



**Auditor of State  
Betty Montgomery**



**ZANESVILLE MUSKINGUM COUNTY PORT AUTHORITY  
MUSKINGUM COUNTY**

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## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

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

To the Members of the Board:

We have audited the accompanying financial statements of the Zanesville Muskingum County Port Authority, Muskingum County, Ohio (the Port Authority), as of and for the years ended December 31, 2004 and 2003. These financial statements are the responsibility of the Port 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Port Authority prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Zanesville Muskingum County Port Authority, Muskingum County, as of December 31, 2004 and 2003, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 21, 2005, on our consideration of the Port 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 testing of internal control over financial reporting and compliance and the results of that testing. It does not opine on the internal control over financial reporting or on compliance. 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.

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This report is intended solely for the information and use of management, the Board of Directors, and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be, and should not be used by anyone other than these specified parties.

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

**Betty Montgomery**  
Auditor of State

March 21, 2005

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, 2004**

	<u>Governmental Fund Types</u>				<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>					
Intergovernmental Receipts	\$	\$53,187	\$566,097	\$238,233	\$857,517
Licenses, Permits, and Fees	14,100				14,100
Rental Income			151,184		151,184
Earnings on Investments	604		2,810		3,414
Miscellaneous	5,427				5,427
<b>Total Cash Receipts</b>	<u>20,131</u>	<u>53,187</u>	<u>720,091</u>	<u>238,233</u>	<u>1,031,642</u>
<b>Cash Disbursements:</b>					
Salaries and Benefits	227,581	36,692			264,273
Professional Services	95,698	1,120			96,818
Repairs and Maintenance	110				110
Supplies and Materials	1,893	4,522			6,415
Marketing and Advertising	482				482
Travel and Recruitment	7,857				7,857
Utilities	7,882	5,166			13,048
Rent	9,102	8,640			17,742
Miscellaneous	13,663	154			13,817
Capital Outlay	535			18,845	19,380
Debt Service:					
Principal Payments			598,171		598,171
Interest Payments			109,539		109,539
<b>Total Cash Disbursements</b>	<u>364,803</u>	<u>56,294</u>	<u>707,710</u>	<u>18,845</u>	<u>1,147,652</u>
<b>Total Cash Receipts Over/(Under) Cash Disbursements</b>	<u>(344,672)</u>	<u>(3,107)</u>	<u>12,381</u>	<u>219,388</u>	<u>(116,010)</u>
<b>Other Financing Receipts/(Disbursements):</b>					
Reimbursements	7,230				7,230
Sale of Capital Assets	150,000				150,000
Advances-In	42,718	62,673			105,391
Advances-Out	(62,673)	(42,718)			(105,391)
<b>Total Other Financing Receipts/(Disbursements)</b>	<u>137,275</u>	<u>19,955</u>	<u>0</u>	<u>0</u>	<u>157,230</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(207,397)	16,848	12,381	219,388	41,220
Fund Cash Balances, January 1	462,694	(12,570)	355,682	(219,388)	586,418
<b>Fund Cash Balances, December 31</b>	<u><b>\$255,297</b></u>	<u><b>\$4,278</b></u>	<u><b>\$368,063</b></u>	<u><b>\$0</b></u>	<u><b>\$627,638</b></u>
Reserves for Encumbrances, December 31	<u>\$2,154</u>				<u>\$2,154</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 BALANCES  
AGENCY FUND  
FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>Agency</u>
<b>Non-Operating Cash Receipts:</b>	
Other Non-Operating Receipts	<u>\$3,186,240</u>
Total Non-Operating Cash Receipts	<u>3,186,240</u>
<b>Non-Operating Cash Disbursements:</b>	
Other Non-Operating Cash Disbursements	<u>3,049,266</u>
Total Non-Operating Cash Disbursements	<u>3,049,266</u>
Net Receipts Over/(Under) Disbursements	136,974
Fund Cash Balance, January 1	<u>737,028</u>
<b>Fund Cash Balance, December 31</b>	<u><u>\$874,002</u></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, 2003**

