



Dave Yost • Auditor of State

**WARREN COUNTY TRANSPORTATION IMPROVEMENT DISTRICT
WARREN COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Statement of Net Assets	7
Statement of Activities.....	8
Balance Sheet, Governmental Funds	9
Statement of Revenues, Expenditures and Changes in Fund Balances, Governmental Funds	10
Notes to the Basic Financial Statements	11
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	19

This page intentionally left blank.



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Warren County Transportation Improvement District
Warren County
210 W. Main Street
Lebanon, Ohio 45036

To the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities and each major fund of Warren County Transportation Improvement District, Warren County, Ohio (the District), as of and for the year ended December 31, 2011, 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 Warren County Transportation Improvement District, Warren County, Ohio, as of December 31, 2011, and the respective changes in financial position, 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 20, 2012, 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.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D".

Dave Yost
Auditor of State

June 20, 2012

WARREN COUNTY TRANSPORTATION IMPROVEMENT DISTRICT
WARREN COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE PERIOD JANUARY 27, 2011 TO DECEMBER 31, 2011
(UNAUDITED)

This discussion and analysis of the Warren County Transportation Improvement District's (the District's) financial performance provides an overall review of the District's financial activities for the period January 27, 2011 to December 31, 2011, which is the District's initial financial reporting period. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the financial statements and notes to the basic financial statements to enhance their understanding of the District's financial performance. Since this is the District's initial financial reporting period, comparative financial information is not presented. In future periods when comparative financial information is available, such comparative financial information will be included and discussed as part of the management's discussion and analysis.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2011 are as follows:

- The District's net assets increased by \$2,937,993 to a year-end total of \$2,937,993.
- During the period, the District generated \$3,000,201 of revenues and incurred expenses of \$62,208.
- The District entered into intergovernmental agreements with the Warren County Commissioners, Warren County Engineer's Office and Deerfield Township that will provide current and future funding for the District's projects. During the current period, intergovernmental agreements accounted for \$3,000,000 of revenue.

USING THIS ANNUAL REPORT

This annual report consists of two parts – management's discussion and analysis and the basic financial statements. The basic financial statements include two kinds of statements that present different views of the District. These statements are as follows:

1. *The Government-Wide Financial Statements* – These statements provide both long-term and short-term information about the District's overall financial status.
2. *The Fund Financial Statements* – These statements focus on individual parts of the District, reporting the District's operations in more detail than the government-wide statements.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

Government-Wide Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the District's assets and liabilities. All current year revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the District's net assets and how they have changed. Net assets (the difference between the District's assets and liabilities) are one way to measure the District's financial health or position.

WARREN COUNTY TRANSPORTATION IMPROVEMENT DISTRICT
 WARREN COUNTY, OHIO
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 FOR THE PERIOD JANUARY 27, 2011 TO DECEMBER 31, 2011
 (UNAUDITED)

Over time, increases or decreases in the District's net assets are an indicator of whether its financial health is improving or deteriorating, respectively. The government-wide financial statements of the District reflect the following category for its activities:

Governmental Activities – The District's programs and services are reported as governmental activities and include general government and public works.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, not the District as a whole. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for particular purposes.

Governmental Funds – All of 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 when there are differences. As of December 31, 2011, there were no differences reported between in the governmental activities and governmental funds.

DISTRICT SUMMARY

The District as a Whole

The following table provides a summary of the District's net assets for 2011:

	Governmental Activities
Current and Other Assets	\$ 2,941,493
Total Assets	2,941,493
Other Liabilities	3,500
Total Liabilities	3,500
Net Assets:	
Restricted For Capital Projects	2,425,000
Unrestricted	512,993
Total Net Assets	\$ 2,937,993

WARREN COUNTY TRANSPORTATION IMPROVEMENT DISTRICT
 WARREN COUNTY, OHIO
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 FOR THE PERIOD JANUARY 27, 2011 TO DECEMBER 31, 2011
 (UNAUDITED)

The following table provides a summary of the District's changes in net assets for 2011:

	Governmental Activities
Revenues	
General Revenues:	
Interest	\$ 200
Program Revenues:	
Operating Grants and Contributions	1,000,001
Capital Grants and Contributions	2,000,000
Total Revenues	3,000,201
 Program Expenses	
General Government	62,208
Total Expenses	62,208
 Change in Net Assets	2,937,993
Beginning Net Assets	-
Ending Net Assets	\$ 2,937,993

Governmental Activities

During the period, net assets of the District's governmental activities increased by \$2,937,993. Additionally, operating grants and contributions of \$1,000,000 and capital grants and contributions of \$2,000,000 were the result of intergovernmental agreements with funding partners. Expenses for the period of \$62,208 were related to the administrative cost of operating the District.

