



Dave Yost • Auditor of State



**ZANESVILLE MUSKINGUM COUNTY PORT AUTHORITY  
MUSKINGUM COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Zanesville Muskingum County Port Authority  
Muskingum County  
205 North Fifth Street  
Zanesville, Ohio 43701

To the Members of the Board:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements and related notes of the Zanesville Muskingum County Port Authority, Muskingum County, Ohio (the Authority), as of and for the years ended December 31, 2012 and 2011.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Authority's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As described in Note 1 of the financial statements, the Authority prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03, which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Authority as of December 31, 2012 and 2011, or changes in financial position thereof for the years then ended.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Zanesville Muskingum County Port Authority, Muskingum County, Ohio as of December 31, 2012 and 2011, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permit, described in Note 1.

***Emphasis of Matter***

As discussed in Note 2 to the financial statements, during 2011 the Authority adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Our opinion is not modified with respect to this matter.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 10, 2013, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

October 10, 2013

**ZANESVILLE MUSKINGUM COUNTY PORT AUTHORITY  
MUSKINGUM COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS  
AND CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>			
Intergovernmental	\$239,457	\$103,007	\$342,464
Rental Income	21,424		21,424
Miscellaneous	53,379	6,000	59,379
<i>Total Cash Receipts</i>	<u>314,260</u>	<u>109,007</u>	<u>423,267</u>
<b>Cash Disbursements:</b>			
Salaries and Benefits	189,090		189,090
Repairs and Maintenance	16,451		16,451
Supplies and Materials	7,951		7,951
Marketing and Advertising	32,587		32,587
Professional Services	24,432	59,876	84,308
Travel and Recruitment	14,352		14,352
Utilities	10,434		10,434
Rent	9,000		9,000
Miscellaneous	735	241	976
Contractual Services	653,472	33,960	687,432
Intergovernmental	2,233,384		2,233,384
Debt Service:			
Redemption of Principal		222,345	222,345
Interest and Other Fiscal Charges		8,430	8,430
<i>Total Cash Disbursements</i>	<u>3,191,888</u>	<u>324,852</u>	<u>3,516,740</u>
<i>Total Cash Receipts Over/(Under) Cash Disbursements</i>	<u>(2,877,628)</u>	<u>(215,845)</u>	<u>(3,093,473)</u>
<b>Other Financing Receipts (Disbursements):</b>			
Reimbursements	4,204		4,204
Sale of Capital Assets	5,785,000		5,785,000
Proceeds of Debt		3,961	3,961
Transfers In	160,774	2,825,989	2,986,763
Transfers Out	(2,825,989)	(160,774)	(2,986,763)
Advances In	1,461	162,235	163,696
Advances Out	(162,235)	(1,461)	(163,696)
<i>Total Other Financing Receipts/(Disbursements)</i>	<u>2,963,215</u>	<u>2,829,950</u>	<u>5,793,165</u>
<i>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements And Other Financing Disbursements</i>	<u>85,587</u>	<u>2,614,105</u>	<u>2,699,692</u>
<b>Fund Cash Balances, January 1</b>	<u>34,873</u>	<u>242</u>	<u>35,115</u>
<b>Fund Cash Balances, December 31</b>			
Committed		2,606,355	2,606,355
Assigned	10,288	7,992	18,280
Unassigned (Deficit)	110,172		110,172
<b>Fund Cash Balances, December 31</b>	<u>\$120,460</u>	<u>\$2,614,347</u>	<u>\$2,734,807</u>

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

ZANESVILLE MUSKINGUM COUNTY PORT AUTHORITY  
MUSKINGUM COUNTY

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCE  
AGENCY FUND  
FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>Agency</u>
<b>Non-Operating Cash Receipts:</b>	
Other Non-Operating Cash Receipts	<u>\$849,070</u>
Total Non-Operating Cash Receipts	<u>849,070</u>
<b>Non-Operating Cash Disbursements:</b>	
Other Non-Operating Cash Disbursements	<u>860,389</u>
Total Non-Operating Cash Disbursements	<u>860,389</u>
Net Receipts Over/(Under) Disbursements	(11,319)
Fund Cash Balances, January 1	<u>24,580</u>
<b>Fund Cash Balances, December 31</b>	<u><b>\$13,261</b></u>

