the provisions of the debt agreement. Perrysburg Township has repurchased the note and is now its current holder.



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ROSSFORD TRANSPORTATION IMPROVEMENT DISTRICT

WOOD 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
SEPTEMBER 26, 2000