



Mary Taylor, CPA
Auditor of State

MUSKINGUM COUNTY CONVENTION FACILITIES AUTHORITY
MUSKINGUM COUNTY

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Mary Taylor, CPA
Auditor of State

Muskingum County Convention Facilities Authority
Muskingum County
205 North Fifth Street
Zanesville, Ohio 43701

To the Board of Directors:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

Mary Taylor

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Auditor of State

September 15, 2009

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Muskingum County Convention Facilities Authority
Muskingum County
205 North Fifth Street
Zanesville, Ohio 43701

To the Board of Directors:

We have audited the accompanying financial statements of the Muskingum County Convention Facilities Authority, Muskingum County, Ohio (the Authority), as of and for the years ended December 31, 2008 and 2007. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion 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 opinion.

As described more fully in Note 1, the Authority has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

GAAP require presenting entity-wide statements and also presenting the Authority's larger (i.e., major) funds separately. While the Authority does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require convention authorities to reformat their statements. The Authority has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2008 and 2007 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Authority as of December 31, 2008 and 2007, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the fund cash balances of the Muskingum County Convention Facilities Authority, Muskingum County, Ohio, as of December 31, 2008 and 2007, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Authority has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 15, 2009, on our consideration of the Authority'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.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

September 15, 2009

**MUSKINGUM COUNTY CONVENTION FACILITIES AUTHORITY
MUSKINGUM COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCE
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Capital Projects</u>	
Cash Receipts:			
Local Taxes	\$363,455		\$363,455
Rental Income	28,595		\$28,595
Earnings on Investments	24,391		\$24,391
Other Receipts	32,320		\$32,320
	<hr/>		
Total Cash Receipts	448,761	\$0	448,761
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Cash Disbursements:			
Current:			
Professional Services	26,061		26,061
Contractual Services	116,776		116,776
Utilities	28,870		28,870
Wages	126,194		126,194
Miscellaneous	21,972		21,972
Debt Service:			
Interest and Fiscal Charges		15,000	15,000
Capital Outlay	61,939	418,500	480,439
	<hr/>		
Total Cash Disbursements	381,812	433,500	815,312
<hr/>			
Total Cash Receipts Over/(Under) Cash Disbursements	66,949	(433,500)	(366,551)
<hr/>			
Other Financing Receipts/(Disbursements):			
Proceeds from Sale of Public Debt:			
Sale of Notes		439,000	439,000
	<hr/>		
Total Other Financing Receipts/(Disbursements)	0	439,000	439,000
<hr/>			
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	66,949	5,500	72,449
Fund Cash Balance, January 1	678,404	0	678,404
	<hr/>		
Fund Cash Balance, December 31	\$745,353	\$5,500	\$750,853
	<hr/> <hr/>		

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

**MUSKINGUM COUNTY CONVENTION FACILITIES AUTHORITY
MUSKINGUM COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCE
GOVERNMENTAL FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>General</u>
Cash Receipts:	
Local Taxes	\$356,077
Rental Income	18,698
Earnings on Investments	29,590
Other Receipts	<u>26,071</u>
Total Cash Receipts	<u>430,436</u>
Cash Disbursements:	
Current:	
Professional Services	28,077
Contractual Services	104,142
Utilities	25,030
Wages	104,484
Miscellaneous	12,447
Capital Outlay	<u>138,806</u>
Total Cash Disbursements	<u>412,986</u>
Total Cash Receipts Over/(Under) Cash Disbursements	17,450
Fund Cash Balance, January 1	<u>660,954</u>
Fund Cash Balance, December 31	<u><u>\$678,404</u></u>

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

**MUSKINGUM COUNTY CONVENTION FACILITIES AUTHORITY
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007**

1. Summary of Significant Accounting Policies

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Muskingum County Convention Facilities Authority, Muskingum County (the Authority), as a body corporate and politic. The Authority is directed by an eleven-member Board of Directors appointed in the manner outlined in Section 351.04, Ohio Revised Code. The Authority collects and administers the County-wide lodging tax.

The Authority's management believes these financial statements present all activities for which the Authority is financially accountable.

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred.

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash

Certificates of deposit are valued at cost.

D. Fund Accounting

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

1. General Fund

The General Fund reports all financial resources except those required to be accounted for in another fund.

2. Capital Project Fund

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Authority has the following Capital Project Fund:

Fioriware Project Fund – This fund is used to account for the proceeds of a revenue bond anticipation note used to acquire two parcels of property.

E. Budgetary Process

Ohio Rev. Code § 5705.28(B)(2) requires that, on or before the fifteenth day of July each year, the authority shall adopt an operating budget for the taxing unit for the ensuing fiscal year. A summary of 2008 and 2007 budgetary activity appears in Note 3.

**MUSKINGUM COUNTY CONVENTION FACILITIES AUTHORITY
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as capital outlay disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the basis of accounting the Authority uses.