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



**ZANESVILLE MUSKINGUM COUNTY PORT AUTHORITY  
MUSKINGUM COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS  
AND CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Governmental Fund Types</u>		<u>Totals</u>
	<u>General</u>	<u>Capital Projects</u>	<u>(Memorandum Only)</u>
<b>Cash Receipts:</b>			
Intergovernmental	\$220,000	\$5,000	\$225,000
Rental Income	14,006		14,006
Miscellaneous	10,664		10,664
<i>Total Cash Receipts</i>	<u>244,670</u>	<u>5,000</u>	<u>249,670</u>
<b>Cash Disbursements:</b>			
Salaries and Benefits	182,566		182,566
Repairs and Maintenance	41		41
Supplies and Materials	3,504		3,504
Marketing and Advertising	13,521		13,521
Professional Services	21,131	2,343	23,474
Travel and Recritment	8,887		8,887
Utilities	9,099		9,099
Rent	9,000		9,000
Miscellaneous	375		375
Contractual Services	12,238	231,200	243,438
<i>Total Cash Disbursements</i>	<u>260,362</u>	<u>233,543</u>	<u>493,905</u>
<i>Total Cash Receipts Over (Under) Cash Disbursements</i>	<u>(15,692)</u>	<u>(228,543)</u>	<u>(244,235)</u>
<b>Other Financing Receipts (Disbursements):</b>			
Sale of Capital Assets	12,500		12,500
Proceeds of Debt		218,384	218,384
Transfers In		10,159	10,159
Transfers Out	(10,159)		(10,159)
Advances In	6,841	6,841	13,682
Advances Out	(6,841)	(6,841)	(13,682)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>2,341</u>	<u>228,543</u>	<u>230,884</u>
<i>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements And Other Financing Disbursements</i>	<u>(13,351)</u>	<u>0</u>	<u>(13,351)</u>
<b>Fund Cash Balances, January 1</b>	<u>48,224</u>	<u>242</u>	<u>48,466</u>
<b>Fund Cash Balances, December 31</b>			
Assigned	3,642	11,458	15,100
Unassigned (Deficit)	31,231	(11,216)	20,015
<b>Fund Cash Balance, December 31</b>	<u>\$34,873</u>	<u>\$242</u>	<u>\$35,115</u>

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

ZANESVILLE MUSKINGUM COUNTY PORT AUTHORITY  
MUSKINGUM COUNTY

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCE  
AGENCY FUND  
FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Agency</u>
<b>Non-Operating Cash Receipts:</b>	
Other Non-Operating Cash Receipts	<u>\$2,796,006</u>
Total Non-Operating Cash Receipts	<u>2,796,006</u>
<b>Non-Operating Cash Disbursements:</b>	
Other Non-Operating Cash Disbursements	<u>2,788,107</u>
Total Non-Operating Cash Disbursements	<u>2,788,107</u>
Net Receipts Over/(Under) Disbursements	7,899
Fund Cash Balances, January 1	<u>16,681</u>
<b>Fund Cash Balances, December 31</b>	<u><u>\$24,580</u></u>

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

**ZANESVILLE MUSKINGUM COUNTY PORT AUTHORITY  
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011**

**1. Summary of Significant Accounting Policies**

**A. Description of the Entity**

The Zanesville Muskingum County Port Authority, Muskingum County, Ohio (the Authority), is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Authority operates under the direction of a five member Board of Directors. The Board is comprised of two members appointed by the City of Zanesville, two members appointed by Muskingum County, and one member appointed jointly by the City and the County. The Authority is authorized to purchase, construct, sell, lease and operate facilities within its jurisdiction as enumerated in Ohio Revised Code Sections 4582.21 through 4582.59.

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

**B. Accounting Basis**

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Authority recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

**C. Deposits and Investments**

The Muskingum County Auditor acts as fiscal agent for the Authority. The County Treasurer is custodian for the Authority's cash which is held in the County's cash and investment pool.

**D. Fund Accounting**

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

**1. General Fund**

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

**2. Capital Project Funds**

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Authority had the following significant Capital Project Funds:

**ZANESVILLE MUSKINGUM COUNTY PORT AUTHORITY  
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**D. Fund Accounting (Continued)**

**2. Capital Projects Funds (Continued)**

Infrastructure Fund - This fund received the proceeds of a note and an interfund loan to pay for contractual services related to projects of the Port Authority's JEDD maintenance committee.

Site Capital Projects Reserve Fund – The Authority established a capital projects reserve under Ohio Rev. Code Section 5705.13(C) to set aside funds for the development of business development sites and site improvements.

EastPointe Rail Capital Projects Reserve Fund - The Authority established a capital projects reserve under Ohio Rev. Code Section 5705.13(C) to set aside funds for the development of the railroad at EastPointe Park.

