



Dave Yost • Auditor of State



**ZANESVILLE MUSKINGUM COUNTY PORT AUTHORITY  
MUSKINGUM COUNTY  
DECEMBER 31, 2016 AND 2015**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Auditor's Report .....	1
Prepared by Management:	
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types – For the Year Ending December 31, 2016.....	3
Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balance – Agency Fund – For the Year Ended December 31, 2016.....	4
Notes to the Financial Statements – For the Year Ended December 31, 2016 .....	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types – For the Year Ending December 31, 2015.....	13
Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balance – Agency Fund – For the Year Ended December 31, 2015.....	14
Notes to the Financial Statements – For the Year Ended December 31, 2015.....	15
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	23
Schedule of Findings .....	25
Prepared by Management:	
Summary Schedule of Prior Audit Findings .....	27

**This page intentionally left blank.**



# 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 Board of Directors:

### ***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, 2016 and 2015.

### ***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, 2016 and 2015, 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, 2016 and 2015, 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 August 15, 2017, 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

August 15, 2017

**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 ENDING DECEMBER 31, 2016**

	<u>Governmental Fund Types</u>		<u>Totals</u>
	<u>General</u>	<u>Capital Projects</u>	<u>(Memorandum Only)</u>
<b>Cash Receipts:</b>			
Intergovernmental	\$200,000	\$100,000	\$300,000
Rental Income	13,385	0	13,385
Miscellaneous	2,148	0	2,148
<b>Total Cash Receipts</b>	<b>215,533</b>	<b>100,000</b>	<b>315,533</b>
<b>Cash Disbursements:</b>			
Salaries and Benefits	138,491	0	138,491
Repairs and Maintenance	951	692	1,643
Supplies and Materials	4,073	0	4,073
Marketing and Advertising	1,283	0	1,283
Professional Services	42,637	0	42,637
Travel and Recruitment	8,812	0	8,812
Utilities	9,862	0	9,862
Miscellaneous	2,386	0	2,386
Contractual Services	105,536	20,000	125,536
<b>Total Cash Disbursements</b>	<b>314,031</b>	<b>20,692</b>	<b>334,723</b>
<b>Total Receipts Over/(Under) Disbursements</b>	<b>(98,498)</b>	<b>79,308</b>	<b>(19,190)</b>
<b>Other Financing Receipts/(Disbursements):</b>			
Advances-In	7,588	0	7,588
Advances-Out	0	(7,588)	(7,588)
<b>Total Other Financing Receipts/(Disbursements)</b>	<b>7,588</b>	<b>(7,588)</b>	<b>0</b>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements And Other Financing Disbursements	(90,910)	71,720	(19,190)
<b>Fund Cash Balance, January 1</b>	<b>581,280</b>	<b>2,178,154</b>	<b>2,759,434</b>
<b>Fund Cash Balance, December 31</b>			
Restricted	0	183,212	183,212
Committed	0	2,066,662	2,066,662
Assigned	1,913	0	1,913
Unassigned (Deficit)	488,457	0	488,457
<b>Fund Cash Balance, December 31</b>	<b>\$490,370</b>	<b>\$2,249,874</b>	<b>\$2,740,244</b>

*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, 2016**

	<u>Agency</u>
<b>Non-Operating Cash Receipts:</b>	
Other Non-Operating Cash Receipts	<u>\$858,480</u>
Total Non-Operating Cash Receipts	<u>858,480</u>
<b>Non-Operating Cash Disbursements:</b>	
Other Non-Operating Cash Disbursements	<u>856,513</u>
Total Non-Operating Cash Disbursements	<u>856,513</u>
Net Receipts Over/(Under) Disbursements	1,967
Fund Cash Balances, January 1	<u>8,054</u>
<b>Fund Cash Balances, December 31</b>	<u><u><b>\$10,021</b></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, 2016**

**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, 2016  
(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 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.

EastPointe Rail Extension Fund – The Authority established this fund to set aside funds for the extension of a railroad spur off of the Columbus & Ohio River Railroad to the recently completed EastPointe Business Park Job-Ready Site.

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.

Site Development Fund – The Authority established this fund to account for the financial activity of a new site development project related to 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, 2016  
(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 2016 activity appears in Note 3.

**F. Fund Balance**

Fund balance is divided into five 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. Nonspendable**

The Authority classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

**2. 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.

**3. 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.

**4. 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.

**ZANESVILLE MUSKINGUM COUNTY PORT AUTHORITY  
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016  
(Continued)**

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

**F. Fund Balance (Continued)**

**5. 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.

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, 2016, the Port Authority had cash with a carrying amount of \$2,740,244, which is included in and collateralized with Muskingum County's cash management pool.