The District's Funds

The District's governmental funds reported a combined fund balance of \$2,937,993. This increase occurred within the General Fund, I75/Fields Ertel – Mason Montgomery Road Interchange Fund and I75/State Route 73 Interchange Fund and is the result of the District receiving the initial revenues agreed to by its funding partners via the intergovernmental agreements, as previously mentioned.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of December 31, 2011, the District reported no capital assets.

Debt

As of December 31, 2011, the District reported no debt.

WARREN COUNTY TRANSPORTATION IMPROVEMENT DISTRICT
WARREN COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE PERIOD JANUARY 27, 2011 TO DECEMBER 31, 2011
(UNAUDITED)

ECONOMIC FACTORS

The period ending December 31, 2011 was the District's initial period of operations. The District is committed to its mission to improve the prosperity, health, safety, and welfare of the people of Warren County and the State of Ohio.

As with most infrastructure projects to be undertaken by local governments, the challenge facing the District is the future of both state and federal funding. With careful planning and monitoring of the District's finances and continued cooperation with local, state and federal officials, the District is confident that funding challenges can be overcome to develop, implement and construct the improvements envisioned to improve the prosperity, health, safety, and welfare of the people of Warren County and the State of Ohio.

CONTACTING THE DISTRICT'S MANAGEMENT

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. Questions concerning any of the information provided in this report, or requests for additional financial information, should be addressed to the Secretary-Treasurer, Warren County Transportation Improvement District, 105 Markey Road, Lebanon, Ohio 45036.

WARREN COUNTY TRANSPORTATION IMPROVEMENT DISTRICT
WARREN COUNTY, OHIO
Statement of Net Assets
December 31, 2011

	<u>Governmental Activities</u>
Assets:	
Equity in Pooled Cash and Cash Equivalents	<u>\$ 2,941,493</u>
Total Assets	<u>2,941,493</u>
Liabilities:	
Accounts Payable	<u>3,500</u>
Total Liabilities	<u>3,500</u>
Net Assets:	
Restricted For:	
Capital Projects	2,425,000
Unrestricted	<u>512,993</u>
Total Net Assets	<u><u>\$ 2,937,993</u></u>

See accompanying notes to the basic financial statements.

**WARREN COUNTY TRANSPORTATION IMPROVEMENT DISTRICT
WARREN COUNTY, OHIO**

Statement of Activities

For the Period January 27, 2011 to December 31, 2011

		Program Revenues		Net (Expense) Revenue and Change in Net Assets
	Expenses	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:				
General Government	\$ 62,208	\$ 1,000,001	\$ -	\$ 937,793
Public Works	-	-	2,000,000	2,000,000
Total Governmental Activities	62,208	1,000,001	2,000,000	2,937,793
		General Revenues:		
			Interest	200
		Total General Revenues		200
			Changes in Net Assets	2,937,993
			Net Assets at Beginning of Period	-
			Net Assets at End of Period	\$ 2,937,993

See accompanying notes to the basic financial statements.

WARREN COUNTY TRANSPORTATION IMPROVEMENT DISTRICT
WARREN COUNTY, OHIO
Balance Sheet
Governmental Funds
December 31, 2011

	Major Governmental Funds			
	General	171 / Fields Ertel - Mason Montgomery Road Interchange Fund	175 / State Route 73 Interchange Fund	Total Governmental Funds
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$ 516,493	\$ 2,000,000	\$ 425,000	\$ 2,941,493
Total Assets	\$ 516,493	\$ 2,000,000	\$ 425,000	\$ 2,941,493
Liabilities:				
Accounts Payable	\$ 3,500	\$ -	\$ -	\$ 3,500
Total Liabilities	3,500	-	-	3,500
Fund Balance:				
Restricted:				
Infrastructure Projects	-	2,000,000	425,000	2,425,000
Unassigned	512,993	-	-	512,993
Total Fund Balance	512,993	2,000,000	425,000	2,937,993
Total Liabilities and Fund Balance	\$ 516,493	\$ 2,000,000	\$ 425,000	\$ 2,941,493

See accompanying notes to the basic financial statements.

**WARREN COUNTY TRANSPORTATION IMPROVEMENT DISTRICT
WARREN COUNTY, OHIO**

*Statement of Revenues, Expenditures and
Changes in Fund Balances
Governmental Funds*

