



**CONVENTION FACILITIES AUTHORITY
MUSKINGUM COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 1998-1997



**JIM PETRO
AUDITOR OF STATE**

STATE OF OHIO

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REPORT OF INDEPENDENT ACCOUNTANTS

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

To Members of the Board:

We have audited the accompanying financial statements of the Convention Facilities Authority, Muskingum County, Ohio (the Authority), as of and for the years ended December 31, 1998 and December 31, 1997, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards 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 described in Note 1, the 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 cash balances of the Authority as of December 31, 1998 and December 31, 1997, and its cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

Our audit was made for the purpose of forming an opinion on the Statements of Cash Receipts, Cash Disbursements, and Changes in Cash Balance taken as a whole. The Statements of Cash Receipts, Cash Disbursements, and Changes in Account Cash Balances listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements of the Authority. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued a report dated January 13, 2000, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

A handwritten signature in black ink, appearing to read "Jim Petro".

JIM PETRO
Auditor of State

January 13, 2000

Convention Facilities Authority

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**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN CASH BALANCE - ALL ACCOUNTS
FOR THE YEAR ENDED DECEMBER 31, 1998**

Cash Receipts:	
Local Taxes	\$369,218
Interest	10,264
Rental Income	6,695
All Other Revenue	<u>7,613</u>
Total Cash Receipts	<u>393,790</u>
Cash Disbursements:	
Professional Services	39,126
Contractual Services	53,053
Capital Projects	121,393
Utilities	18,552
Debt Service:	
Redemption of Principal	99,164
Interest	50,719
Taxes	4,358
Wages	63,394
Other	<u>8,382</u>
Total Cash Disbursements	<u>458,141</u>
Excess of Cash Receipts Over/(Under) Cash Disbursements	<u>(64,351)</u>
Other Financing Sources/(Uses):	
Transfers-In	206,961
Transfers-Out	<u>(206,961)</u>
Total Other Financing Sources/(Uses)	<u>0</u>
Excess of Cash Receipts and Other Financing Sources Over/(Under) Cash Disbursements and Other Financing Uses	(64,351)
Account Cash Balances, January 1	<u>331,823</u>
Account Cash Balances, December 31	<u>\$267,472</u>

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

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS
AND CHANGES IN CASH BALANCE - ALL ACCOUNTS
FOR THE YEAR ENDED DECEMBER 31, 1997**

Cash Receipts:

Local Taxes	\$331,014
Interest	8,137
Rental Income	2,342
All Other Revenue	<u>4,649</u>

Total Cash Receipts	<u>346,142</u>
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Cash Disbursements:

Professional Services	50,120
Contractual Services	12,449
Capital Projects	33,480
Utilities	13,503
Debt Service:	
Redemption of Principal	92,939
Interest	56,944
Taxes	8,622
Wages	4,280
Other	<u>3,620</u>

Total Cash Disbursements	<u>275,957</u>
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Excess of Cash Receipts Over/(Under) Cash Disbursements	<u>70,185</u>
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Other Financing Sources/(Uses):

Transfers-In	204,577
Transfers-Out	<u>(204,577)</u>

Total Other Financing Sources/(Uses)	<u>0</u>
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Excess of Cash Receipts and Other Financing Sources Over/(Under) Cash Disbursements and Other Financing Uses	70,185
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Account Cash Balances, January 1	<u>261,638</u>
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Account Cash Balances, December 31	<u><u>\$331,823</u></u>
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The notes to the financial statements are an integral part of this statement.

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN
ACCOUNT CASH BALANCES - DEBT SERVICE AND PROJECT ACCOUNTS -
FOR THE YEAR ENDED DECEMBER 31, 1998**

	Debt Service	Project	Total (Memorandum Only)
Cash Receipts:			
Local Taxes	\$369,218	\$0	\$369,218
Interest	0	10,264	10,264
Rental Income	0	6,695	6,695
All Other Revenue	0	7,613	7,613
Total Cash Receipts	369,218	24,572	393,790
Cash Disbursements:			
Professional Services	0	39,126	39,126
Contractual Services	0	53,053	53,053
Capital Projects	0	121,393	121,393
Utilities	0	18,552	18,552
Debt Service:			
Redemption of Principal	99,164	0	99,164
Interest	50,719	0	50,719
Taxes	0	4,358	4,358
Wages	0	63,394	63,394
Other	0	8,382	8,382
Total Cash Disbursements	149,883	308,258	458,141
Excess of Cash Receipts Over/(Under) Cash Disbursements	219,335	(283,686)	(64,351)
Other Financing Sources/(Uses):			
Transfers-In	0	206,961	206,961
Transfers-Out	(206,961)	0	(206,961)
Total Other Financing Sources/(Uses)	(206,961)	206,961	0
Excess of Cash Receipts and Other Financing Sources Over/(Under) Cash Disbursements and Other Financing Uses	12,374	(76,725)	(64,351)
Account Cash Balances, January 1	12,479	319,344	331,823
Account Cash Balances, December 31	\$24,853	\$242,619	\$267,472

