



**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 the 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), a component unit of Muskingum County, as of and for the year ended December 31, 2004, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Transportation Improvement District, Muskingum County, Ohio, as of December 31, 2004, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 17, 2005 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

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

**Betty Montgomery**  
Auditor of State

June 17, 2005

TRANSPORTATION IMPROVEMENT DISTRICT  
Management's Discussion and Analysis  
For the Year Ended December 31, 2004  
(Unaudited)

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The discussion and analysis of the Transportation Improvement District (the District), financial performance provides an overall review of the District's financial activities for the fiscal year ended December 31, 2004. 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 2004 are as follows:

- ✓ General Revenues accounted for approximately \$11 thousand in revenue or 1% of all revenues. Program revenues accounted for approximately \$1.5 million or 99% of total revenues.
- ✓ Total expenses were approximately \$2.1 million, all within governmental activities.
- ✓ Outstanding debt decreased from \$14,559,305 to \$14,444,899 through the scheduled repayment of debt.

***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 Activities provide information from a summary perspective showing the effects of the operations for the year 2004 and how they affected the operations of the District as a whole.

***Reporting of the Transportation Improvement District as a Whole***

*Statement of Net Assets and the Statement of Activities*

The *Statement of Net Assets and Statement of Activities* provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's major funds.

A question typically asked about the District's finances is, "How did we do financially during fiscal year 2004?" 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, 2004  
(Unaudited)

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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 Improvement District's Most Significant Funds***

*Fund Financial Statements*

A fund is a grouping of related accounts that is used to maintain control over resources that have been safeguarded for specific activities or objectives. The District uses 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, 2004  
(Unaudited)

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**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 2004 compared to 2003:

**(Table 1)**  
**Net Assets**

	Governmental Activities	
	2004	2003
<b>Assets</b>		
Current and Other Assets	\$ 15,593,774	\$ 16,853,222
Total Assets	15,593,774	16,853,222
<b>Liabilities</b>		
Long-Term Liabilities	14,444,899	14,559,305
Other Liabilities	2,013,883	2,563,393
Total Liabilities	16,458,782	17,122,698
<b>Net Assets</b>		
Unrestricted (Deficit)	(865,008)	(269,476)
Total Net Assets	\$ (865,008)	\$ (269,476)

Total assets decreased by \$1.3 million and total liabilities decreased \$664,000. A portion of these changes can be attributed to debt payments made to the State Infrastructure Bank from revenues received from Muskingum County. This decreased the District's long-term liabilities and receivables for amounts due to be received from Muskingum County in future periods to retire this debt.

In addition, construction on the Northpointe Drive project was completed during 2004 and fewer construction costs remained outstanding. This resulted in a decrease in contracts payable and loans receivable as loan proceeds were the main source of revenue to pay the costs of this project.

TRANSPORTATION IMPROVEMENT DISTRICT  
Management's Discussion and Analysis  
For the Year Ended December 31, 2004  
(Unaudited)

Table 2 shows the changes in net assets for fiscal year 2004. Total revenues decreased by \$3,318,350 and total expenses decreased by \$2,822,517. This is due to the completion of Northpointe Drive. Since the Transportation Improvement District depends on grants and loans to fund its projects, when each project is completed, revenues and expenses will decrease until a new project is started. This also created a decrease in net assets of \$595,532. This table 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	Governmental Activities
	2004	2003
<b>Revenues</b>		
<i>Program Revenues:</i>		
Grants and Contributions	\$ 996,747	\$ 4,254,886
Charges for Services	514,130	463,529
<i>General Revenue:</i>		
Investments	3,392	4,319
Miscellaneous	7,500	117,385
<i>Total Revenues</i>	1,521,769	4,840,119
<b>Program Expenses</b>		
General Government	36,118	10,000
Public Works	1,214,373	4,466,289
Intergovernmental	352,680	0
Interest and Fiscal Charges	514,130	463,529
<i>Total Program Expenses</i>	2,117,301	4,939,818
Decrease in Net Assets	\$ (595,532)	\$ (99,699)

**Governmental Activities**

The program revenues for the governmental activities comes from several different sources, the most significant being grants from the State of Ohio and user charges from Muskingum County for Northpointe Drive.