Site Development Fund – The Authority established this fund to account for the financial activity of a new site development project related to EastPointe Park.

**3. Agency Fund**

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Authority disburses these funds as directed by the individual, organization or other government. The Authority had the following significant Agency Fund:

Transportation Improvement District Fund – This fund accounts for the operations of the Transportation Improvement District for which the Authority acts as administrative agent.

**E. Budgetary Process**

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Board must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

**2. Estimated Resources**

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must approve estimated resources.

**ZANESVILLE MUSKINGUM COUNTY PORT AUTHORITY  
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**E. Budgetary Process (Continued)**

**3. Encumbrances**

The Ohio Revised Code requires the Authority to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated

A summary of 2012 and 2011 budgetary activity appears in Note 4.

**F. Fund Balance**

Fund balance is divided into five classifications based primarily on the extent to which the Authority must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

**1. Nonspendable**

The Authority classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

**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.

**3. Committed**

The Board can *commit* amounts via formal action (resolution). The Authority must adhere to these commitments unless the 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.

**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 Board or an Authority official delegated that authority by resolution, or by State Statute.

**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.

**ZANESVILLE MUSKINGUM COUNTY PORT AUTHORITY  
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**F. Fund Balance (Continued)**

The Authority 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.

**G. Property, Plant, and Equipment**

The Authority records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

**H. Accumulated Leave**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

**2. Change in Accounting Principle**

For fiscal year 2011, the Authority implemented Governmental Accounting Standard Board (GASB) Statement No. 54. The implementation of GASB Statement No. 54 had no effect on fund balances previously reported.

**3. Equity in Pooled Deposits and Investments**

The Authority's cash is maintained in Muskingum County's cash and investment pool. The Ohio Revised Code prescribes allowable deposits and investments.

Deposits with Fiscal Agent: At December 31, 2012 and 2011, the Port Authority had cash with a carrying amount of \$2,748,068 and \$59,695, respectively, which is included in and collateralized with Muskingum County's cash management pool.

**4. Budgetary Activity**

Budgetary activity for the years ending 2012 and 2011 follows:

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$6,325,050	\$6,265,699	(\$59,351)
Capital Projects	3,131,025	3,101,192	(29,833)
Total	\$9,456,075	\$9,366,891	(\$89,184)

**ZANESVILLE MUSKINGUM COUNTY PORT AUTHORITY  
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)**

**4. Budgetary Activity (Continued)**

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$6,197,311	\$6,190,400	\$6,911
Capital Projects	538,906	495,706	43,200
Total	\$6,736,217	\$6,686,106	\$50,111

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$314,706	\$264,011	(\$50,695)
Capital Projects	286,364	240,384	(45,980)
Total	\$601,070	\$504,395	(\$96,675)

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$290,889	\$281,004	\$9,885
Capital Projects	257,738	251,600	6,138
Total	\$548,627	\$532,604	\$16,023

**5. Operating Subsidies and Other Grants**

The Authority received operating subsidies from Muskingum County and the City of Zanesville to pay the operational expenses of the Authority. Operating subsidies received from Muskingum County totaled \$80,000 in 2012 and \$100,000 in 2011. Operating subsidies received from the City of Zanesville totaled \$83,330 in 2012 and \$120,000 in 2011.

The Authority also applied for and received grant funds from the Economic Development Administration.

**6. Sale of Capital Assets and Intergovernmental Expense**

During 2012, the Authority received proceeds from the sale of real estate at Eastpointe Industrial Park from Halliburton and Tilley Pressure Test in the total amount of \$5,785,000. The proceeds from this sale are reported on the accompanying financial statements as "Sale of Capital Assets."

From the proceeds of this sale the Authority made contributions to the Muskingum County Commissioners and the City of Zanesville in the amounts of \$1,900,770 and 332,614, respectively. These payments are classified as "Intergovernmental" expenditures on the accompanying financial statements.

**ZANESVILLE MUSKINGUM COUNTY PORT AUTHORITY  
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)**

**7. Debt**

On July 21, 2010, the Authority entered into an agreement with Muskingum County that provided for the County to loan the Port Authority \$36,000 to be used for the gas lease release payment. The Authority agreed to repay the loan with reimbursable future land sales. This loan was outstanding for the full amount at December 31, 2012.

On September 12, 2011, the Authority entered into an agreement with North Valley Bank for a line of credit of \$400,000. The line of credit was paid in full as of December 31, 2012.