**3. Budgetary Activity**

Budgetary activity for the year ending 2016 follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$320,000	\$215,533	(\$104,467)
Capital Projects	0	100,000	100,000
Total	\$320,000	\$315,533	(\$4,467)

**ZANESVILLE MUSKINGUM COUNTY PORT AUTHORITY  
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016  
(Continued)**

**3. Budgetary Activity (Continued)**

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$365,114	\$315,944	\$49,170
Capital Projects	40,692	20,692	20,000
Total	\$405,806	\$336,636	\$69,170

**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 2016. Operating subsidies received from the City of Zanesville totaled \$100,000 in 2016.

The Authority also applied for and received grant funds from the Economic Development Administration.

**5. Sale of Capital Assets and Intergovernmental Expense**

During 2016, the Authority did not receive any proceeds from the sale of real estate.

**6. 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 2016, OPERS members contributed 10% of their gross salaries and the Port Authority contributed an amount equaling 14% of participants' gross salaries. Muskingum County serves as the Port Authority's fiscal agent and is responsible for paying contributions on behalf of the Port Authority. Muskingum County has paid all contributions required through December 31, 2016.

**7. Risk Management**

**Commercial Insurance**

The Port Authority has obtained commercial insurance for the following risks:

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

**8. 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.

**ZANESVILLE MUSKINGUM COUNTY PORT AUTHORITY  
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016  
(Continued)**

**8. Conduit Debt Obligations (Continued)**

These obligations are payable solely from pledged lease and loan receipts and are not otherwise obligations of the Port Authority. The obligations do not constitute a debt or pledge of the faith and credit of the Port Authority and accordingly have not been reported in the accompanying financial statements.

During 2000, the Port Authority authorized issuance of adjustable rate demand industrial development revenue bonds not to exceed \$9,000,000 for the Almanac II, LLC Project. The total amount of bonds actually issued and the amount outstanding at December 31, 2016 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 2016, so an amount outstanding at December 31, 2016 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 2016 so an amount outstanding at December 31, 2016 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 2016 so an amount outstanding at December 31, 2016 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 2016, so an amount outstanding at December 31, 2016 could not be reported.

Bilco Company Project Industrial Development Revenue Bonds in the amount of \$2,000,000 with a maturity date no later than August 1, 2037. The Port Authority was not able to obtain the amount of obligations retired during 2016, so an amount outstanding at December 31, 2016 could not be reported.

**9. 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.

**10. Related Party Transactions**

As disclosed in Note 4, Muskingum County and the City of Zanesville each provided the Authority operating subsidies during 2016.

**ZANESVILLE MUSKINGUM COUNTY PORT AUTHORITY  
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016  
(Continued)**

**11. Subsequent Event**

On May 1, 2017, the Authority was awarded a grant from the Appalachian Regional Commission Rapid Response Program in the amount of \$158,300 for the purpose of resurfacing roads at the Airport Business Park.

**This page intentionally left blank.**



**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 ENDING DECEMBER 31, 2015**

	Governmental Fund Types		Totals
	General	Capital Projects	(Memorandum Only)
<b>Cash Receipts:</b>			
Intergovernmental	\$200,000	\$100,000	\$300,000
Rental Income	13,695	0	13,695
Miscellaneous	8,724	0	8,724
<b>Total Cash Receipts</b>	<b>222,419</b>	<b>100,000</b>	<b>322,419</b>
<b>Cash Disbursements:</b>			
Salaries and Benefits	130,724	0	130,724
Repairs and Maintenance	1,587	0	1,587
Supplies and Materials	3,076	0	3,076
Marketing and Advertising	11,884	0	11,884
Professional Services	45,805	0	45,805
Travel and Recruitment	4,963	0	4,963
Utilities	11,577	0	11,577
Miscellaneous	1,732	0	1,732
Contractual Services	34,426	30,600	65,026
<b>Total Cash Disbursements</b>	<b>245,774</b>	<b>30,600</b>	<b>276,374</b>
Total Receipts Over/(Under) Disbursements	(23,355)	69,400	46,045
<b>Other Financing Receipts:</b>			
Sale of Fixed Assets	159,206	0	159,206
<b>Total Other Financing Receipts</b>	<b>159,206</b>	<b>0</b>	<b>159,206</b>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	135,851	69,400	205,251
Fund Cash Balance, January 1	445,429	2,108,754	2,554,183
<b>Fund Cash Balance, December 31</b>			
Restricted	0	90,800	90,800
Committed	0	2,086,662	2,086,662
Assigned	45,114	692	45,806
Unassigned (Deficit)	536,166	0	536,166
<b>Fund Cash Balance, December 31</b>	<b>\$581,280</b>	<b>\$2,178,154</b>	<b>\$2,759,434</b>

