



Dave Yost • Auditor of State



**ZANESVILLE MUSKINGUM COUNTY PORT AUTHORITY  
MUSKINGUM COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

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

To the Members of the Board:

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

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Zanesville Muskingum County Port Authority, Muskingum County, Ohio (the Authority), as of and for the years ended December 31, 2014 and 2013.

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

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

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

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

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

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

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

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

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Authority does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

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

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Authority as of December 31, 2014 and 2013, or changes in financial position thereof for the years then ended.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Zanesville Muskingum County Port Authority, Muskingum County, Ohio, as of December 31, 2014 and 2013, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit, described in Note 1.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2015, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.



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

December 18, 2015

**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, 2014**

	Governmental Fund Types		Totals (Memorandum Only)
	General	Capital Projects	
<b>Cash Receipts:</b>			
Intergovernmental	\$232,265	\$177,721	\$409,986
Rental Income	17,988	0	17,988
Earnings on Investments	3,493	0	3,493
Miscellaneous	69,580	0	69,580
<i>Total Cash Receipts</i>	<u>323,326</u>	<u>177,721</u>	<u>501,047</u>
<b>Cash Disbursements:</b>			
Salaries and Benefits	195,786	0	195,786
Repairs and Maintenance	15,715	0	15,715
Supplies and Materials	5,266	0	5,266
Marketing and Advertising	12,317	0	12,317
Professional Services	62,705	1,680	64,385
Travel and Recritment	14,808	0	14,808
Utilities	12,166	0	12,166
Rent	6,750	0	6,750
Miscellaneous	2,926	0	2,926
Contractual Services	506,372	58,494	564,866
Debt Service:			
Interest and Other Fiscal Charges	0	3,493	3,493
<i>Total Cash Disbursements</i>	<u>834,811</u>	<u>63,667</u>	<u>898,478</u>
<i>Total Cash Receipts Over (Under) Cash Disbursements</i>	<u>(511,485)</u>	<u>114,054</u>	<u>(397,431)</u>
<b>Other Financing Receipts (Disbursements):</b>			
Reimbursements	8,454	0	8,454
Sale of Capital Assets	582,424	0	582,424
Transfers In	150,000	0	150,000
Transfers Out	0	(150,000)	(150,000)
Advances In	176,151	18,588	194,739
Advances Out	(18,588)	(176,151)	(194,739)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>898,441</u>	<u>(307,563)</u>	<u>590,878</u>
<i>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements And Other Financing Disbursements</i>	<u>386,956</u>	<u>(193,509)</u>	<u>193,447</u>
<b>Fund Cash Balances, January 1</b>	<u>58,473</u>	<u>2,302,263</u>	<u>2,360,736</u>
<b>Fund Cash Balances, December 31</b>			
Committed	0	2,106,662	2,106,662
Assigned	3,458	2,092	5,550
Unassigned	441,971	0	441,971
<b>Fund Cash Balance, December 31</b>	<u>\$445,429</u>	<u>\$2,108,754</u>	<u>\$2,554,183</u>

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

ZANESVILLE MUSKINGUM COUNTY PORT AUTHORITY  
MUSKINGUM COUNTY

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCE  
AGENCY FUND  
FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Agency</u>
<b>Non-Operating Cash Receipts:</b>	
Other Non-Operating Cash Receipts	\$847,571
<b>Non-Operating Cash Disbursements:</b>	
Other Non-Operating Cash Disbursements	<u>856,813</u>
Net Receipts (Under) Disbursements	(9,242)
Fund Cash Balances, January 1	<u>9,242</u>
<b>Fund Cash Balances, December 31</b>	<b><u><u>\$0</u></u></b>