General revenues include interest and miscellaneous revenues.

TRANSPORTATION IMPROVEMENT DISTRICT  
Management's Discussion and Analysis  
For the Year Ended December 31, 2004  
(Unaudited)

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***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 \$1,976,681, which includes \$340,506 in debt proceeds, and expenditures of \$2,572,213.

**Debt**

The outstanding debt for the Transportation Improvement District as of December 31, 2004 was \$14,444,899. This balance reflected a decrease of \$114,406 from the previous year's balance of \$14,559,305. Table 3 summarizes outstanding debt.

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

	Governmental Activities	
	2004	2003
Loans Payable	\$ 14,444,899	\$ 14,559,305

The District has entered into two loan agreements with the State Infrastructure Bank. The loan proceeds were used to fund the Northpointe Drive project. The principal and interest repayments on the loans are funded through charges for services pursuant to a contract between the District and Muskingum County.

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 the Transportation Improvement District, 205 N. 5<sup>th</sup> Street Zanesville, Ohio 43701. e-mail [zmcport@globalco.net](mailto:zmcport@globalco.net).

**TRANSPORTATION IMPROVEMENT DISTRICT**

*Statement of Net Assets*

*December 31, 2004*

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	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$874,004
Receivables:	
Contracts Receivable	14,444,899
Loans Receivable	237,177
Intergovernmental Receivable	37,694
<i>Total Assets</i>	<u>15,593,774</u>
<b>Liabilities</b>	
Accounts Payable	474
Contracts Payable	1,143,409
Due to Primary Government	870,000
Long Term Liabilities:	
Due Within One Year	715,220
Due Within More Than One Year	13,729,679
<i>Total Liabilities</i>	<u>16,458,782</u>
<b>Net Assets</b>	
Unrestricted	<u>(865,008)</u>
<b><i>Total Net Assets</i></b>	<u><u>(\$865,008)</u></u>

See accompanying notes to the basic financial statements.

**TRANSPORTATION IMPROVEMENT DISTRICT**  
*Statement of Activities*  
For the Year Ended December 31, 2004

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense)</u>
		<u>Charges For Services</u>	<u>Grants and Contributions</u>	<u>Revenue and Changes in Net Assets in Governmental Activities</u>
<b>Governmental Activities</b>				
Current:				
General Government	\$36,118	\$	\$	(36,118)
Public Works	1,214,373	0	996,747	(217,626)
Intergovernmental	352,680	0	0	(352,680)
Debt service:				
Interest and fiscal charges	514,130	514,130	0	0
<i>Total Governmental Activities</i>	<u>2,117,301</u>	<u>514,130</u>	<u>996,747</u>	<u>(606,424)</u>
<b>General Revenues</b>				
Investment Earnings				3,392
Miscellaneous				7,500
Total General Revenues				<u>10,892</u>
Change in Net Assets				(595,532)
Net Assets (Deficit) Beginning of Year				<u>(269,476)</u>
Net Assets (Deficit) End of Year				<u><u>(\$865,008)</u></u>

See accompanying notes to the basic financial statements.

**TRANSPORTATION IMPROVEMENT DISTRICT**

*Balance Sheet  
Governmental Funds  
December 31, 2004*

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects North Pointe</u>	<u>Capital Projects State Route 93/22</u>	<u>Total Governmental Funds</u>
<b>Assets</b>					
Equity in Pooled Cash and Cash Equivalents	\$ 978	\$	\$ 718,942	\$ 154,084	\$ 874,004
Receivables:					
Contracts Receivable	0	14,444,899	0	0	14,444,899
Loans Receivable	0	0	237,177	0	237,177
Intergovernmental Receivable	0	0	0	37,694	37,694
<b>Total Assets</b>	<b>\$ 978</b>	<b>\$ 14,444,899</b>	<b>\$ 956,119</b>	<b>\$ 191,778</b>	<b>\$ 15,593,774</b>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Accounts Payable	\$474	\$0	\$0	\$0	\$474
Contracts Payable	10,000	0	931,159	202,250	1,143,409
Due to Primary Government	0	0	870,000	0	870,000
Deferred Revenue	0	14,444,899	0	0	14,444,899
<b>Total Liabilities</b>	<b>10,474</b>	<b>14,444,899</b>	<b>1,801,159</b>	<b>202,250</b>	<b>16,458,782</b>
<b>Fund Balances</b>					
Undesignated:					
General Fund	(9,496)	0	0	0	(9,496)
Capital Projects Funds	0	0	(845,040)	(10,472)	(855,512)
<b>Total Fund Balances</b>	<b>(9,496)</b>	<b>0</b>	<b>(845,040)</b>	<b>(10,472)</b>	<b>(865,008)</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 978</b>	<b>\$ 14,444,899</b>	<b>\$ 956,119</b>	<b>\$ 191,778</b>	<b>\$ 15,593,774</b>