*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, 2015**

	<b>Agency</b>
<b>Non-Operating Cash Receipts:</b>	
Other Non-Operating Cash Receipts	\$858,850
Total Non-Operating Cash Receipts	858,850
<b>Non-Operating Cash Disbursements:</b>	
Other Non-Operating Cash Disbursements	850,796
Total Non-Operating Cash Disbursements	850,796
Net Receipts Over/(Under) Disbursements	8,054
Fund Cash Balances, January 1	0
<b>Fund Cash Balances, December 31</b>	<b>\$8,054</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, 2015**

**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, 2015  
(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 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.

EastPointe Rail Extension Fund – The Authority established this fund to set aside funds for the extension of a railroad spur off of the Columbus & Ohio River Railroad to the recently completed EastPointe Business Park Job-Ready Site.

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.

Site Development Fund – The Authority established this fund to account for the financial activity of a new site development project related to 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, 2015  
(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 2015 activity appears in Note 3.

**F. Fund Balance**

Fund balance is divided into five 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. Nonspendable**

The Authority classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

**2. 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.

**3. 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.

**4. 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.

**ZANESVILLE MUSKINGUM COUNTY PORT AUTHORITY  
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015  
(Continued)**

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

**F. Fund Balance (Continued)**

**5. 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.

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, 2015, the Port Authority had cash with a carrying amount of \$2,759,434, which is included in and collateralized with Muskingum County's cash management pool.

**3. Budgetary Activity**

Budgetary activity for the year ending 2015 follows:

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$350,000	\$381,625	\$31,625
Capital Projects	100,000	100,000	0
Total	\$450,000	\$481,625	\$31,625

**ZANESVILLE MUSKINGUM COUNTY PORT AUTHORITY  
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015  
(Continued)**

**3. Budgetary Activity (Continued)**

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$359,457	\$250,648	\$108,809
Capital Projects	30,600	30,600	0
Total	\$390,057	\$281,248	\$108,809

**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 2015. Operating subsidies received from the City of Zanesville totaled \$100,000 in 2015.

The Authority also applied for and received grant funds from the Economic Development Administration.

**5. Sale of Capital Assets and Intergovernmental Expense**

During 2015, the Authority received proceeds from the sale of real estate of \$159,206. This included sales to: Phillip Arthur (\$69,320) and Champion Gymnastics (\$21,994) at the Northpointe Business Park and Hannah Welding (\$67,892) at the Eastpointe Industrial Park. The proceeds from these sales are reported on the accompanying financial statements as "Sale of Fixed Assets."

**6. 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 2015, OPERS members contributed 10% of their gross salaries and the Port Authority contributed an amount equaling 14% of participants' gross salaries. Muskingum County serves as the Port Authority's fiscal agent and is responsible for paying contributions on behalf of the Port Authority. Muskingum County has paid all contributions required through December 31, 2015.

**7. Risk Management**

**Commercial Insurance**

The Port Authority has obtained commercial insurance for the following risks:

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

**ZANESVILLE MUSKINGUM COUNTY PORT AUTHORITY  
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015  
(Continued)**

**8. Conduit Debt Obligations**

The Port Authority has issued obligations to provide financial assistance to private-sector, governmental and non-profit entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. These obligations are payable solely from pledged lease and loan receipts and are not otherwise obligations of the Port Authority. The obligations do not constitute a debt or pledge of the faith and credit of the Port Authority and accordingly have not been reported in the accompanying financial statements.

During 2000, the Port Authority authorized issuance of adjustable rate demand industrial development revenue bonds not to exceed \$9,000,000 for the Almana II, LLC Project. The total amount of bonds actually issued and the amount outstanding at December 31, 2015 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 2015, so an amount outstanding at December 31, 2015 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 2015 so an amount outstanding at December 31, 2015 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 2015 so an amount outstanding at December 31, 2015 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 2015, so an amount outstanding at December 31, 2015 could not be reported.