*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, 2013**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>			
Intergovernmental	\$166,663	\$884,879	\$1,051,542
Rental Income	30,855	0	30,855
Earnings on Investments	4,377	0	4,377
Miscellaneous	1,795	0	1,795
<i>Total Cash Receipts</i>	<u>203,690</u>	<u>884,879</u>	<u>1,088,569</u>
<b>Cash Disbursements:</b>			
Salaries and Benefits	198,599	0	198,599
Repairs and Maintenance	12,809	0	12,809
Supplies and Materials	2,695	0	2,695
Marketing and Advertising	25,979	0	25,979
Professional Services	34,530	23,389	57,919
Travel and Recruitment	14,514	0	14,514
Utilities	11,538	0	11,538
Rent	9,000	0	9,000
Miscellaneous	667	0	667
Contractual Services	36,619	1,086,743	1,123,362
Capital Outlay	16,669	0	16,669
Debt Service:			
Redemption of Principal	36,000	0	36,000
Interest and Other Fiscal Charges	0	4,377	4,377
<i>Total Cash Disbursements</i>	<u>399,619</u>	<u>1,114,509</u>	<u>1,514,128</u>
<i>Total Cash Receipts Under Cash Disbursements</i>	<u>(195,929)</u>	<u>(229,630)</u>	<u>(425,559)</u>
<b>Other Financing Receipts (Disbursements):</b>			
Reimbursements	3,677	0	3,677
Sale of Capital Assets	47,811	0	47,811
Transfers In	321,183	234,352	555,535
Transfers Out	(234,352)	(321,183)	(555,535)
Advances In	95,623	100,000	195,623
Advances Out	(100,000)	(95,623)	(195,623)
<i>Total Other Financing Receipts/(Disbursements)</i>	<u>133,942</u>	<u>(82,454)</u>	<u>51,488</u>
<i>Excess of Cash Receipts and Other Financing Receipts Under Cash Disbursements And Other Financing Disbursements</i>	<u>(61,987)</u>	<u>(312,084)</u>	<u>(374,071)</u>
<b>Fund Cash Balances, January 1</b>	<u>120,460</u>	<u>2,614,347</u>	<u>2,734,807</u>
<b>Fund Cash Balances, December 31</b>			
Restricted	0	23,229	23,229
Committed	0	2,276,662	2,276,662
Assigned	25,140	2,648	27,788
Unassigned (Deficit)	33,333	(276)	33,057
<b>Fund Cash Balances, December 31</b>	<u>\$58,473</u>	<u>\$2,302,263</u>	<u>\$2,360,736</u>

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

ZANESVILLE MUSKINGUM COUNTY PORT AUTHORITY  
MUSKINGUM COUNTY

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCE  
AGENCY FUND  
FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>Agency</u>
<b>Non-Operating Cash Receipts:</b>	
Other Non-Operating Cash Receipts	\$850,942
<b>Non-Operating Cash Disbursements:</b>	
Other Non-Operating Cash Disbursements	<u>854,961</u>
Net Receipts (Under) Disbursements	(4,019)
Fund Cash Balances, January 1	<u>13,261</u>
<b>Fund Cash Balances, December 31</b>	<b><u><u>\$9,242</u></u></b>

*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, 2014 AND 2013**

**1. Summary of Significant Accounting Policies**

**A. Description of the Entity**

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

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

**B. Accounting Basis**

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

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

**C. Deposits and Investments**

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

**D. Fund Accounting**

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

**1. General Fund**

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

**2. Capital Project Funds**

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

**ZANESVILLE MUSKINGUM COUNTY PORT AUTHORITY  
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013  
(Continued)**

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

**D. Fund Accounting (Continued)**

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

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

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

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

Fanatics Maintenance Agreement Fund - The Authority established this fund to set aside funds for the maintenance of the Fanatics distribution center at the ECO Business Park.

EastPointe Projects Fund – The Authority established this fund to account for the financial activity or capital projects for EastPointe Park.

**3. Agency Fund**

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

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

**E. Budgetary Process**

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

**1. Appropriations**

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

**ZANESVILLE MUSKINGUM COUNTY PORT AUTHORITY  
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013  
(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. The County Budget Commission must approve estimated resources.

**3. Encumbrances**

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

A summary of 2014 and 2013 budgetary activity appears in Note 3.

**F. Fund Balance**

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

**1. Restricted**

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

**2. Committed**

The Board can *commit* amounts via formal action (resolution). The Authority must adhere to these commitments unless the Board amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

**3. Assigned**

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by the Board or an Authority official delegated that authority by resolution, or by State Statute.

**4. Unassigned**

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

**ZANESVILLE MUSKINGUM COUNTY PORT AUTHORITY  
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013  
(Continued)**

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

**F. Fund Balance (Continued)**

The Authority applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

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

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

**H. Accumulated Leave**

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

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

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

Deposits with Fiscal Agent: At December 31, 2014 and 2013, the Port Authority had cash with a carrying amount of \$2,554,183 and \$2,369,978, respectively, which is included in and collateralized with Muskingum County's cash management pool.

