



Dave Yost • Auditor of State

**ZANESVILLE MUSKINGUM COUNTY PORT AUTHORITY
MUSKINGUM COUNTY**

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Dave Yost • Auditor of State

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

To the Members of the Board:

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.

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost
Auditor of State

April 18, 2011

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Dave Yost • Auditor of State

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, 2010 and 2009. 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 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 Port 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.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity-wide statements and also presenting the Port Authority's larger (i.e., major) funds separately. While the Port 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 port authorities to reformat their statements. The Port 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, 2010 and 2009 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Port Authority as of December 31, 2010 and 2009 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 combined fund cash balances and reserves for encumbrances of the Zanesville Muskingum County Port Authority, Muskingum County, Ohio, as of December 31, 2010 and 2009, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Port 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 April 18, 2011, 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. 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 black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

April 18, 2011

**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, 2010**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Capital Projects</u>	
Cash Receipts:			
Intergovernmental Receipts	\$220,000	\$1,107,191	\$1,327,191
Rental Income	1,510		1,510
Miscellaneous	6,031		6,031
	<u>227,541</u>	<u>1,107,191</u>	<u>1,334,732</u>
Cash Disbursements:			
Salaries and Benefits	155,716		155,716
Repairs and Maintenance	429		429
Supplies and Materials	3,942		3,942
Marketing and Advertising	8,984		8,984
Professional Services	75,282	64,275	139,557
Travel and Reimbursement	5,876		5,876
Utilities	8,468		8,468
Rent	9,000		9,000
Miscellaneous	253		253
Contractual Services	76,516	1,233,349	1,309,865
	<u>344,466</u>	<u>1,297,624</u>	<u>1,642,090</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(116,925)</u>	<u>(190,433)</u>	<u>(307,358)</u>
Other Financing Receipts / (Disbursements):			
Loan from County	36,000	88,000	124,000
Repayment of Loan		(88,000)	(88,000)
Transfers-In		20	20
Transfers-Out	(20)		(20)
Advances-In	34,294	34,294	68,588
Advances-Out	(34,294)	(34,294)	(68,588)
	<u>35,980</u>	<u>20</u>	<u>36,000</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(80,945)	(190,413)	(271,358)
Fund Cash Balances, January 1	<u>129,169</u>	<u>190,654</u>	<u>319,823</u>
Fund Cash Balances, December 31	<u>\$48,224</u>	<u>\$241</u>	<u>\$48,465</u>
Reserve for Encumbrances, December 31	<u>\$12,289</u>	<u>\$0</u>	<u>\$12,289</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, 2010**

	<u>Agency</u>
Non-Operating Cash Receipts:	
Other Non-Operating Cash Receipts	<u>\$2,108,689</u>
Total Non-Operating Cash Receipts	<u>2,108,689</u>
Non-Operating Cash Disbursements:	
Other Non-Operating Cash Disbursements	<u>2,121,042</u>
Total Non-Operating Cash Disbursements	<u>2,121,042</u>
Net Receipts Over/(Under) Disbursements	(12,353)
Fund Cash Balances, January 1	<u>29,034</u>
Fund Cash Balances, December 31	<u><u>\$16,681</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, 2009**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Capital Projects</u>	
Cash Receipts:			
Intergovernmental Receipts	\$200,000	\$3,186,754	\$3,386,754
Rental Income	1,332		1,332
Contributions	331,898		331,898
Miscellaneous	2,546		2,546
	<u>535,776</u>	<u>3,186,754</u>	<u>3,722,530</u>
Cash Disbursements:			
Salaries and Benefits	203,471		203,471
Repairs and Maintenance	723		723
Supplies and Materials	3,751		3,751
Marketing and Advertising	1,723		1,723
Professional Services	292,131	89,534	381,665
Travel and Reimbursement	4,086		4,086
Utilities	11,311		11,311
Rent	9,000		9,000
Miscellaneous	136		136
Contractual Services	190,633	3,732,888	3,923,521
	<u>716,965</u>	<u>3,822,422</u>	<u>4,539,387</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(181,189)</u>	<u>(635,668)</u>	<u>(816,857)</u>
Other Financing Receipts / (Disbursements):			
Sale of Capital Assets	55,000		55,000
Loan from County		500,000	500,000
Proceeds of Cooperative Agreement		800,918	800,918
Repayment of Loan		(500,000)	(500,000)
Advances-In	105,475		105,475
Advances-Out		(105,475)	(105,475)
	<u>160,475</u>	<u>695,443</u>	<u>855,918</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(20,714)	59,775	39,061
Fund Cash Balances, January 1	<u>149,883</u>	<u>130,879</u>	<u>280,762</u>
Fund Cash Balances, December 31	<u>\$129,169</u>	<u>\$190,654</u>	<u>\$319,823</u>
Reserve for Encumbrances, December 31	<u>\$63,192</u>	<u>\$235,754</u>	<u>\$298,946</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, 2009