See accompanying notes to the basic financial statements.

**TRANSPORTATION IMPROVEMENT DISTRICT**  
*Reconciliation of Total Governmental Fund Balances to  
Net Assets Governmental Activities  
December 31, 2004*

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Total Governmental Fund Balances \$ (865,008)

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

Other long-term assets are not available to pay for current-  
period expenditures and therefore are deferred in the funds. 14,444,899

Long-term liabilities, are not due and payable in the current period and  
therefore are not reported in the funds. (14,444,899)

Net Assets of Governmental Activities \$ (865,008)

See accompanying notes to the basic financial statements.

**TRANSPORTATION IMPROVEMENT DISTRICT**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*December 31, 2004*  
*For the Year Ended December 31, 2004*

	General	Debt Service	Capital Projects North Pointe	Capital Projects State Route 93/22	Total Governmental Funds
<b>Revenues:</b>					
Intergovernmental	\$	\$908,892	\$	\$716,391	\$1,625,283
Interest	3,392	0	0	0	3,392
Miscellaneous	7,500	0	0	0	7,500
<i>Total Revenues</i>	<u>10,892</u>	<u>908,892</u>	<u>0</u>	<u>716,391</u>	<u>1,636,175</u>
<b>Expenditures:</b>					
Current:					
General Government	36,118	0	0	0	36,118
Public Works	0	0	619,690	594,683	1,214,373
Intergovernmental	0	0	352,680	0	352,680
Debt Service:					
Principal Retirement	0	454,912	0	0	454,912
Interest and Fiscal Charges	0	453,980	60,150	0	514,130
<i>Total Expenditures</i>	<u>36,118</u>	<u>908,892</u>	<u>1,032,520</u>	<u>594,683</u>	<u>2,572,213</u>
<i>Excess of Revenues Over/(Under) Expenditures</i>	(25,226)	0	(1,032,520)	121,708	(936,038)
<b>Other Financing Sources:</b>					
Proceeds of Notes	0	0	340,506	0	340,506
<i>Total Financing Sources/(Uses)</i>	<u>0</u>	<u>0</u>	<u>340,506</u>	<u>0</u>	<u>340,506</u>
<i>Net Change in Fund Balance</i>	(25,226)	0	(692,014)	121,708	(595,532)
<i>Fund balance (deficit) at beginning of year</i>	<u>15,730</u>	<u>0</u>	<u>(153,026)</u>	<u>(132,180)</u>	<u>(269,476)</u>
<i>Fund balance (deficit) at end of year</i>	<u>(\$9,496)</u>	<u>\$0</u>	<u>(\$845,040)</u>	<u>(\$10,472)</u>	<u>(\$865,008)</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, 2004*

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Net Change in Fund Balances - Total Governmental Funds	\$ (595,532)
<b><i>Amounts reported for governmental activities in the statement of activities are different because:</i></b>	
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds	(114,406)
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.	454,912
Proceeds of notes transactions are recorded as revenues in the funds, however, on the statement of activities, they are not reported as revenues as they increase the liabilities on the statement of net assets.	<u>(340,506)</u>
Change in Net Assets of Governmental Activities	<u>\$ (595,532)</u>

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, 2004**

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**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, 2004 Comprehensive Annual Financial Report, as defined by the provisions of GASB Statement No. 14 and No. 39. Also, the Zanesville-Muskingum County Port Authority serves as the Administrative Agent for the 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, 2004**

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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 2004.

**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, 2004**

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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.

**TRANSPORTATION IMPROVEMENT DISTRICT  
MUSKINGUM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2004**

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

**Revenues - Exchange and Non-Exchange Transactions** Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of the fiscal year-end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include grants, entitlements, and donations. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: 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.