	<u>Governmental Fund Types</u>				<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>					
Intergovernmental Receipts	\$290,000	\$113,314	\$579,504	\$519,357	\$1,502,175
Licenses, Permits, and Fees	5,175				5,175
Rental Income			127,925		127,925
Earnings on Investments	4,640		2,670		7,310
Miscellaneous	<u>32,910</u>	<u>5,922</u>			<u>38,832</u>
Total Cash Receipts	<u>332,725</u>	<u>119,236</u>	<u>710,099</u>	<u>519,357</u>	<u>1,681,417</u>
<b>Cash Disbursements:</b>					
Salaries and Benefits	255,041	36,957			291,998
Professional Services	25,735	120		96,692	122,547
Repairs and Maintenance	58,898				58,898
Supplies and Materials	5,522	5,955			11,477
Marketing and Advertising	9,735	3,708			13,443
Travel and Recruitment	11,822				11,822
Utilities	7,554	4,740			12,294
Rent	10,453	8,640			19,093
Miscellaneous	54,262	77		62,237	116,576
Capital Outlay	340,000			799,246	1,139,246
Debt Service:					
Principal Payments			585,118		585,118
Interest Payments			<u>137,967</u>		<u>137,967</u>
Total Cash Disbursements	<u>779,022</u>	<u>60,197</u>	<u>723,085</u>	<u>958,175</u>	<u>2,520,479</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(446,297)</u>	<u>59,039</u>	<u>(12,986)</u>	<u>(438,818)</u>	<u>(839,062)</u>
<b>Other Financing Receipts/(Disbursements):</b>					
Reimbursements	113,237				113,237
Sale of Capital Assets	<u>496,705</u>				<u>496,705</u>
Total Other Financing Receipts/(Disbursements)	<u>609,942</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>609,942</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	163,645	59,039	(12,986)	(438,818)	(229,120)
Fund Cash Balances, January 1 (Restated)	<u>299,049</u>	<u>(71,609)</u>	<u>368,668</u>	<u>219,430</u>	<u>815,538</u>
<b>Fund Cash Balances, December 31</b>	<u><b>\$462,694</b></u>	<u><b>(\$12,570)</b></u>	<u><b>\$355,682</b></u>	<u><b>(\$219,388)</b></u>	<u><b>\$586,418</b></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 BALANCES  
AGENCY FUND  
FOR THE YEAR ENDED DECEMBER 31, 2003

	<u>Agency</u>
<b>Non-Operating Cash Receipts:</b>	
Other Non-Operating Receipts	<u>\$3,874,537</u>
Total Non-Operating Cash Receipts	<u>3,874,537</u>
<b>Non-Operating Cash Disbursements:</b>	
Other Non-Operating Cash Disbursements	<u>3,927,776</u>
Total Non-Operating Cash Disbursements	<u>3,927,776</u>
Net Receipts Over/(Under) Disbursements	(53,239)
Fund Cash Balance, January 1	<u>790,267</u>
<b>Fund Cash Balance, December 31</b>	<u><b>\$737,028</b></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, 2004 AND 2003**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The Zanesville Muskingum County Port Authority (the Port 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 Port 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 Port Authority is authorized to purchase, construct, sell, lease and operate facilities within its jurisdiction as enumerated in Ohio Revised Code Chapter 4582.

The Port Authority's management believes these financial statements present all activities for which the Port 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. 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 prescribed or permitted by the Auditor of State.

**C. Cash and Investments**

Investments held by trustees are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

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

**D. Fund Accounting**

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

**1. General Fund**

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

**2. Special Revenue Funds**

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes.

**ZANESVILLE MUSKINGUM COUNTY PORT AUTHORITY  
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Fund Accounting (Continued)**

**2. Special Revenue Funds (Continued)**

The Port Authority had the following significant Special Revenue Fund:

*Workforce Development Center Fund* - This fund received monies from Muskingum County to assist people in obtaining employment in Muskingum County. As of December 31, 2004, the Workforce Development Center ceased operations.

**3. Debt Service Funds**

The debt service funds are used to accumulate resources for the payment of bonds and note indebtedness. The Port Authority had the following significant Debt Service Funds:

*Ohio Water Development Authority Loan Fund* – This fund receives contributions from the City of Zanesville and Muskingum County to repay note indebtedness to the Ohio Water Development Authority.

*Industrial Revenue Bond Fund* – This fund receives rental and interest income to retire debt associated with the construction of the Anchor Glass facilities.

