



Mary Taylor, CPA
Auditor of State

**ZANESVILLE MUSKINGUM COUNTY PORT AUTHORITY
MUSKINGUM COUNTY**

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Mary Taylor, CPA
Auditor of State

Zanesville Muskingum County Port Authority
Muskingum County
205 N. 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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

July 8, 2009

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Mary Taylor, CPA

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 year ended December 31, 2008 and 2007. These financial statements are the responsibility of the Port Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our 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 reasonable 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 require 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 Authority's 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, 2008 and 2007 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Port Authority as of December 31, 2008 and 2007, or its changes in financial position for the years then ended.

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

The 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, though not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 8, 2009, 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 "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

July 8, 2009

**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, 2008**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Capital Projects</u>	
Cash Receipts:			
Intergovernmental Receipts	\$227,744	\$1,575,216	\$1,802,960
Rental Income	570		570
Miscellaneous	11,005		11,005
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	239,319	1,575,216	1,814,535
Cash Disbursements:			
Salaries and Benefits	202,966		202,966
Professional Services	344,772	2,945,750	3,290,522
Repairs and Maintenance	409		409
Supplies and Materials	3,922		3,922
Marketing and Advertising	7,004		7,004
Travel and Recruitment	5,730		5,730
Utilities	10,187		10,187
Rent	9,000		9,000
Miscellaneous	75		75
Contractual Services	206,028		206,028
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	790,093	2,945,750	3,735,843
Total Cash Receipts Over/(Under) Cash Disbursements	<hr/> (550,774)	<hr/> (1,370,534)	<hr/> (1,921,308)
Other Financing Receipts/(Disbursements):			
Reimbursement from Fund	95,271	281,695	376,966
Reimbursement to Fund		(376,966)	(376,966)
Proceeds of Cooperative Agreement		1,300,000	1,300,000
Repayment of Loan	(250,000)		(250,000)
Advances-In	353,597	250,000	603,597
Advances-Out	(250,000)	(353,597)	(603,597)
	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts/(Disbursements)	(51,132)	1,101,132	1,050,000
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<hr/> (601,906)	<hr/> (269,402)	<hr/> (871,308)
Fund Cash Balances, January 1	<hr/> 751,789	<hr/> 400,281	<hr/> 1,152,070
Fund Cash Balances, December 31	<hr/> \$149,883	<hr/> \$130,879	<hr/> \$280,762
Reserves for Encumbrances, December 31	<hr/> <hr/> \$265,053	<hr/> <hr/> \$1,399,094	<hr/> <hr/> \$1,664,147

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, 2008

	<u>Agency</u>
Non-Operating Cash Receipts:	
Other Non-Operating Receipts	<u>\$2,301,971</u>
Total Non-Operating Cash Receipts	<u>2,301,971</u>
Non-Operating Cash Disbursements:	
Other Non-Operating Cash Disbursements	<u>2,295,203</u>
Total Non-Operating Cash Disbursements	<u>2,295,203</u>
Net Receipts Over/(Under) Disbursements	6,768
Fund Cash Balance, January 1	<u>15,367</u>
Fund Cash Balance, December 31	<u><u>\$22,135</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, 2007**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Capital Projects</u>	
Cash Receipts:			
Intergovernmental Receipts	\$193,334	\$748,223	\$941,557
Licenses, Permits, and Fees	7,500		7,500
Rental Income	5,280		5,280
Miscellaneous	4,579		4,579
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	210,693	748,223	958,916
Cash Disbursements:			
Salaries and Benefits	182,748		182,748
Professional Services	250,195	393,505	643,700
Repairs and Maintenance	536		536
Supplies and Materials	2,777		2,777
Marketing and Advertising	7,400		7,400
Travel and Recruitment	9,633		9,633
Utilities	8,731		8,731
Rent	9,000		9,000
Miscellaneous	10,537		10,537
Capital Outlay	171,762		171,762
Contractual Services	1,041,682		1,041,682
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	1,695,001	393,505	2,088,506
Total Cash Receipts Over/(Under) Cash Disbursements	<hr/>	<hr/>	<hr/>
	(1,484,308)	354,718	(1,129,590)
Other Financing Receipts/(Disbursements):			
Sale of Capital Assets	2,065,390		2,065,390
Loan from County	250,000		250,000
Repayment of Loan		(200,000)	(200,000)
Advances-In		245,563	245,563
Advances-Out	(245,563)		(245,563)
	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts/(Disbursements)	2,069,827	45,563	2,115,390
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	585,519	400,281	985,800
Fund Cash Balances, January 1	166,270	0	166,270
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31	\$751,789	\$400,281	\$1,152,070
Reserves for Encumbrances, December 31	<hr/>	<hr/>	<hr/>
	\$743,072	\$429,521	\$1,172,593

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, 2007

	<u>Agency</u>
Non-Operating Cash Receipts:	
Other Non-Operating Receipts	<u>\$2,587,848</u>
Total Non-Operating Cash Receipts	<u>2,587,848</u>
Non-Operating Cash Disbursements:	
Other Non-Operating Cash Disbursements	<u>2,613,629</u>
Total Non-Operating Cash Disbursements	<u>2,613,629</u>
Net Receipts Over/(Under) Disbursements	(25,781)
Fund Cash Balance, January 1	<u>41,148</u>
Fund Cash Balance, December 31	<u><u>\$15,367</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, 2008 AND 2007**

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. 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

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.