**TRANSPORTATION IMPROVEMENT DISTRICT  
MUSKINGUM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2004**

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

**E. Cash and Cash Equivalents**

To improve cash management, cash received by the District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the combined balance sheet and statement of net assets. Prior to July 1, 2004, the General Fund was the only fund allocated interest earnings.

Beginning July 1, 2004, the District contracted with the Muskingum County Auditor to act as fiscal agent. The County Treasurer is custodian for this cash and the District's assets are held in the County's cash and investment pool, and are valued at the County Treasurer's reported carrying amount.

**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. The asset will revert to the County upon full payment of the related debt.

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

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

In general, Governmental Fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. Long-term loans are recognized as a liability on the 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 - CHANGES IN FUND BALANCES/ NET ASSETS AND ACCOUNTING PRINCIPLES**

***Changes in Accounting Principles*** For 2004, the District has implemented GASB Statement No. 39, "Determining Whether Certain Organizations are Component Units" and GASB Statement No. 46, "Net Assets Restricted by Enabling Legislation" and GASB Technical Bulletin No. 2004-2, "Recognition of Pension and Other Postemployment Benefit Expenditures/Expenses and Liabilities by Cost-Sharing Employers."

**TRANSPORTATION IMPROVEMENT DISTRICT  
MUSKINGUM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2004**

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**NOTE 3 - CHANGES IN FUND BALANCES/ NET ASSETS AND ACCOUNTING PRINCIPLES  
(Continued)**

GASB Statement No. 39 states that entities for which a primary government is not financially accountable may still be reported as component units based on the nature and significance of their relationship with the primary government.

GASB Statement No. 46 clarifies how legal enforceability should be applied for determining restricted net assets.

GASB Technical Bulletin No. 2004-2 addresses the amount that should be recognized as an expenditure/expense and as a liability each period by employers participating in a cost-sharing multiple-employer pension and other post-employment benefit (OPEB) plans.

The implementation of GASB Statement No. 39, GASB Statement No. 46 and GASB Technical Bulletin No. 2004-2 did not affect the presentation of the financial statements of the District.

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

The County Auditor serves as fiscal officer of the Board. The Ohio Revised Code prescribes allowable deposits and investments for both the District and the County. At December 31, 2004, the District had cash and investments with a carrying amount of \$874,004, which is included in and collateralized with Muskingum County's cash management pool.

**NOTE 5 – ACCOUNTABILITY**

At December 31, 2004, the North Pointe Fund had a deficit fund balance in the amount of \$845,040, the General Fund had a deficit fund balance in the amount of \$9,496, and the State Route 93/22 Fund had a deficit fund balance of \$10,472. These deficits resulted from the recognition of accrued liabilities in accordance with generally accepted accounting principles.

**NOTE 6 – RECEIVABLES**

Receivables at December 31, 2004 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	\$ 237,177
Intergovernmental Receivable	37,694
Contract Receivable	<u>14,444,899</u>
 Total	 <u>\$ 14,719,770</u>



**TRANSPORTATION IMPROVEMENT DISTRICT  
MUSKINGUM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2004**

**NOTE 7 – LONG-TERM OBLIGATIONS**

Changes in the long-term obligations of the District during 2004 were as follows:

	Outstanding 1/1/2004	Additions	(Reductions)	Loan Balance 12/31/2004	Additional Loan Proceeds Receivable	Outstanding 12/31/2004	Amounts Due In One Year
Governmental Activities:							
General long-term obligations:							
State Infrastructure Bank - 4%	\$ 10,809,432	\$ 20,229	\$ (454,912)	\$ 10,374,749	\$ 0	\$ 10,374,749	\$ 484,843
State Infrastructure Bank - 3% additional loan proceeds	2,238,600	1,594,373	0	3,832,973	237,177	4,070,150	230,377
Total general long-term obligations	<u>\$ 13,048,032</u>	<u>\$ 1,614,602</u>	<u>\$ (454,912)</u>	<u>\$ 14,207,722</u>	<u>\$ 237,177</u>	<u>\$ 14,444,899</u>	<u>\$ 715,220</u>