**4. Capital Project Funds**

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 Port Authority had the following significant Capital Project Funds:

*Greenwood Avenue Project Fund* – This fund receives monies from the City of Zanesville for a revitalization project of an area within the City.

*Newton JEDD Project Fund* – This fund receives monies from the Newton Joint Economic Development District to assist in construction and improvements related to this District.

*Eastpointe Industrial Park Fund* – This fund receives grant monies and local contributions for construction and improvements related to the Eastpointe Industrial Park.

**5. Agency Fund**

Funds for which the Port Authority are acting in an agency capacity are classified as agency funds. The Port 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 Port Authority acts as administrative agent.

**ZANESVILLE MUSKINGUM COUNTY PORT AUTHORITY  
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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.

**3. Encumbrances**

The Ohio Revised Code requires the Port Authority to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. During 2003, the Port Authority did not use the encumbrance method of accounting as required by Ohio Revised Code Section 5705.41(D). During 2004, the Port Authority did not encumber all commitments which is also contrary to Ohio Revised Code Section 5705.41(D).

A summary of 2004 and 2003 budgetary activity appears in Note 4.

**F. Property, Plant and Equipment**

Acquisitions of property, plant and equipment are recorded as 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 Port Authority's basis of accounting.

**2. RESTATEMENT OF FUND BALANCES**

Beginning in 2003, the Port Authority included the Real Property Capital Projects Fund activity within the General Fund. This change had the following effect on the Port Authority's fund balances:

**ZANESVILLE MUSKINGUM COUNTY PORT AUTHORITY  
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003  
(Continued)**

**2. RESTATEMENT OF FUND BALANCES (Continued)**

	<b>General Fund</b>	<b>Capital Projects</b>
Fund balance as of December 31, 2002	\$179,049	\$339,430
Reclassification of fund	120,000	(120,000)
Fund balance as of January 1, 2003	<u>\$299,049</u>	<u>\$219,430</u>

**3. EQUITY IN POOLED CASH AND INVESTMENTS**

The Port Authority maintains a cash and investment pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at December 31 was as follows:

**Deposits:** At December 31, 2003, the Port Authority held demand deposits of \$967,664. Deposits were either insured by the Federal Deposit Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

**Deposits with Fiscal Agent:** At December 31, 2004, the Port Authority had cash and investments with a carrying amount of \$1,133,577, which is included in and collateralized with Muskingum County's cash management pool.

**Cash on Hand:** At December 31, 2003, the Port Authority had \$100 in cash on hand which is included on the accompanying financial statements.

**Debt Service Trustee Funds:** The Industrial Revenue Bonds trust agreement required the Port Authority to establish a lease account and bond reserve account to be maintained by a custodian bank. As of December 31, 2004 and 2003, the trustee held \$368,063 and \$355,682, respectively, in Port Authority assets. The related receipts for rental income and disbursements for bond payments related to this bond issue are reflected in the accompanying financial statements as part of the Port Authority's Debt Service Funds

**4. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2004 and 2003 follows:

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$415,600	\$177,361	(\$238,239)
Special Revenue	55,000	53,187	(1,813)
Debt Service	461,616	720,091	258,475
Capital Projects	50,000	238,233	188,233
Total	<u>\$982,216</u>	<u>\$1,188,872</u>	<u>\$206,656</u>

**ZANESVILLE MUSKINGUM COUNTY PORT AUTHORITY  
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003  
(Continued)**

**4. BUDGETARY ACTIVITY (Continued)**

2004 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$295,700	\$366,957	(\$71,257)
Special Revenue	31,620	56,294	(24,674)
Debt Service	461,616	707,710	(246,094)
Capital Projects	50,000	18,845	31,155
Total	<u>\$838,936</u>	<u>\$1,149,806</u>	<u>(\$310,870)</u>

2003 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$446,000	\$942,667	\$496,667
Special Revenue	0	119,236	119,236
Debt Service	0	710,099	710,099
Capital Projects	0	519,357	519,357
Total	<u>\$446,000</u>	<u>\$2,291,359</u>	<u>\$1,845,359</u>

2003 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$343,900	\$779,022	(\$435,122)
Special Revenue	0	60,197	(60,197)
Debt Service	0	723,085	(723,085)
Capital Projects	0	958,175	(958,175)
Total	<u>\$343,900</u>	<u>\$2,520,479</u>	<u>(\$2,176,579)</u>

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in most Port Authority funds. Also contrary to Ohio law, at December 31, 2003, the Workforce Development Center Fund had a cash deficit balance of \$12,570 and the Eastpointe Industrial Park Fund had a cash deficit balance of \$219,388.