**3. Budgetary Activity**

Budgetary activity for the years ending 2014 and 2013 follows:

2014 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,100,513	\$1,140,355	\$39,842
Capital Projects	198,301	188,721	(9,580)
Total	\$1,298,814	\$1,329,076	\$30,262

2014 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$929,905	\$838,267	\$91,638
Capital Projects	294,354	289,818	4,536
Total	\$1,224,259	\$1,128,085	\$96,174

**ZANESVILLE MUSKINGUM COUNTY PORT AUTHORITY  
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013  
(Continued)**

**3. Budgetary Activity (Continued)**

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$743,083	\$671,984	(\$71,099)
Capital Projects	1,318,135	1,119,231	(198,904)
Total	\$2,061,218	\$1,791,215	(\$270,003)

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$778,480	\$659,111	\$119,369
Capital Projects	1,640,286	1,534,451	105,835
Total	\$2,418,766	\$2,193,562	\$225,204

**4. Operating Subsidies and Other Grants**

The Authority received operating subsidies from Muskingum County and the City of Zanesville to pay the operational expenses of the Authority. Operating subsidies received from Muskingum County totaled \$100,000 in 2014 and \$50,000 in 2013. Operating subsidies received from the City of Zanesville totaled \$100,000 in 2014 and \$116,663 in 2013. The Authority also applied for and received grant funds from the Economic Development Administration.

**5. Sale of Capital Assets**

During 2014, the Authority received proceeds from the sale of real estate at Eastpointe Industrial Park from 455 Investments and Dow Cameron in the total amount of \$580,000. During 2013, the Authority received proceeds from the sale of real estate of \$47,811 from KJF Enterprises. The proceeds from these sales are reported on the accompanying financial statements as "Sale of Capital Assets."

**6. Debt**

On July 21, 2010, the Authority entered into an agreement with Muskingum County that provided for the County to loan the Port Authority \$36,000 to be used for a gas lease release payment. The Authority agreed to repay the loan with reimbursable future land sales. This loan was paid in full December 6, 2013 and had no outstanding balance as of December 31, 2014.

A summary of debt activity during 2014 and 2013 was as follows:

Loan Agreement	Balance at January 1, 2013	Additions	Payments	Outstanding at December 31, 2014
EnerVest Gas Lease Loan	\$36,000	\$0	\$36,000	\$0

**ZANESVILLE MUSKINGUM COUNTY PORT AUTHORITY  
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013  
(Continued)**

**7. Retirement System**

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

The Ohio Revised Code also prescribes contribution rates. For 2014 and 2013, OPERS members contributed 10% of their gross salaries and the Authority contributed an amount equaling 14% of participants' gross salaries. Muskingum County serves as the Authority's fiscal agent and is responsible for paying contributions on behalf of the Authority. Muskingum County has paid all contributions required through December 31, 2014.

**8. Risk Management**

**Commercial Insurance**

The Authority has obtained commercial insurance for the following risks:

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

**9. Conduit Debt Obligations**

The 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 Authority. The obligations do not constitute a debt or pledge of the faith and credit of the Authority and accordingly have not been reported in the accompanying financial statements.

During 2000, the 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, 2014 was not available.

The 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 Authority was not able to obtain the amount of obligations retired during 2013 and 2014, so an amount outstanding at December 31, 2014 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 Authority was not able to obtain the amount of obligations retired during 2013 and 2014 so an amount outstanding at December 31, 2014 could not be reported.



**ZANESVILLE MUSKINGUM COUNTY PORT AUTHORITY  
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013  
(Continued)**

**9. 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 Authority was not able to obtain the amount of obligations retired during 2013 and 2014 so an amount outstanding at December 31, 2014 could not be reported.

The 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 Authority was not able to obtain the amount of obligations retired during 2013 and 2014, so an amount outstanding at December 31, 2014 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 Authority was not able to obtain the amount of obligations retired during 2013 and 2014, so an amount outstanding at December 31, 2014 could not be reported.

**10. Contingent Liabilities**

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

**11. Related Party Transactions**

As disclosed in Note 4, Muskingum County and the City of Zanesville each provided the Authority operating subsidies of during 2013 and 2014.

**12. Interfund Loans**

During 2012, the Authority authorized an interfund loan of \$160,774 from the General Fund to the Infrastructure Fund at an interest rate of 5%. During 2013, the Infrastructure Fund made a payment to the General Fund for this loan of \$100,000 including interest of \$4,377. During 2014, the Authority authorized an additional \$11,000 interfund loan from the General Fund to the Infrastructure Fund. During 2014, the Infrastructure Fund made a payment of \$79,644, including interest of \$3,493, to the General Fund to satisfy the remaining obligation. This activity is reflected as Advances-In, Advances-Out, and Interest and Other Fiscal Charges on the accompanying financial statements.

**13. Subsequent Events**

On April 19, 2015, the Authority entered into an agreement to sell approximately 16.973 acres of property at \$4,000 per acre.

On June 17, 2015, the Authority authorized the issuance and sale of variable rate economic development revenue refunding bonds for the Grove City Church of the Nazarene in an aggregate amount not to exceed \$7,200,000.