Bilco Company Project Industrial Development Revenue Bonds in the amount of \$2,000,000 with a maturity date no later than August 1, 2037. The Port Authority was not able to obtain the amount of obligations retired during 2015, so an amount outstanding at December 31, 2015 could not be reported.

**9. 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.



**ZANESVILLE MUSKINGUM COUNTY PORT AUTHORITY  
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015  
(Continued)**

**10. Related Party Transactions**

As disclosed in Note 4, Muskingum County and the City of Zanesville each provided the Authority operating subsidies during 2015.

**This page intentionally left blank.**



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

To the Board of Directors:

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 cash balances, receipts, and disbursements by fund type of the Zanesville Muskingum Port Authority, Muskingum County, Ohio (the Authority), as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements and have issued our report thereon dated August 15, 2017, 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 2016-001 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*.

***Authority's Response to Finding***

The Authority's response to the Finding identified in our audit is described in the accompanying Schedule of Findings. We did not audit the Authority's response and, accordingly, we express no opinion on it.

***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.



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

August 15, 2017

**ZANESVILLE MUSKINGUM COUNTY PORT AUTHORITY  
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2016 AND 2015**

<b>FINDING RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
---

**FINDING NUMBER 2016-001**

**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, 2016:

- Fund balances in the Capital Projects Fund were not classified properly on the financial statements requiring adjustments to properly classify fund balances. Adjustments were necessary to reclassify \$2,129,874 in Unassigned Fund balance to \$1,946,662 as Committed Fund Balance in the Site Development Capital Projects Reserve Fund and \$183,212 as Restricted Fund Balance in the EastPointe Project Infrastructure Capital Projects Fund.
- The Transportation Improvement District (TID) Agency Fund activity was excluded from the financial statements resulting in receipts being understated by \$858,480, expenditures being understated by \$856,513, beginning fund balance being understated by \$8,054, and ending fund balance being understated by \$10,021.

During our audit of the Authority's financial statements we noted the following misstatements for the fiscal year ending December 31, 2015:

- Fund balance of \$40,240 was classified as Unassigned Fund Balance in the General Fund instead of Assigned Fund Balance.
- Fund balances in the Capital Projects Fund were not classified properly on the financial statements requiring adjustments to properly classify fund balances. Adjustments were necessary to reclassify \$1,968,062 in Unassigned Fund balance to \$1,946,662 as Committed Fund Balance in the Site Development Capital Projects Reserve Fund and \$21,400 as Restricted Fund Balance in the EastPointe Project Infrastructure Capital Projects Fund.
- Fund balance of \$692 was classified as Unassigned Fund Balance in the EastPointe Site Development Capital Projects Fund instead of Assigned Fund Balance.
- Fund balance of \$69,400 was classified as Assigned Fund Balance instead of Restricted in the EastPointe Project Infrastructure Capital Projects Fund.

**ZANESVILLE MUSKINGUM COUNTY PORT AUTHORITY  
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2016 AND 2015  
(Continued)**

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

**FINDING NUMBER 2016-001  
(Continued)**

**Material Weakness (Continued)**

- The Transportation Improvement District (TID) Agency Fund activity was excluded from the financial statements resulting in receipts being understated by \$858,850, expenditures being understated by \$850,796 and ending fund balance being understated by \$8,054.

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, the Authority should 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:** At the time of the 2013 – 2014 audit, I (Amy Young, Executive Assistant) had just started in my position and was relying on existing documents and spreadsheets to self-educate on financial filings. Over the past two years, I have continued learning more about GASB 54, Fund Balance Reporting, and Fund Type Definitions. This year, I sat down with the Auditor of State staff to go over items one on one and was able to take notes and get answers to questions that were unclear simply by reading the schedule of findings. I also was not aware until meeting with the Auditor of State during this audit how the TID finances impacted the Port's financial records, as I have been using the prior executive assistant's financial spreadsheets and the TID was never included in the Port's end of year financials. There was also not a place for "restricted" funds, so I was not aware that was a missing component until now. I feel confident that I was given a lot of valuable education and tools that will only help me excel in the future and I feel much better prepared for our 2017 - 2018 audit.

**ZANESVILLE MUSKINGUM COUNTY PORT AUTHORITY  
MUSKINGUM COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2016 AND 2015**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Status</b>	<b>Additional Information</b>
2014-001	Various misclassifications were noted as part of the audit of the financial statements.	Not Corrected	See Officials' Response to Finding 2016-001 on page 26.

**This page intentionally left blank.**





# 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  
AUGUST 29, 2017