	<u>Agency</u>
Non-Operating Cash Receipts:	
Other Non-Operating Cash Receipts	<u>\$1,505,816</u>
Total Non-Operating Cash Receipts	<u>1,505,816</u>
Non-Operating Cash Disbursements:	
Other Non-Operating Cash Disbursements	<u>1,498,917</u>
Total Non-Operating Cash Disbursements	<u>1,498,917</u>
Net Receipts Over/(Under) Disbursements	6,899
Fund Cash Balances, January 1	<u>22,135</u>
Fund Cash Balances, December 31	<u>\$29,034</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, 2010 AND 2009**

1. Summary of Significant Accounting Policies

A. Description of the Entity

The Zanesville Muskingum County Port Authority, Muskingum County, Ohio (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 Sections 4582.21 through 4582.59.

The Port Authority's management believes these financial statements present all activities for which the Port 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 Port Authority recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred.

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

C. Cash and Investments

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

D. Fund Accounting

The Port Authority uses fund accounting to segregate cash that is 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. Capital Projects Funds

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

**ZANESVILLE MUSKINGUM COUNTY PORT AUTHORITY
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (Continued)

2. Capital Projects Funds (Continued)

Granger Drive Fund – This fund receives grant monies from the Ohio Department of Development for construction and improvements related to the Granger Drive Extension Project at the East Pointe Industrial Park.

Job Ready Sites Fund – This fund receives grant monies from the Ohio Department of Development to assist in creating a job-ready 295 acre site to accommodate the construction of manufacturing space at the East Pointe Industrial Park.

Avon Roadwork Fund – This fund received roadwork development grant monies from the Ohio Department of Development for construction of a public roadway to provide access to the Avon facility in the East Pointe Industrial Park.

Avon East Pointe Project Fund – This fund received proceeds from Muskingum County for contractual services related to the construction of a sanitary sewer at the East Pointe Industrial Park.

ARRA Turn Lane Project Fund – This fund reflects activity of the federal grant for the ARRA Turn Lane Project. The turn lane was constructed on State Route 93 North at the new entrance to the East Pointe Industrial park. This fund accounted for all of the stimulus monies spent on behalf of the Port Authority.

3. Agency Fund

Funds for which the Port Authority acts in an agency capacity are classified as Agency Funds. The Port Authority had the following 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.

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.

**ZANESVILLE MUSKINGUM COUNTY PORT AUTHORITY
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

E. Budgetary Process (Continued)

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.

A summary of 2010 and 2009 budgetary activity appears in Note 3.

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. Equity in Pooled Deposits and Investments

The Port 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, 2010 and 2009, the Port Authority had cash with a carrying amount of \$65,146 and \$348,857, respectively, which is included in and collateralized with Muskingum County's cash management pool.