**ZANESVILLE MUSKINGUM COUNTY PORT AUTHORITY
MUSKINGUM COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. 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:

JEDD/Bilco Project Fund - This fund received a loan from Muskingum County for site preparation expenses related to the site improvement project for the Bilco Company and receives monies from the Washington Township Joint Economic Development District to assist in improvements related to the project.

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 354 acre site to accommodate the construction of manufacturing space at the East Pointe Industrial Park.

AVON Roadwork Fund – This fund receives 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 Infrastructure Fund – This fund receives rapid outreach grant monies from the Ohio Department of Development for excavating, grading, and related construction at the AVON site 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 waterline, sanitary sewer and pump station, and the relocation of Bateman Road/Future Drive at the East Pointe Industrial Park.

3. 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, 2008 AND 2007
(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. The Port Authority did not encumber all commitments required by Ohio law. Management has included audit adjustments in the accompanying budgetary presentations for material items that should have been encumbered.

A summary of 2008 and 2007 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 CASH 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, 2008 and 2007, the Port Authority had cash with a carrying amount of \$302,897 and \$1,167,437, respectively, which is included in and collateralized with Muskingum County's cash management pool.

**ZANESVILLE MUSKINGUM COUNTY PORT AUTHORITY
MUSKINGUM COUNTY**

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

3. BUDGETARY ACTIVITY

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

2008 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$872,200	\$334,590	(\$537,610)
Capital Projects	6,863,450	3,156,911	(3,706,539)
Total	\$7,735,650	\$3,491,501	(\$4,244,149)

2008 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,837,249	\$1,305,146	\$532,103
Capital Projects	6,998,100	4,721,810	2,276,290
Total	\$8,835,349	\$6,026,956	\$2,808,393

2007 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$2,592,000	\$2,526,083	(\$65,917)
Capital Projects	5,747,413	748,223	(4,999,190)
Total	\$8,339,413	\$3,274,306	(\$5,065,107)

2007 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,712,134	\$2,438,073	\$274,061
Capital Projects	2,214,745	1,023,026	1,191,719
Total	\$4,926,879	\$3,461,099	\$1,465,780

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 2008 and 2007. Operating subsidies received from the City of Zanesville totaled \$116,666 and \$83,334 in 2008 and 2007, respectively.

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

**ZANESVILLE MUSKINGUM COUNTY PORT AUTHORITY
MUSKINGUM COUNTY**

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

5. DEBT

On November 16, 2006, the Port Authority entered into an agreement with Muskingum County that provided for the County to loan the Port Authority \$289,289 to be used to prepare a business site at the East Pointe Industrial Park. The Port Authority agreed to repay the loan with proceeds from the City of Zanesville – Washington Township Joint Economic Development District funds or note proceeds or other means by May 16, 2007. On June 28, 2007, the Board of Muskingum County Commissioners agreed to extend the due date for the repayment of the loan to November 16, 2007. The Port Authority repaid \$200,000 of the loan on August 23, 2007. On December 29, 2008, the Board of Muskingum County Commissioners passed a resolution to forgive the remainder of the loan, \$89,289, and to treat it as a financial donation to the Port Authority.

On October 17, 2007, the Port Authority entered into an agreement with Muskingum County that provided for the County to loan the Port Authority \$250,000 to be used in the construction of Future Drive / Bateman Road. The Port Authority agreed to repay the loan with proceeds from the City of Zanesville – Washington Township Joint Economic Development District funds or note proceeds or other means by December 28, 2007. The Board of Muskingum County Commissioners agreed to extend the due date for the repayment of the loan to February 28, 2008. On November 18, 2008, the Port Authority repaid the loan in full to the County Commissioners.

A summary of debt activity during 2008 and 2007 is as follows:

Loan Agreement	Balance at January 1, 2007	Additions	Payments	Forgiven	Outstanding at December 31, 2008
Business Site Preparation at East Pointe	\$289,289	\$0	(\$200,000)	(\$89,289)	\$0
Future Drive / Bateman Road Construction	0	250,000	(250,000)	0	0

6. REIMBURSEMENTS TO AND FROM FUNDS

On December 20, 2007 the Port Authority entered into a Cooperative Agreement with Muskingum County to make certain improvements at the East Pointe Industrial Park on behalf of the County, including construction of a waterline, sanitary sewer, and pump station, and for the relocation of Bateman Road/Future Drive. The County issued notes to fund the construction and improvements in the amount of \$1,300,000. The Port Authority receipted the money on February 6, 2008 into the Avon East Pointe Project Fund.