For the Period January 27, 2011 to December 31, 2011

	Major Governmental Funds			Total Governmental Funds
	General	I71 / Fields Ertel - Mason Montgomery Road Interchange Fund	I75 / State Route 73 Interchange Fund	
Revenues:				
Intergovernmental	\$ 1,000,000	\$ 2,000,000	\$ -	\$ 3,000,000
Interest	200	-	-	200
Contributions and Donations	1	-	-	1
Total Revenues	1,000,201	2,000,000	-	3,000,201
Expenditures:				
Current:				
General Government	62,208	-	-	62,208
Total Expenditures	62,208	-	-	62,208
Excess of Revenues Over (Under) Expenditures	937,993	2,000,000	-	2,937,993
Other Financing Sources (Uses):				
Advances-In	-	-	425,000	425,000
Advances-Out	(425,000)	-	-	(425,000)
Total Other Financing Sources (Uses)	(425,000)	-	425,000	-
Net Change in Fund Balance	512,993	2,000,000	425,000	2,937,993
Fund Balance at Beginning of Period	-	-	-	-
Fund Balance at End of Period	\$ 512,993	\$ 2,000,000	\$ 425,000	\$ 2,937,993

See accompanying notes to the basic financial statements.

Warren County Transportation Improvement District
Warren County, Ohio
Notes to the Basic Financial Statements
For the Period January 27, 2011 to December 31, 2011

1. REPORTING ENTITY

The Warren County Transportation Improvement District (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 created pursuant to Chapter 5540 of the Ohio Revised Code, as amended. The District was created by action of the Board of Warren County Commissioners on January 27, 2011.

The District is governed by a Board of Trustees that acts as the authoritative and legislative body of the entity. The Board is comprised of seven members of whom five are voting and two are non-voting. Each Board member serves a term of two years and there are no term limits for reappointment. The five voting Board members are appointed by the Board of Warren County Commissioners. The Speaker of the Ohio House of Representatives and the President of the Ohio Senate each appoint one non-voting member. None of the Board members receive compensation for serving on the Board.

District Officers consist of a Chairman, Vice-Chairman and Secretary-Treasurer, who are elected annually from among the voting members of the Board. The Chairman, Vice-Chairman and Secretary-Treasurer serve at the pleasure of the Board and are subject to removal by an affirmative vote of the majority of the Board at any time. The Chairman's responsibilities are to preside at all meetings of the Board and be the chief officer of the District. The Secretary-Treasurer serves as the fiscal officer of the District.

The District is reported as a component unit of Warren County, Ohio, as defined by the provisions of GASB statement numbers 14 and 39. As such, its activities are reported within the County's Comprehensive Annual Financial Report.

The District's management believes these financial statements represent all activities for 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 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.

2A. 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.

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.

Warren County Transportation Improvement District
Warren County, Ohio
Notes to the Basic Financial Statements
For the Period January 27, 2011 to December 31, 2011

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. Non-major funds are aggregated and presented in a single column. As of December 31, 2011, the District did not have any non-major funds to report.

2B. 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 District has the following major governmental funds:

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.

I71 / Fields Ertel – Mason Montgomery Road Interchange Fund – Accounts for resources to be used for infrastructure projects in the vicinity of the I71 / Fields Ertel – Mason Montgomery Road Interchange area.

I75 / State Route 73 Interchange Fund – Accounts for resources to be used for infrastructure projects in the vicinity of the I75 / State Route 73 Interchange area.

Warren County Transportation Improvement District
Warren County, Ohio
Notes to the Basic Financial Statements
For the Period January 27, 2011 to December 31, 2011

2C. Measurement Focus

Governmental-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 - Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. As of December 31, 2011, the District did not have any non-major funds to report.

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 are generally 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. As of December 31, 2011, no such reconciliation is presented as government-wide net assets equal the governmental funds' aggregate fund balance.

Classification of Fund Balance

In accordance with GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions," the District's fund balance is divided into five classifications based primarily on the extent to which the District must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. Nonspendable

The District classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact. At December 31, 2011, the District did not report any fund balance classified as nonspendable.

2. Restricted

Fund balance is restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

Warren County Transportation Improvement District
Warren County, Ohio
Notes to the Basic Financial Statements
For the Period January 27, 2011 to December 31, 2011

3. Committed

The District's Board can *commit* amounts via formal action (resolution). The District must adhere to these commitments unless the District's Board amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements. At December 31, 2011, the District did not report any fund balance classified as committed.

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by the District's Board or by State Statute. At December 31, 2011, the District did not report any fund balance classified as assigned.

5. Unassigned

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

2D. Basis of Accounting

The 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, however, there were no differences between the accrual and modified accrual basis of accounting for this period.

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.

Warren County Transportation Improvement District
Warren County, Ohio
Notes to the Basic Financial Statements
For the Period January 27, 2011 to December 31, 2011

Non-exchange 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 non-exchange transactions must also be available before it can be recognized.

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 been reported as deferred revenue.

At December 31, 2011, the District did not report any 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.

2E. 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 balance sheet and statement of net assets.

2F. Capital Assets

The District reports no capital assets. Title to assets maintained by the District as part of project related expenditures will transfer to the County or State upon project completion.

2G. Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements. In general, government fund payables and accrued liabilities that are incurred and are paid in a timely manner with 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.