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2010 and 2009 follows:

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$425,610	\$263,541	(\$162,069)
Capital Projects	1,482,576	1,195,211	(287,365)
Total	\$1,908,186	\$1,458,752	(\$449,434)

**ZANESVILLE MUSKINGUM COUNTY PORT AUTHORITY
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

3. Budgetary Activity (Continued)

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$482,296	\$356,775	\$125,521
Capital Projects	1,664,619	1,385,624	278,995
Total	\$2,146,915	\$1,742,399	\$404,516

2009 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$730,000	\$590,776	(\$139,224)
Capital Projects	6,180,861	4,487,672	(1,693,189)
Total	\$6,910,861	\$5,078,448	(\$1,832,413)

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$838,670	\$780,157	\$58,513
Capital Projects	5,766,941	4,558,176	1,208,765
Total	\$6,605,611	\$5,338,333	\$1,267,278

4. Operating Subsidies and Other Grants

The Port Authority received operating subsidies from Muskingum County and the City of Zanesville to pay the operational expenses of the Port Authority. Operating subsidies received from Muskingum County totaled \$100,000 in both 2010 and 2009. Operating subsidies received from the City of Zanesville totaled \$100,000 in both 2010 and 2009.

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 capital projects undertaken.

5. Contributions

During 1989, bonds were issued to construct a building for capital lease, and eventual purchase, by Anchor Glass. At the time these bonds were issued, a bond reserve fund was established and held by a trustee in the event of any default by Anchor Glass. The City of Zanesville and Muskingum County agreed that upon repayment of the bonds, the proceeds of the bond reserve fund would be given to the Port Authority to further advance its mission. In 2009, these bonds were retired, and the remaining balance in the bond reserve fund of \$331,898 was transferred to the Port Authority. This amount is reported as "Contributions" in the accompanying financial statements.

**ZANESVILLE MUSKINGUM COUNTY PORT AUTHORITY
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

6. Debt

On September, 14, 2009, the Port Authority entered into an agreement with Muskingum County that provided for the County to loan the Port Authority \$500,000 to be used to prepare business sites and to complete the Granger Road Extension Project. The Port Authority agreed to repay the loan with reimbursable grant proceeds from the Ohio Department of Development by December 29, 2009. The loan was repaid in two equal portions of \$250,000 on October 26, 2009 and November 24, 2009, respectively.

On July 21, 2010, the Port Authority entered into an agreement with Muskingum County that provided for the County to loan the Port Authority \$88,000 to be used to prepare business sites. The Port Authority agreed to repay the loan with reimbursable grant proceeds from the Ohio Department of Development by December 29, 2010. The loan was repaid in full on October 15, 2010.

On July 21, 2010, the Port 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 Port Authority agreed to repay the loan with reimbursable future land sales. This loan was outstanding for the full amount at December 31, 2010.

A summary of debt activity during 2010 and 2009 as follows:

Loan Agreement	Balance at January 1, 2009	Additions	Payments	Outstanding at December 31, 2010
Jim Granger Extension and Job Ready Site Work	\$0	\$500,000	(\$500,000)	\$0
Job Ready Site Work Loan	0	88,000	(88,000)	0
EnerVest Gas Lease Loan	0	36,000	0	36,000

7. Cooperative Agreement Proceeds

On April 6, 2009, the Port Authority entered into a Cooperative Agreement with Muskingum County to make certain sanitary sewer improvements at the East Pointe Industrial Park on behalf of the County. The County issued bonds to fund the improvements in the amount of \$800,918. The Port Authority receipted the money on May 21, 2009 into the Avon East Pointe Project Fund. The sanitary sewer improvements were completed during 2010.

**ZANESVILLE MUSKINGUM COUNTY PORT AUTHORITY
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

8. Retirement System

The Port 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 retirement benefits, including postretirement healthcare and survivor and disability benefits to participants.

The Ohio Revised Code also prescribes contribution rates. For 2010 and 2009, 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, 2010.

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.

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, 2010 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 2009 and 2010, so an amount outstanding at December 31, 2010 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 2009 and 2010 so an amount outstanding at December 31, 2010 could not be reported.