**5. OPERATING SUBSIDIES AND GRANTS**

The Port Authority received operating subsidies from Muskingum County and the City of Zanesville during 2003 to pay the operational expenses of the Port Authority. This funding was temporarily suspended by the County and the City beginning in fiscal year 2004.

The Port Authority also received a significant portion of funds used to retire debt obligations from the County and City as described in Note 6. In addition, the County and City provided additional monies, as necessary, in order to aid in the completion of capital projects undertaken by the Port Authority.

**ZANESVILLE MUSKINGUM COUNTY PORT AUTHORITY  
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003  
(Continued)**

**5. OPERATING SUBSIDIES AND GRANTS (Continued)**

The Port Authority also applied for and received grant funds from the Ohio Department of Development and the Ohio Department of Transportation to assist in projects undertaken.

**6. DEBT**

Debt outstanding at December 31, 2004 was as follows:

	Principal	Interest Rate
Industrial Revenue Bonds	\$825,000	5.125%

The Industrial Revenue Bonds are special obligations of the Port Authority and were issued to finance the construction of the Anchor Glass Facilities owned by the Port Authority. The Port Authority leases the facilities to the City of Zanesville and Muskingum County whereby the proceeds of the lease are sufficient to make the principal and interest payments due on the bonds. The City of Zanesville and Muskingum County sublease the facilities to the Anchor Glass Corporation. The bonds were issued in 1989, with an original value of \$3,500,000, and are being repaid over a period of 20 years in semi-annual installments. Annual debt service requirements for these bonds are listed below.

During 2004, the Port Authority made the final payment due on an Ohio Water Development Authority (OWDA) loan related to the construction of infrastructure improvements for the Port Authority. The Port Authority had entered into an agreement with the City of Zanesville and Muskingum County on April 1, 2000 related to this loan. The terms of the agreement require the City and County to each pay annually, one-half of the required principal and interest requirements of this loan to the Port Authority. The original value of the loan was \$2,114,068 and was repaid in annual installments of \$461,616, including interest, over 5 years.

Amortization of the Industrial Revenue Bonds, including interest, is scheduled as follows:

	Industrial Revenue Bonds
Year ending December 31:	
2005	\$255,719
2006	261,500
2007	268,000
2008	242,938
Total	\$1,028,157

**7. RETIREMENT SYSTEMS**

The Port Authority's employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.



**ZANESVILLE MUSKINGUM COUNTY PORT AUTHORITY  
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003  
(Continued)**

**7. RETIREMENT SYSTEMS (Continued)**

Contribution rates are also prescribed by the Ohio Revised Code. For 2004 and 2003, members of PERS contributed 8.5% of their gross salaries. The Port Authority contributed an amount equal to 13.55% of participants' gross salaries. The Port Authority has paid all contributions required through December 31, 2004.

**8. RISK MANAGEMENT**

**Commercial Insurance**

The Port Authority obtained commercial insurance for the following risks:

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

**9. CONTINGENT LIABILITIES**

Amounts received from grantor agencies are subject to audit and adjustment by the grantor. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, based on prior experience, management believes such refunds, if any, would not be material.

**10. SUBSEQUENT EVENTS – REIMBURSEMENTS AND ADVANCES**

As of December 31, 2004, \$19,955 of an advance from the General Fund to the Workforce Development Center Fund remained outstanding. On March 2, 2005, the Port Authority was reimbursed \$12,253 from Muskingum County for Workforce Development Center expenditures made through January 31, 2005. The amount remaining in the Workforce Development Fund will be used to repay a portion of the remaining advance owed the General Fund.

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**Auditor of State  
Betty Montgomery**

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

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

To the Members of the Board:

We have audited the financial statements of the Zanesville Muskingum County Port Authority, Muskingum County (the Port Authority), as of and for the years ended December 31, 2004 and 2003, and have issued our report thereon dated March 21, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Port Authority's internal control over financial reporting to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Port Authority's ability to record, process, summarize and report financial data consistent with management's assertions in the financial statements. A reportable condition is described in the accompanying Schedule of Findings as item 2004-001.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe the reportable condition described above is a material weakness. In a separate letter to the Port Authority's management dated March 21, 2005, we reported other matters involving internal control over financial reporting which we did not deem reportable conditions.