2. Equity in Pooled Deposits

The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits and investments at December 31 was as follows:

	2008	2007
Demand deposits	\$178,429	\$128,978
Certificates of deposit	572,424	549,426
Total deposits	\$750,853	\$678,404

Deposits: Deposits are insured by the Federal Deposit Insurance Corporation, or collateralized by securities pledged specifically by the financial institution to the Authority.

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2008 and 2007 follows:

2008 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$470,000	\$448,761	(\$21,239)
Capital Projects	0	439,000	439,000
Total	\$470,000	\$887,761	\$417,761

2008 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$466,600	\$381,812	\$84,788
Permanent	0	433,500	(433,500)
Total	\$466,600	\$815,312	(\$348,712)

**MUSKINGUM COUNTY CONVENTION FACILITIES AUTHORITY
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

3. Budgetary Activity (Continued)

2007 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$440,000	\$430,436	(\$9,564)

2007 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$389,600	\$412,986	(\$23,386)

4. Social Benefit Plan

The Authority's employees contribute to Social Security. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants.

For 2008 and 2007, employees contributed 6.2% of their gross salaries. The Authority contributed an amount equal to 6.2% of participant's gross salaries. The Authority has paid all contributions to Social Security required through December 31, 2008.

5. Risk Management

Commercial Insurance

The Authority has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Commercial umbrella.

The Authority also provides health and life insurance to its employees through Muskingum County's self-insurance program, Aultra Administrative Group.

6. Debt

On December 9, 2008, the Muskingum County Convention Facilities Authority issued a revenue bond anticipation note in the amount of \$439,000 for the purpose of acquiring two parcels of real property. These revenue bond anticipation notes are general obligations of the Authority. The note was issued for a period of one year at 4.1%.

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Mary Taylor, CPA

Auditor of State

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

Muskingum County Convention Facilities Authority
Muskingum County
205 North Fifth Street
Zanesville, Ohio 43701

To the Board of Directors:

We have audited the financial statements of the Muskingum County Convention Facilities Authority, Muskingum County, Ohio (the Authority), as of and for the years ended December 31, 2008 and 2007, and have issued our report thereon dated September 15, 2009, wherein we noted the Authority followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. 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 Authority's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Authority's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Authority's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Authority's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider finding 2008-001 described in the accompanying Schedule of Findings to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Authority's internal control will not prevent or detect a material financial statement misstatement.

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Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We do not believe the significant deficiency described above is a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the Authority'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*.

The Authority's response to the finding identified in our audit is described in the accompanying Schedule of Findings. We did not audit the Authority's response and, accordingly, we express no opinion on it.

We intend this report solely for the information and use of management and the Board of Directors. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

September 15, 2009

**MUSKINGUM COUNTY CONVENTION FACILITIES AUTHORITY
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2008 AND 2007**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2008-001

Significant Deficiency

Debt issuances whose proceeds will be used to benefit the local residents should be recorded on the entity records. The cash value benefit of the program received under the agreement should be recorded as receipts and disbursements at the time the loan is made. Local governments are required to account for the related revenues and expenditures to the extent the local government has received benefit from the program.

Resolution 2008-013, dated November 17, 2008, authorized the issuance, sale and delivery of revenue bond anticipation notes in the amount of \$439,000 to be used to acquire two parcels of real estate for construction of their multi-purpose events facility. The cash value of this loan and payment was not recorded by the Authority. Further, no budgetary action was taken by the Board of Directors regarding this activity.

This resulted in actual cash receipts and disbursements being understated by the amount deposited into the Project Account and paid for the land parcels. An adjustment was agreed to by Authority management and is reflected in the accompanying financial statements.

We recommend the Authority record the cash value benefit of these types of loan agreements, when the Authority has applied or entered into agreements for these sources of funds, as receipts and disbursements, in the year these loans are made. We further recommend the Authority take the necessary budgetary actions in order to record estimated revenue and appropriations.

Officials' Response:

While Resolution 2008-013, the Note Financing Packet, and the Closing Agreement, as well as the Series 2008 Fioriware Project bank statement all clearly reflect the details of the Short-Term Note in the amount of \$439,000, we inadvertently failed to list it on the 2008 Balance Sheet; rather, it appears on the January 2009 Balance Sheet (line item 2001 Interest Due = \$17,949 and line item 2002 Long Term Liability = \$439,000). We have taken the necessary steps to correct this presently and in the future by requesting the MCCFA Board of Directors accept the amended balance sheet, and also accept the new line items that have been added to the 2009 P&L statements and budget. We have contacted an accountant to assist and counsel us, and we have also learned of government tax services available for future guidance. The MCCFA will be certain to appropriately record all future transactions.



Mary Taylor, CPA
Auditor of State

MUSKINGUM COUNTY CONVENTION FACILITIES AUTHORITY
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
OCTOBER 1, 2009