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

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN
ACCOUNT CASH BALANCES - GENERAL, WELCOME CENTER, DEBT SERVICE AND PROJECT ACCOUNTS -
FOR THE YEAR ENDED DECEMBER 31, 1997**

	General	Welcome Center	Debt Service	Project	Total (Memorandum Only)
Cash Receipts:					
Local Taxes	\$0	\$0	\$331,014	\$0	\$331,014
Interest	61	47	0	8,029	8,137
Rental Income	0	2,342	0	0	2,342
All Other Revenue	0	53	0	4,596	4,649
Total Cash Receipts	<u>61</u>	<u>2,442</u>	<u>331,014</u>	<u>12,625</u>	<u>346,142</u>
Cash Disbursements:					
Professional Services	1,800	9,242	0	39,078	50,120
Contractual Services	0	5,628	0	6,821	12,449
Capital Projects	0	600	0	32,880	33,480
Utilities	0	9,931	0	3,572	13,503
Debt Service:					
Redemption of Principal	0	0	92,939	0	92,939
Interest	0	0	56,944	0	56,944
Taxes	0	0	0	8,622	8,622
Wages	0	0	0	4,280	4,280
Other	10	814	627	2,169	3,620
Total Cash Disbursements	<u>1,810</u>	<u>26,215</u>	<u>150,510</u>	<u>97,422</u>	<u>275,957</u>
Excess of Cash Receipts Over/(Under) Cash Disbursements	<u>(1,749)</u>	<u>(23,773)</u>	<u>180,504</u>	<u>(84,797)</u>	<u>70,185</u>
Other Financing Sources/(Uses):					
Transfers-In	0	21,000	0	183,577	204,577
Transfers-Out	(3,063)	0	(180,514)	(21,000)	(204,577)
Total Other Financing Sources/(Uses)	<u>(3,063)</u>	<u>21,000</u>	<u>(180,514)</u>	<u>162,577</u>	<u>0</u>
Excess of Cash Receipts and Other Financing Sources Over/(Under) Cash Disbursements and Other Financing Uses	<u>(4,812)</u>	<u>(2,773)</u>	<u>(10)</u>	<u>77,780</u>	<u>70,185</u>
Account Cash Balances, January 1	<u>4,812</u>	<u>2,773</u>	<u>12,489</u>	<u>241,564</u>	<u>261,638</u>
Account Cash Balances, December 31	<u>\$0</u>	<u>\$0</u>	<u>\$12,479</u>	<u>\$319,344</u>	<u>\$331,823</u>

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1998 AND 1997**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Convention Facilities Authority, Muskingum County, is a body politic and corporate established to exercise the rights and privileges conveyed to it pursuant to Chapter 351 of the Ohio Revised Code. The Authority is directed by an eleven-member Board of Directors appointed in the manner outlined in Section 351.04, Ohio Revised Code. The Authority collects and administers the County wide lodging tax.

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

B. Basis of Accounting

These financial statements were prepared on the cash basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when a payment is made rather than when a liability is incurred.

C. Accounts Presented in the Supplementary Information

The Authority established the following accounts in order to comply with its bond indenture signed on October 1, 1994, prior to issuing its tax anticipation bonds:

General Account

This account serves as the general operating account of the Authority.

Debt Service Account

All excise lodging taxes are initially deposited into this account. The Authority is required to make monthly principal and interest payments on the tax anticipation bond issue from this account.

Project Account

Once the monthly principal and interest payments are made from the Debt Service Account, the excess lodging taxes are transferred to the Project Account. Funds from this account are used primarily to finance capital projects.

Welcome Center

Receipts into this account consist primarily of transfers from the Project Account. These funds were used for operational costs of the Welcome Center prior to hiring an Executive Director of the Authority.

D. 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.

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1998 AND 1997**

2. EQUITY IN POOLED CASH AND INVESTMENTS

The Convention Facilities Authority maintains separate bank accounts and each account is reflected on the financial statements.

Legal Requirements:

Monies held by the Authority are classified by State Statute into two categories. Active monies are public moneys determined to be necessary to meet current demand upon the Authority treasury. Active monies must be maintained as either cash in the treasury or mutual fund accounts.