### **Compliance and Other Matters**

As part of reasonably assuring whether the Port 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 instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2004-001 through 2004-003. In a separate letter to the Port Authority's management dated March 21, 2005, we reported other matters related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of management and the Board of Directors. It is not intended for anyone other than these specified parties.



**Betty Montgomery**  
Auditor of State

March 21, 2005

**ZANESVILLE MUSKINGUM COUNTY PORT AUTHORITY  
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2004 AND 2003**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2004-001**

**Noncompliance Citation and Reportable Condition – Fiscal Officer’s Certification**

Ohio Rev. Code § 5705.41(D)(1) prohibits a subdivision or taxing authority from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

There are several exceptions to the standard requirement stated above that a fiscal officer’s certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: “then and now” certificates, blanket certificates, and super blanket certificates, which are provided for in §§ 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. **“Then and Now” Certificate** - If the fiscal officer can certify that both at the time that the contract or order was made (“then”), and at the time that the fiscal officer is completing the certification (“now”), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority (Board of Directors) can authorize the drawing of a warrant for the payment of the amount due. The taxing authority has thirty days from the receipt of the “then and now” certificate to approve payment by ordinance or resolution.

Amounts of less than \$100 for counties and \$1,000 (which was increased to \$3,000 on April 7, 2003) for other political subdivisions, may be paid by the fiscal officer without a resolution or ordinance upon completion of the “then and now” certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Port Authority.

2. **Blanket Certificate** – Fiscal officers may prepare “blanket” certificates not exceeding \$5,000 against any specific line item account over a period not exceeding three months or running beyond the current year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation. Effective September 26, 2003, certificates may not exceed an amount established by resolution or ordinance of the legislative authority, and cannot extend beyond the end of the fiscal year. Blanket certificates cannot be issued unless there has been an amount approved by the legislative authority for the blanket.
3. **Super Blanket Certificate** – The Port Authority may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line-item appropriation.

**ZANESVILLE MUSKINGUM COUNTY PORT AUTHORITY  
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2004 AND 2003  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2004-001 (Continued)**

**Noncompliance Citation and Reportable Condition – Fiscal Officer’s Certification (Continued)**

**Ohio Rev. Code § 5705.41(D)(1) (Continued)**

The Port Authority did not certify the availability of funds prior to purchase commitments being incurred during all of 2003 and most of 2004. The Port Authority’s accounting system did not provide for the recording of appropriations and encumbrances. Had the Port Authority’s management chosen to obtain prior certification of funds, the Port Authority’s accounting system would not have been able to handle the task of comparing appropriations to expenditures, and the fiscal officer would have to prepare separate budgetary records in order to issue certifications prior to obligation of Port Authority funds. Without the prior certification of funds, the Port Authority did not maintain budgetary control over expenditures and, as more fully explained in finding 2004-002, this condition allowed noncompliance with Ohio Revised Code § 5705.10 to occur. This condition also allowed for noncompliance with Ohio Revised Code § 5705.41(B) to occur, as more fully explained in finding 2004-003.

Prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Port Authority’s funds exceeding budgetary spending limitations, we recommend that the fiscal officer certify that the funds are or will be available prior to an obligation being incurred by the Port Authority. In rare instances when prior certification is not possible, “then and now” certification may be used.

We recommend the Port Authority obtain prior certification before commitments are incurred. The most convenient certification method is to use purchase orders that include certification language § 5705.41(D) requires. The fiscal officer should sign the certification prior to the Port Authority incurring a commitment, and only when the requirements of § 5705.41(D) are satisfied. The fiscal officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation. Once the Muskingum County Auditor began serving as the Port Authority’s fiscal officer starting July 1, 2004, the Port Authority was provided monthly reports that enabled the Board to compare budgeted to actual data for both receipts and disbursements.