**ZANESVILLE MUSKINGUM COUNTY PORT AUTHORITY
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

10. Conduit Debt Obligations (Continued)

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 2009 and 2010 so an amount outstanding at December 31, 2010 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 2009 and 2010, so an amount outstanding at December 31, 2010 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 2009 and 2010, so an amount outstanding at December 31, 2010 could not be reported.

11. Contingent Liabilities

Amounts grantor agencies pay to the Port 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.

12. Related Party Transactions

The Port Authority currently shares office space with the Transportation Improvement District in the Welcome Center, located at 205 North Fifth Street, Zanesville. The Port Authority acts as administrative agent for the Transportation Improvement District, which paid \$20,000 in 2010 for administrative services provided in 2010 and 2009.

As disclosed in Note 4 above, Muskingum County and the City of Zanesville each provided the Port Authority operating subsidies of \$100,000 during both 2009 and 2010.

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**ZANESVILLE MUSKINGUM COUNTY PORT AUTHORITY
MUSKINGUM COUNTY**

**FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2010**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
U.S. DEPARTMENT OF TRANSPORTATION			
<i>Passed Through Ohio Department of Transportation and Muskingum County Engineer</i>			
ARRA - Highway Planning and Construction	PID 86337	20.205	<u>\$934,291</u>
Total U.S. Department of Transportation			<u>934,291</u>
Total Federal Awards Expenditures			<u><u>\$934,291</u></u>

The Notes to the Federal Awards Expenditures Schedule are an integral part of the Schedule.

**ZANESVILLE MUSKINGUM COUNTY PORT AUTHORITY
MUSKINGUM COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE
FISCAL YEAR ENDED DECEMBER 31, 2010**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Expenditures Schedule (the Schedule) reports the Port Authority's federal award program's disbursements. The Schedule has been prepared on the cash basis of accounting.



Dave Yost • Auditor of State

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

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, Ohio (the Port Authority), as of and for the years ended December 31, 2010 and 2009, and have issued our report thereon dated April 18, 2011, wherein we noted the Port 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 Port Authority's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Port Authority's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Port Authority's internal control over financial reporting.

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

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

Compliance and Other Matters

As part of reasonably assuring whether the 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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

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Zanesville Muskingum County Port Authority
Muskingum County
Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
Part 2

We did note a certain matter not requiring inclusion in this report that we reported to the Port Authority's management in a separate letter dated April 18, 2011.

We intend this report solely for the information and use of management, the Members of the Board, federal awarding agencies, pass-through entities and others within the Port Authority. We intend it for no one other than these specified parties.

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

Dave Yost
Auditor of State

April 18, 2011



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Zanesville Muskingum County Port Authority
Muskingum County
205 North Fifth Street
Zanesville, Ohio 43725

To the Members of the Board:

Compliance

We have audited the compliance of the Zanesville Muskingum County Port Authority, Muskingum County, Ohio (the Port Authority), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the Port Authority's major federal program for the year ended December 31, 2010. The Summary of Auditor's Results Section of the accompanying Schedule of Findings identifies the Port Authority's major federal program. The Port Authority's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the Port Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the Port Authority's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Port Authority's compliance with those requirements.

In our opinion, the Port Authority complied, in all material respects, with the requirements referred to above that could directly and materially affect its major federal program for the year ended December 31, 2010.

Internal Control Over Compliance

The Port Authority's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Port Authority's internal control over compliance with requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the Port Authority's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

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

We intend this report solely for the information and use of management, the Members of the Board, others within the entity, federal awarding agencies, and pass-through entities. We intend it for no one other than these specified parties.

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

Dave Yost
Auditor of State

April 18, 2011

**ZANESVILLE MUSKINGUM COUNTY PORT AUTHORITY
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2010 AND 2009**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Highway Planning and Construction – CFDA #20.205
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

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Dave Yost • Auditor of State

ZANESVILLE MUSKINGUM 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 17, 2011**