A summary of debt activity during 2012 and 2011 was as follows:

<u>Loan Agreement</u>	<u>Balance at January 1, 2011</u>	<u>Additions</u>	<u>Payments</u>	<u>Outstanding at December 31, 2012</u>
EnerVest Gas Lease Loan	\$36,000	\$0	\$0	\$36,000
North Valley Bank Line of Credit	0	222,345	(222,345)	0

**8. Retirement System**

The Authority's full-time employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes the Plan's benefits, including postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2012 and 2011, OPERS members contributed 10% of their gross salaries and the Port Authority contributed an amount equaling 14% of participants' gross salaries. Muskingum County serves as the Port Authority's fiscal agent and is responsible for paying contributions on behalf of the Port Authority. Muskingum County has paid all contributions required through December 31, 2012.

**9. Risk Management**

**Commercial Insurance**

The Port Authority has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Automobile liability;
- Public officials liability; and
- Employment practices liability.



**ZANESVILLE MUSKINGUM COUNTY PORT AUTHORITY  
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)**

**10. Conduit Debt Obligations**

The Port Authority has issued obligations to provide financial assistance to private-sector, governmental and non-profit entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. These obligations are payable solely from pledged lease and loan receipts and are not otherwise obligations of the Port Authority. The obligations do not constitute a debt or pledge of the faith and credit of the Port Authority and accordingly have not been reported in the accompanying financial statements.

During 2000, the Port Authority authorized issuance of adjustable rate demand industrial development revenue bonds not to exceed \$9,000,000 for the Almanac II, LLC Project. The total amount of bonds actually issued and the amount outstanding at December 31, 2012 was not available.

The Port Authority authorized issuance of conduit debt obligations during 2006 as follows:

EMCO USA, LLC Industrial Development Revenue Bonds in the amount of \$6,000,000 with a maturity date no later than June 1, 2036. The Port Authority was not able to obtain the amount of obligations retired during 2011 and 2012, so an amount outstanding at December 31, 2012 could not be reported.

Richland Community Service Center, Inc. Economic Development Revenue Bonds in the amount of \$425,000 with a maturity date no later than July 1, 2020. The Port Authority was not able to obtain the amount of obligations retired during 2011 and 2012 so an amount outstanding at December 31, 2012 could not be reported.

Grove City Church of the Nazarene Project Variable Rate Economic Development Revenue Bonds in the amount of \$7,630,000 with a maturity date no later than November 1, 2045. The Port Authority was not able to obtain the amount of obligations retired during 2011 and 2012 so an amount outstanding at December 31, 2012 could not be reported.

The Port Authority authorized issuance of conduit debt obligations during 2007 as follows:

United Precast, Inc. Project Economic Development Revenue Bonds in the amount of \$2,500,000 with a maturity date no later than June 1, 2022. The Port Authority was not able to obtain the amount of obligations retired during 2011 and 2012, so an amount outstanding at December 31, 2012 could not be reported.

Bilco Company Project Industrial Development Revenue Bonds in the amount of \$2,000,000 with a maturity date no later than August 1, 2037. The Port Authority was not able to obtain the amount of obligations retired during 2011 and 2012, so an amount outstanding at December 31, 2012 could not be reported.

**11. Contingent Liabilities**

Amounts grantor agencies pay to the Authority are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

**ZANESVILLE MUSKINGUM COUNTY PORT AUTHORITY  
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)**

**12. Related Party Transactions**

As disclosed in Note 5, Muskingum County and the City of Zanesville each provided the Authority operating subsidies of during 2011 and 2012. In addition, as disclosed in Note 6, the Authority made contributions to Muskingum County and the City of Zanesville from the proceeds of the sale of a capital asset.



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Zanesville Muskingum County Port Authority  
Muskingum County  
205 North Fifth Street  
Zanesville, Ohio 43701

To the Members of the Board:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Zanesville Muskingum County Port Authority, Muskingum County, Ohio (the Authority), as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements, and have issued our report thereon dated October 10, 2013, wherein we noted the Authority followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permit.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Authority's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying Schedule of Findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

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 a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Government's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2012-001 and 2012-002 described in the accompanying Schedule of Findings to be material weaknesses.

***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, opining 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*.