Prior to receipting the \$1,300,000, the Port Authority made several payments for work completed at East Pointe for the waterline, sanitary sewer, and Bateman Road/Future Drive construction and improvements. The payments were made from the General Fund and Avon Roadwork Improvement Fund. Once the Port Authority received the Cooperative Agreement monies, payments were made from the Avon East Pointe Project Fund to those funds as reimbursement for payments that had been made. The activity is reflected as Reimbursement to Fund in the Avon East Pointe Project Fund and as Reimbursement from Fund in the General Fund and Avon Roadwork Improvement Fund, as follows:

**ZANESVILLE MUSKINGUM COUNTY PORT AUTHORITY
MUSKINGUM COUNTY**

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

6. REIMBURSEMENTS TO AND FROM FUNDS (Continued)

<u>Date of Reimbursement</u>	<u>Fund Reimbursed</u>	<u>Amount Reimbursed by the Avon East Pointe Project Fund - 929</u>
February 12, 2008	General Fund - 901	\$72,200
February 12, 2008	General Fund - 901	\$9,000
February 12, 2008	General Fund - 901	\$14,071
<i>Total Fund 901 Reimbursement from Fund:</i>		\$95,271
February 12, 2008	Avon Roadwork Improvement - 906	\$203,597
August 19, 2008	Avon Roadwork Improvement - 906	\$78,098
<i>Total Fund 906 Reimbursement from Fund:</i>		\$281,695
<i>Total Fund 929 Reimbursement to Fund:</i>		\$376,966

7. REAL ESTATE AGREEMENTS

During 2007, the Port Authority entered into several agreements for the acquisition of real estate at the North Pointe and East Pointe locations whereby the Port Authority is required to return a portion of the proceeds of subsequent real estate sales to the parties from whom the real estate was originally acquired. Gross proceeds from real estate sales have been recorded as Other Financing Receipts – Sale of Capital Assets while the payments are recorded as Cash Disbursements - Contractual Services on the financial statements.

8. COOPERATIVE AGREEMENT WITH EMCO USA, LLC AND CARDINAL HEALTH

On March 7, 2006, the Port Authority entered into a cooperative agreement with EMCO USA, LLC and Cardinal Health to provide funding of \$100,000 to EMCO to assist EMCO in its purchase of property at 1000 Linden Avenue, Zanesville. The funding is to be paid to Cardinal Health on behalf of EMCO in \$33,333.33 increments, with the first payment made during 2006, the second payment made during 2007, and the third and final payment made during 2008. As consideration for the funding provided by the Port Authority, EMCO has agreed to meet certain conditions, including commitments to job creation and retention. Should EMCO not meet the agreed upon conditions, the funding may be repaid to the Port Authority. The Port Authority has indicated that EMCO met the agreed upon conditions. The Port Authority has recorded the payments to EMCO as Cash Disbursements – Contractual Services on the 2008 and 2007 financial statements.

9. RETIREMENT SYSTEM

The Port Authority's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS 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.

Contribution rates are also prescribed by the Ohio Revised Code. For 2008 and 2007, members of OPERS contributed 10.0% and 9.5%, respectively of their gross salaries. The Port Authority contributed an amount equal to 14.0% and 13.85%, respectively, of participants' gross salaries. Muskingum County serves as the Port Authority's fiscal agent and is responsible for paying contributions. Muskingum County has paid all contributions required through December 31, 2008.

**ZANESVILLE MUSKINGUM COUNTY PORT AUTHORITY
MUSKINGUM COUNTY**

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

10. 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;

11. 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.

Industrial Revenue Bonds in the amount of \$3,500,000 were issued during 1989 for the Anchor Glass Project and as of December 31, 2008, there were no outstanding amounts on these obligations.

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, 2008 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 2007 and 2008 so an amount outstanding at December 31, 2008 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 2007 and 2008 so an amount outstanding at December 31, 2008 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 2007 and 2008 so an amount outstanding at December 31, 2008 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 2008 so an amount outstanding at December 31, 2008 could not be reported.

**ZANESVILLE MUSKINGUM COUNTY PORT AUTHORITY
MUSKINGUM COUNTY**

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

11. CONDUIT DEBT OBLIGATIONS (Continued)

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 2008 so an amount outstanding at December 31, 2008 could not be reported.

12. 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.

13. 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 \$10,000 in 2007 and 2008 for administrative services provided in 2006 and 2007.

As disclosed in Note 4 above, Muskingum County provided the Port Authority operating subsidies of \$100,000 during both 2007 and 2008.

14. SUBSEQUENT EVENTS

On March 26, 2009, the Port Authority was notified that it was awarded \$1,244,968 of federal stimulus monies that will be managed through the Ohio Department of Transportation. The money will be used for the State Route 93 turn lane into the East Pointe Industrial Park.



Mary Taylor, CPA

Auditor of State

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

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, 2008 and 2007, and have issued our report thereon dated July 8, 2009, wherein we noted the Port Authority followed accounting principles 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 expressing our opinion on the financial statements, but not to opine 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 control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Port Authority's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Port Authority's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

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

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

We noted a certain matter that we reported to the Port Authority's management in a separate letter dated July 8, 2009.

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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 that we must report under *Government Auditing Standards*.

We did note certain noncompliance or other matters that we reported to the Port Authority's management in a separate letter dated July 8, 2009.

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

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

Mary Taylor, CPA
Auditor of State

July 8, 2009



Mary Taylor, CPA
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
JULY 28, 2009