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# Dave Yost • Auditor of State

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

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

To the Members of the Board:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Zanesville Muskingum County Port Authority, Muskingum County, Ohio (the Authority), as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements, and have issued our report thereon dated December 18, 2015 wherein we noted the Authority followed financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit.

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

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

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 a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Authority's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider Finding 2014-001 to be a material weakness.

***Compliance and Other Matters***

As part of reasonably assuring whether the Authority's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

***Purpose of this Report***

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

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

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

December 18, 2015

**ZANESVILLE MUSKINGUM COUNTY PORT AUTHORITY  
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2014 AND 2013**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2014-001**

**Material Weakness**

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

Furthermore, Governmental Accounting Standards Board (GASB) Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, requires five fund balance classifications (nonspendable, restricted, committed, assigned, and unassigned) related to constraints placed upon the use of resources reported in governmental funds and clarifies the existing governmental fund type definitions. In addition, Auditor of State Bulletin 2011-004 requires local governments which prepare cash basis financial statements to implement these fund balance classifications and governmental fund type definitions.

During our audit of the Authority's financial statements we noted the following misstatements for the fiscal year ending December 31, 2014:

- A repayment of an interfund loan, in the amount of \$76,151, from the Infrastructure Fund to the General Fund was classified as Redemption of Principal rather than as an Advance Out in the Infrastructure Fund and as Other Financing Sources – Loan Payment from Fund 905 rather than an Advance In in the General Fund.
- An advance from the General Fund to the Infrastructure Fund, in the amount of \$11,000, was recorded twice in the Infrastructure Fund, including being reported as Earnings on Investments, overstating the activity and fund balance of the Infrastructure Fund.
- Fund balances in the Capital Projects Fund were not classified on the financial statements requiring adjustments to properly classify fund balances. Adjustments were necessary to classify \$1,946,662 as Committed Fund Balance in the Site Development Capital Projects Reserve Fund, \$1,400 as Assigned Fund Balance in the Infrastructure Fund, and \$692 as Assigned Fund Balance in the EastPointe Site Development Fund.
- Agency Fund activity was partially excluded from the financial statements resulting in receipts being overstated by \$9,468, expenditures being understated by \$856,813, beginning fund balance being understated by \$9,242, and ending fund balance being overstated by \$857,039.
- Rental income, in the amount of \$17,988, was incorrectly reported as Charges for Services receipts rather than Rental Income in the General Fund.

During our audit of the Authority's financial statements we noted the following misstatements for the fiscal year ending December 31, 2013:

- A repayment of an interfund loan, in the amount of \$95,623, from the Infrastructure Fund to the General Fund was classified as Redemption of Principal rather than as an Advance Out in the Infrastructure Fund and as Other Financing Sources – Loan Payment from Fund 905 rather than an Advance In in the General Fund.

**ZANESVILLE MUSKINGUM COUNTY PORT AUTHORITY  
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2014 AND 2013  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2014-001 (Continued)**

**Material Weakness (Continued)**

- Fund balances, totaling \$2,096,662, for the Site Development Capital Projects Reserve Fund was improperly classified as Assigned Fund Balance rather than Committed Fund Balance.
- Fund balances, totaling \$23,229, for the EastPointe Projects Capital Projects Fund was improperly classified as Assigned Fund Balance rather than Restricted Fund Balance.

As a result, audit adjustments, to which management has agreed, are reflected in the accompanying financial statements.

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

The Authority should take the necessary steps to ensure that all transactions of the Authority are properly presented and disclosed in the Authority's financial statements. In addition, we recommend the Authority post financial transactions to the accounting system in a manner that segregates revenues and expenses based upon the source and nature of the transactions resulting in these transactions being properly reflected in the annual financial statements. Also, the Authority should report fund balances on their annual financial statements in accordance with the requirements of GASB Statement No. 54. The Authority may review Auditor of State Bulletin 2011-004 for further guidance on classifying fund balances.

**Officials' Response:** We did not receive a response from Officials to this Finding.

**ZANESVILLE MUSKINGUM COUNTY PORT AUTHORITY  
MUSKINGUM COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2014 AND 2013**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2012-001	The Authority failed to properly implement GASB Statement No. 54.	No	Repeated in the Schedule of Findings as part of Finding No. 2014-001.
2012-002	Various misstatements were noted as part of the audit of the financial statements.	No	Repeated in the Schedule of Findings as Finding No. 2014-001.

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# Dave Yost • Auditor of State

ZANESVILLE-MUSKINGUM COUNTY PORT AUTHORITY

MUSKINGUM COUNTY

## CLERK'S CERTIFICATION

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
JANUARY 12, 2016