***Entity's Response to Findings***

The Authority's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. We did not audit the Authority's responses and, accordingly, we express no opinion on them.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

October 10, 2013

**ZANESVILLE MUSKINGUM COUNTY PORT AUTHORITY  
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2012 AND 2011**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2012-001**

**Material Weakness**

Governmental Accounting Standards Board (GASB) Statement No. 54, effective for periods beginning after June 15, 2010, requires five new fund balance classifications (nonspendable, restricted, committed, assigned, and unassigned) related to constraints placed upon the use of resources reported in governmental funds and clarifies the existing governmental fund type definitions. In addition, Auditor of State Bulletin 2011-004 requires local governments which prepare regulatory financial statements to implement these new fund balance classifications and governmental fund type definitions.

The Authority failed to properly classify fund balances on the financial statements for 2011 and 2012 in accordance with GASB Statement No. 54. For 2012, the Authority failed to properly classify assigned fund balance of \$10,288 and \$7,992 in the General Fund and Capital Projects Fund, respectively, and committed fund balance of \$2,606,355 in the Capital Projects Fund. For 2011, the Authority failed to properly classify assigned fund balance of \$3,642 and \$11,458 in the General Fund and Capital Projects Fund, respectively. As a result, audit adjustments, to which management has agreed, is reflected in the accompanying financial statements.

We recommend that the Authority report fund balances on their annual financial statements in accordance with GASB Statement No. 54. The Authority may review Auditor of State Bulletin 2011-004 for further guidance on classifying the Authority's fund balances and properly reporting fund balances in their annual financial statements.

**Officials' Response:** We were unaware of the requirement.

**FINDING NUMBER 2012-002**

**Material Weakness**

The Authority shall maintain an accounting system and accounting records sufficient to enable the Authority to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements.

During our audit of the Authority's financial statements we noted the following misstatements for the fiscal year ending December 31, 2012:

- A federal grant in the amount of \$76,127 was reported in the General Fund as Reimbursements rather than as Intergovernmental Receipts.
- Contributions of \$2,233,384 from the General Fund to the City of Zanesville and Muskingum County were reported as Repayment of Loan rather than Intergovernmental expenditures.
- An interfund loan, in the amount of \$160,774, from the General Fund to the Infrastructure Fund was classified as Private Contributions rather than as an Advance Out in the General Fund and an Advance In in the Capital Projects Fund.

**ZANESVILLE MUSKINGUM COUNTY PORT AUTHORITY  
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2012 AND 2011  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2012-002 (Continued)**

**Material Weakness (Continued)**

- The sale of timber totaling \$52,110 was reported in the General Fund as the Sale of Capital Assets rather than as Miscellaneous Receipts.
- A grant in the amount of \$6,000 for the Infrastructure Fund from American Electric Power was reported as Intergovernmental Receipts rather than Miscellaneous Receipts in the Capital Projects Fund.
- Monies received on a line of credit in the amount of \$3,961 were reported in the Capital Projects Funds as Private Contributions rather than Proceeds of Debt.

Additionally, we noted the following misstatements for the fiscal year ending December 31, 2011:

- Monies received on a line of credit in the amount of \$218,384 were reported in the Capital Projects Funds as Private Contributions rather than Proceeds of Debt.
- \$10,159 of an advance made from the General Fund to the Infrastructure Fund was converted to a transfer during the fiscal year however this activity was recorded on the financial statements as an Advance Out from the General Fund and an Advance In to the Capital Projects Fund rather than being reclassified as a Transfer Out and Transfer In, respectively.
- The repayment of \$6,841 from the Infrastructure Fund for an outstanding advance was incorrectly reported as a Transfer Out rather than as an Advance Out.

In addition, we reported unadjusted differences to management for the fiscal year ending December 31, 2012 for unrecorded commitments of \$3,250 and \$1,779 for the General Fund and Capital Projects Fund, respectively. For the fiscal year ending December 31, 2011, we reported unadjusted differences for unrecorded purchase commitments of \$6,253 for the General Fund.

The Authority agreed to adjustments for the aforementioned amounts and subsequently posted the adjustments to the financial statements. These adjustments are accurately reflected in the accompanying financial statements.

Failure to properly report financial activity on the financial statements could result in management or the user of the financial statements having an inaccurate or misleading view of the Authority's financial position and operations.

We recommend the Authority take the necessary steps to ensure that all transactions of the Authority are properly presented and disclosed in the Authority's financial statements. In addition, we recommend the Authority post financial transactions to the accounting system in a manner that segregates revenues and expenses based upon the source and nature of the transactions resulting in these transactions being properly reflected in the annual financial statements.

**Officials' Response:** This was a spreadsheet issue.



# Dave Yost • Auditor of State

**ZANESVILLE MUSKINGUM COUNTY PORT 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  
DECEMBER 10, 2013**