**FINDING NUMBER 2004-002**

**Noncompliance Citation – Negative Fund Cash Balances**

Ohio Rev. Code § 5705.10 states, in part, that money paid into a fund must be used only for the purposes for which said fund has been established. As a result, a negative fund balance indicates that money from one fund was used to cover the expenses of another fund.

At various times during the years ended December 31, 2004 and 2003, the Workforce Development Center Fund and Eastpointe Industrial Park Fund had negative fund balances. As of December 31, 2003, the Workforce Development Center Fund had a negative fund balance of \$12,570 and the Eastpointe Industrial Park Fund had a negative fund balance of \$219,388.

**ZANESVILLE MUSKINGUM COUNTY PORT AUTHORITY  
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2004 AND 2003  
(Continued)**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

**FINDING NUMBER 2004-002 (Continued)**

**Noncompliance Citation – Negative Fund Cash Balances (Continued)**

**Ohio Rev. Code § 5705.10(Continued)**

The fiscal officer should deny payment requests adequate cash fund balances are not available. The fiscal officer may request the Board to approve cash advances, but only when adequate moneys are available in a fund(s) where a cash advance is otherwise legal. Auditor of State Audit Bulletin 1997-003 provides information on the authority for making cash advances and guidance on making advances, once it has been determined that authority exists for the cash advance.

**FINDING NUMBER 2004-003**

**Noncompliance Citation - Expenditures Limited By Appropriation Authority**

Ohio Rev. Code § 5705.41(B) states that no subdivision or taxing unit shall expend any money unless it has been appropriated.

During the year ended December 31, 2004, expenditures exceeded appropriations in the following funds:

<u>Fund</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General Fund	\$ 295,700	\$ 366,957	\$ (71,257)
Workforce Development Center Fund	31,620	56,294	(24,674)
Industrial Revenue Bonds Fund	0	246,094	(246,094)
Eastpointe Industrial Park Fund	0	16,030	(16,030)
Greenwood Avenue Project Fund	0	2,815	(2,815)

During the year ended December 31, 2003, expenditures exceeded appropriations in the following funds:

<u>Fund</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General Fund	\$ 343,900	\$ 779,022	\$ (435,122)
Workforce Development Center Fund	0	56,489	(56,489)
Applachian Workforce Initiative Fund	0	3,708	(3,708)
Ohio Water Development Authority Loan Fund	0	461,616	(461,616)
Industrial Revenue Bonds Fund	0	261,469	(261,469)
Eastpointe Industrial Park Fund	0	602,965	(602,965)
Newton JEDD Project Fund	0	219,430	(219,430)
Greenwood Avenue Project Fund	0	135,780	(135,780)

**ZANESVILLE MUSKINGUM COUNTY PORT AUTHORITY  
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2004 AND 2003  
(Continued)**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

**FINDING NUMBER 2004-003 (Continued)**

**Noncompliance Citation - Expenditures Limited By Appropriation Authority (Continued)**

**Ohio Rev. Code § 5705.41(B) (Continued)**

For 2003, the operating budget was approved for the General Fund; however, management did not adopt additional appropriations during the year and disbursements eventually exceeded appropriations. For all other funds, management did not adopt any permanent appropriations. For 2004, a temporary budget was adopted; however, permanent appropriations were not approved until June 28, 2004 and consisted only of appropriations for the period of July 1, 2004 through December 31, 2004, at which time the Muskingum County Auditor began serving as fiscal officer for the Port Authority.

We recommend the Port Authority adopt permanent appropriations for all funds. The Board and Executive Director should review the appropriation balances each month and approve appropriation amendments as needed, rather than expending funds in excess of existing appropriations.



**ZANESVILLE MUSKINGUM COUNTY PORT AUTHORITY  
MUSKINGUM COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2004 AND 2003**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain:</i></b>
2002-001	Noncompliance Citation and Reportable Condition - Ohio Rev. Code § 5705.41(D) – Fiscal Officer's Certification	No.	Repeated in the current audit as finding number 2004-001.
2002-002	Noncompliance Citation - Ohio Rev. Code § 5705.10 – Negative Fund Cash Balances	No.	Repeated in the current audit as finding number 2004-002.
2002-003	Noncompliance Citation – Ohio Rev. Code § 5705.41(B) – Expenditures Limited by Appropriation Authority	No.	Repeated in the current audit as finding number 2004-003.





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**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  
MAY 5, 2005**