Monies held by the Authority which are not considered active are classified as inactive. Inactive monies may be deposited or invested in the following securities:

- A. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;
- B. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal securities shall be direct issuances of federal agencies or instrumentalities.
- C. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily; and the terms of the agreement must not exceed thirty days;
- D. Bonds and other obligations of the State of Ohio or its political subdivisions, provided that such political subdivisions are located wholly or partly within the County;
- E. Time certificates of deposit or savings accounts, including, but not limited to, passbook accounts;
- F. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
- G. The State Treasurer's investment pool (STAR Ohio).
- H. Securities lending agreements in which the Authority lends securities and the eligible institution agrees to exchange either securities described in division (1) or (2) or cash or both securities and cash, equal value for equal value;
- I. High grade commercial paper in an amount not to exceed five percent of the Authority's total average portfolio;
- J. Bankers acceptances for a period not to exceed 270 days and in an amount not to exceed ten percent of the Authority's total average portfolio;

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1998 AND 1997**

2. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

Investments in stripped principal and interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the Authority, and must be purchased with the exception that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Protection of the Authority's deposits is provided by the Federal Deposit Insurance Corporation and by eligible securities pledged by the financial institution as security for repayment.

Deposits:

At December 31, 1998, the carrying amount of the Authority's deposits was \$135,354 and the bank balance was \$149,779. Of the balance, \$149,779 was covered by federal depository insurance;

At December 31, 1997, the carrying amount of the Authority's deposits was \$331,823 and the bank balance was \$325,997. Of the balance:

- A. \$212,490 was covered by federal depository insurance;
- B. \$113,507 was collateralized by securities held by the pledging financial institutions trust department in the Authority's name and all State statutory requirements for the deposit of money had been followed.

Investments:

As of December 31, 1998, the investment balance was \$132,118, which was limited to mutual funds. These investments are not categorized as to risk because they are not evidenced by securities that exist in physical or book entry form. As of December 31, 1997, the Authority had no investments.

3. DEBT

The Convention Facilities Authority issued \$1,100,000 in tax anticipation revenue bonds dated October 1, 1994. The proceeds of these bonds were used to construct the Convention Facilities Authority (the Welcome Center). The bonds are payable as to principal and interest solely from excise taxes levied by the Authority pursuant to Section 351.021 of the Ohio Revised Code.

Amortization of the above debt, including interest, is scheduled follows:

<u>Year Ending December 31</u>	<u>Revenue Bonds</u>
1999	\$105,805
2000	112,891
2001	120,452
2002	128,518
2003-04	<u>258,386</u>
Total	\$ <u>726,052</u>

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1998 AND 1997**

4. PRIOR PERIOD RESTATEMENT

The beginning cash balance increased due to a restatement for the amount of the Welcome Center Account. This account was managed by the Muskingum County Chamber of Commerce and was closed out at the end of 1997. The cash balance of all accounts increased by \$2,773, from \$258,865 to \$261,638.

5. RISK MANAGEMENT

The Convention Facilities Authority is insured through the United States Fidelity and Guaranty Company. The plan assumes the risk of loss up to the limits of the Authorities policies. Coverage is subject to deductibles and scheduled property. The following risks are covered by the Plan:

- Commercial Property
- Commercial General Liability
- Business Auto
- Commercial Umbrella

6. YEAR 2000 ISSUE

The Year 2000 issue is the result of shortcomings in many electronic data processing systems and other equipment that may adversely affect the government's operations as early as December 31, 1999.

As of December 31, 1998, the Convention Facilities Authority used the software package Quickbooks in conducting Authority operations. The vendor has indicated both the hardware and software are Year 2000 ready.

The Convention Facilities Authority levies a lodging excise tax that is assessed and collected by the hotels and motels in the County. Each collection agent is responsible for remediating its system to assure it is Year 2000 compliant.

To the best of management's knowledge and belief, as of January 13, 2000, the Authority experienced no significant interruption of mission-critical operations or services related to the Year 2000 Issue. However, because of the unprecedented nature of the Year 2000 Issue, matters may yet arise, and parties with whom the Authority does business may also experience Year 2000 readiness issues that are as yet, unknown.



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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON
INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

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

To Members of the Board:

We have audited the financial statements of the Convention Facilities Authority, Muskingum County, Ohio (the Authority), as of and for the years ended December 31, 1998 and December 31, 1997, and have issued our report thereon dated January 13, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to the management of the Authority in a separate letter dated January 13, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a 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 in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to the management of the Authority in a separate letter dated January 13, 2000.

This report is intended for the information and use of management and the Board of Directors, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro", written in a cursive style.

JIM PETRO
Auditor of State

January 13, 2000



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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CONVENTION FACILITIES AUTHORITY

MUSKINGUM COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 7, 2000**