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

	Loans			
	Principal	Interest	Principal	Interest
2005	\$ 484,843	\$ 435,830	\$ 230,377	\$ 61,968
2006	505,668	415,005	471,172	113,517
2007	527,387	393,286	485,414	99,276
2008	550,039	370,633	500,085	84,605
2009	573,664	347,008	515,201	69,489
2010-2014	3,259,776	1,343,586	1,928,953	117,459
2015-2019	4,022,614	580,747	0	0
2020	450,758	9,579	0	0
	<u>\$ 10,374,749</u>	<u>\$ 3,895,674</u>	<u>\$ 4,131,202</u>	<u>\$ 546,314</u>

The District accepted the terms of a loan agreement on June 15, 1999 and entered into a loan agreement 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 \$404,125, 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. As of December 31, 2004, the District had drawn down the total authorized amount of \$11,464,129.

**TRANSPORTATION IMPROVEMENT DISTRICT  
MUSKINGUM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2004**

**NOTE 7 – LONG-TERM OBLIGATIONS (Continued)**

In March 2003, the District obtained approval for an additional State Infrastructure Loan to finance design revisions and completion of the Northpointe Drive Project. The 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 8 years. In 2004, \$60,150 of accrued interest was added to the loan balance; the remaining balance of \$61,052 of accrued interest is scheduled to be added on March 24, 2005, which is the difference between the outstanding loan balance and the total amortization schedule loan balance above. 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 \$237,177 of capital outlay expenditures eligible to be drawn down from the loan as of December 31, 2004. As of December 31, 2004, the District had drawn down \$3,832,973 of \$4,131,203 total authorized.

**NOTE 8 – CONTRACTUAL COMMITMENTS**

As of December 31, 2004, the District had contractual commitments for the following projects:

	Contractual Commitment	Expended	Balance 12/31/2004
Luburgh Inc./RF Scurlock Co. Joint Venture	\$ 10,325,915	\$ 9,693,642	\$ 632,273
M-E Companies, Inc.	1,097,791	678,857	418,934
	\$ 11,423,706	\$ 10,372,499	\$ 1,051,207

In addition to the above commitments, the District is currently negotiating the final amounts owed on the completion of Northpointe Drive for work performed in 2004. Currently the balances of these negotiated amounts owed are as follows: Luburgh Inc./RF Scurlock Co. Joint Venture (\$163,030), American Electric Power (\$57,014), and Shelly Company (\$59,142). These amounts are reflected in the accompanying financial statements within contracts payable; however, the amount by which these commitments may be adjusted, if any, cannot reasonably be determined at this time.

**NOTE 9 – CURRENT PROJECT**

Northpointe Drive 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 project was 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 2004, the Transportation Improvement District incurred 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.

**TRANSPORTATION IMPROVEMENT DISTRICT  
MUSKINGUM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2004**

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**NOTE 9 – CURRENT PROJECT (Continued)**

As of December 31, 2004 the 93/22 road project is in the process of a preliminary engineering and environmental 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.

**NOTE 10 – RISK MANAGEMENT**

The District has obtained commercial insurance for the following risks:

- General liability, and
- Vehicles

**NOTE 11 – INTERGOVERNMENTAL LOAN**

In 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. On March 31, 2005, the District repaid \$20,000 of the loan with loan proceeds. The County then granted the District \$20,000 for 2005 general operating expenses.

**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.

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

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

To the 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), a component unit of Muskingum County, as of and for the year ended December 31, 2004, which collectively comprise the District's basic financial statements and have issued our report thereon dated June 17, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the District's management dated June 17, 2005 we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

**Compliance and Other Matters**

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*. In a separate letter to the District's management dated June 17, 2005, we reported an other matter related to noncompliance we deemed immaterial.

Transportation Improvement District  
Muskingum County  
Independent Accountants' Report on Internal Control Over  
Financial Reporting and On Compliance and Other Matters  
Required by *Government Auditing Standards*  
Page 2

We intend this report solely for the information and use of the audit committee, management, and the Board of Directors. It is not intended for 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

June 17, 2005



**Auditor of State  
Betty Montgomery**

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140  
Telephone 614-466-4514  
800-282-0370  
Facsimile 614-466-4490

**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  
JULY 12, 2005**