Warren County Transportation Improvement District
Warren County, Ohio
Notes to the Basic Financial Statements
For the Period January 27, 2011 to December 31, 2011

2H. Interfund Transactions

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and eliminated in the Statement of Activities. Repayments from funds responsible for particular expenditures to the funds that initially paid for them are not presented on the financial statements.

2I. 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 provision, enabling legislation, or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

2J. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

3. EQUITY IN POOLED CASH AND CASH EQUIVALENTS

Monies held by the District are classified by State statute into three categories.

Active deposits are public deposits necessary to meet current demands upon the District. Active deposits must be maintained either as cash by the District, 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 that the District has identified as not required for use within the current five-year period of designation of 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 that 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 or deposit accounts, including passbook accounts.

Warren County Transportation Improvement District
Warren County, Ohio
Notes to the Basic Financial Statements
For the Period January 27, 2011 to December 31, 2011

The District has an Investment Policy that authorizes the Secretary-Treasurer to make investments of available monies from the funds of the District in securities as authorized by State law. These include:

- Bonds, notes, or other obligations of or guaranteed by the United States, or those for which the faith of the United States is pledged for payment of principal and interest thereon but does not include stripped principal or interest obligations of such obligations;
- Bonds, notes, debentures, or any other obligations or securities directly issued by a Federal government agency or instrumentality;
- Interim deposits in Board-approved depositories;
- Bonds and other obligations of the State;
- No-load money market mutual funds consisting exclusively of obligations described in the first two bullet points above and repurchase agreements secured by such obligations, provided such investments are made only through banks and savings and loan institutions authorized by R.C. 135.03;
- The State Treasury Asset Reserve (STAR Ohio).

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.

Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned. Protection of District cash and deposits is provided by the Federal Deposit Insurance Corporation as well as qualified securities pledged by the institution holding the assets. 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 105 percent of the carrying value of all public 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 state, or any instrumentality of such county, municipal corporation or other authority. Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees of the financial institutions.

At year-end, the carrying amount of the District's deposits was \$2,941,493 and the bank balance was \$2,941,493. Federal depository insurance covered \$250,000 of the bank balance. The remaining \$2,691,493 was collateralized in the manner described above.

Warren County Transportation Improvement District
Warren County, Ohio
Notes to the Basic Financial Statements
For the Period January 27, 2011 to December 31, 2011

4. INTERGOVERNMENTAL AGREEMENTS

The District has entered into intergovernmental agreements with the Warren County Commissioners, Warren County Engineers Office and Deerfield Township to provide funding to the District to facilitate the development and implementation of the District's projects.

The intergovernmental agreement executed with the Warren County Commissioners and Warren County Engineers Office provided for \$1,000,000 of funding in 2011 from the County's Highway Safety Improvement Program Fund. Additionally, and as part of the intergovernmental agreement, Warren County provided the District with \$1,000,000 in 2011 from the County's P&G TIF Fund. The County has also agreed to provide the District with the annual available revenues from the County's P&G TIF Fund in years 2013 through 2022. Such available revenues are estimated to have a future value of approximately \$34,000,000 at December 31, 2011.

The intergovernmental agreement with Deerfield Township provides for \$3,000,000 of funding commitments from available revenue sources in the amount of \$1,000,000 per year for a period of 3 years, beginning in 2011.

5. CONTRACTUAL COMMITMENTS

As of December 31, 2011, the District had an open, unpaid contractual commitment related to engineering and design work of \$422,498.

6. INTERFUND ACTIVITY

During the year, the District advanced \$425,000 out of the General Fund into the I75/State Route 73 Interchange Fund to provide funding for current project expenditures.

7. RISK MANAGEMENT

The District has obtained commercial insurance for the following risks:

- General Liability
- Public Officials Liability
- Crime

There have been no claims resulting from these risks since inception of the District in January 2011. Additionally, there have been no significant changes in coverage since January 2011.

8. SUBSEQUENT EVENTS

The District evaluated the effects subsequent events would have on the financial statements through the date of the auditors' report, which is the date the financial statements were available for issuance. As a result of this evaluation, no events requiring disclosure were noted.



Dave Yost • Auditor of State

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

Warren County Transportation Improvement District
Warren County
210 W. Main Street
Lebanon, Ohio 45036

To the Board of Trustees:

We have audited the financial statements of the governmental activities and each major fund of Warren County Transportation Improvement District, Warren County, Ohio (the District), as of and for the year ended December 31, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated June 20, 2012. 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 as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

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*.

Warren County Transportation Improvement District
Warren 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 management and others within the District. We intend it for no one other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

June 20, 2012



Dave Yost • Auditor of State

WARREN COUNTY TRANSPORTATION IMPROVEMENT DISTRICT

WARREN 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 05, 2012**