



**Auditor of State
Betty Montgomery**

MUSKINGUM COUNTY CONVENTION FACILITIES AUTHORITY
MUSKINGUM COUNTY

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Directors:

We have audited the accompanying financial statement of the Muskingum County Convention Facilities Authority, Muskingum County, Ohio (the Authority), as of and for the years ended December 31, 2002 and 2001. This financial statement is the responsibility of the Authority's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. 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 discussed in Note 1, the Authority prepares its financial statement 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 statement referred to above present fairly, in all material respects, the cash balance of the Muskingum County Convention Facilities Authority, Muskingum County, as of December 31, 2002 and 2001, 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 Statement of Cash Receipts, Cash Disbursements, and Changes in Cash Balances taken as a whole. The Statements of Cash Receipts, Cash Disbursements, and Changes in Account Cash Balances, Debt Service and Project Accounts, listed as supplementary information in the table of contents are presented for additional analysis and are not a required part of the financial statement of the Authority. Such information has been subjected to the auditing procedures applied in the audit of the financial statement and, in our opinion, is fairly presented in all material respects in relation to the financial statement taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 1, 2003 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. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Muskingum County Convention Facilities Authority
Muskingum County
Independent Accountants' Report
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This report is intended solely for the information and use of the audit committee, management, the Board of Directors and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

July 1, 2003

**MUSKINGUM COUNTY CONVENTION FACILITIES AUTHORITY
MUSKINGUM COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN CASH BALANCE
FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001**

	2002	2001
Cash Receipts:		
Local Taxes	\$385,843	\$383,508
Rental Income	28,035	16,012
Earnings on Investments	14,437	7,851
Other Receipts	16,717	12,426
Total Cash Receipts	445,032	419,797
Cash Disbursements:		
Current:		
Professional Services	32,400	18,236
Contractual Services	48,404	44,390
Utilities	18,158	15,558
Wages	88,998	75,448
Miscellaneous	14,667	10,432
Debt Service:		
Redemption of Principal	129,214	130,846
Interest and Fiscal Charges	20,669	31,528
Capital Outlay	22,712	39,141
Total Cash Disbursements	375,222	365,579
Total Cash Receipts Over/(Under) Cash Disbursements	69,810	54,218
Other Financing Receipts/(Disbursements):		
Transfers-In	235,960	221,134
Transfers-Out	(235,960)	(221,134)
Total Other Financing Receipts/(Disbursements)	0	0
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	69,810	54,218
Cash Balances, January 1	387,452	333,234
Cash Balances, December 31	\$457,262	\$387,452

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

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**MUSKINGUM COUNTY CONVENTION FACILITIES AUTHORITY
MUSKINGUM COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN ACCOUNT CASH BALANCES
DEBT SERVICE AND PROJECT ACCOUNTS
FOR THE YEAR ENDED DECEMBER 31, 2002**

	Debt Service	Project	Totals (Memorandum Only)
Cash Receipts:			
Local Taxes	\$385,843	\$	\$385,843
Rental Income		28,035	28,035
Earnings on Investments		14,437	14,437
Other Receipts		16,717	16,717
	<u>385,843</u>	<u>59,189</u>	<u>445,032</u>
Cash Disbursements:			
Current:			
Professional Services		32,400	32,400
Contractual Services		48,404	48,404
Utilities		18,158	18,158
Wages		88,998	88,998
Miscellaneous		14,667	14,667
Debt Service:			
Redemption of Principal	129,214		129,214
Interest and Fiscal Charges	20,669		20,669
Capital Outlay		22,712	22,712
	<u>149,883</u>	<u>225,339</u>	<u>375,222</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>235,960</u>	<u>(166,150)</u>	<u>69,810</u>
Other Financing Receipts/(Disbursements):			
Transfers-In		235,960	235,960
Transfers-Out	(235,960)		(235,960)
	<u>(235,960)</u>	<u>235,960</u>	<u>-</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements			
	0	69,810	69,810
Cash Balances, January 1, 2002	<u>24,853</u>	<u>362,599</u>	<u>387,452</u>
Cash Balances, December 31, 2002	<u><u>\$24,853</u></u>	<u><u>\$432,409</u></u>	<u><u>\$457,262</u></u>

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

**MUSKINGUM COUNTY CONVENTION FACILITIES AUTHORITY
MUSKINGUM COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN ACCOUNT CASH BALANCES
DEBT SERVICE AND PROJECT ACCOUNTS
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Debt Service</u>	<u>Project</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:			
Local Taxes	\$383,508	\$	\$383,508
Rental Income		16,012	16,012
Earnings on Investments		7,851	7,851
Other Receipts		12,426	12,426
	<u>383,508</u>	<u>36,289</u>	<u>419,797</u>
Total Cash Receipts			
Cash Disbursements:			
Current:			
Professional Services		18,236	18,236
Contractual Services		44,390	44,390
Utilities		15,558	15,558
Wages		75,448	75,448
Taxes		200	200
Miscellaneous		10,232	10,232
Debt Service:			
Redemption of Principal	130,846		130,846
Interest and Fiscal Charges	31,528		31,528
Capital Outlay		39,141	39,141
	<u>162,374</u>	<u>203,205</u>	<u>365,579</u>
Total Cash Disbursements			
Total Cash Receipts Over/(Under) Cash Disbursements	<u>221,134</u>	<u>(166,916)</u>	<u>54,218</u>
Other Financing Receipts/(Disbursements):			
Transfers-In		221,134	221,134
Transfers-Out	(221,134)		(221,134)
	<u>(221,134)</u>	<u>221,134</u>	<u>-</u>
Total Other Financing Receipts/(Disbursements)			
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	0	54,218	54,218
Cash Balances, January 1, 2001	<u>24,853</u>	<u>308,381</u>	<u>333,234</u>
Cash Balances, December 31, 2001	<u>\$24,853</u>	<u>\$362,599</u>	<u>\$387,452</u>

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

**MUSKINGUM COUNTY CONVENTION FACILITIES AUTHORITY
MUSKINGUM COUNTY**

**NOTE TO THE SUPPLEMENTARY STATEMENTS
DECEMBER 31, 2002 AND 2001**

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:

1. 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.

2. 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.

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**MUSKINGUM COUNTY CONVENTION FACILITIES AUTHORITY
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Muskingum County Convention Facilities Authority, Muskingum County (the Authority), is a body corporate and politic 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 present all activities for which the Authority is financially accountable.

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred.

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash and Investments

Certificates of deposit are valued at cost.

D. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as capital outlay disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

E. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the basis of accounting the Authority uses.

2. CASH AND INVESTMENTS

The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at December 31 was as follows:

	<u>2002</u>	<u>2001</u>
Demand deposits	\$273,576	\$212,452
Certificates of deposit	183,686	175,000
Total deposits	<u>\$457,262</u>	<u>\$387,452</u>

Deposits: Deposits are either insured by the Federal Deposit Insurance Corporation, or collateralized by securities specifically pledged by the financial institution to the Authority.

**MUSKINGUM COUNTY CONVENTION FACILITIES AUTHORITY
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

3. DEBT

Debt outstanding at December 31, 2002 was as follows:

	Principal	Interest Rate
Tax Anticipation Revenue Bonds	\$247,295	6.50%

The Authority issued \$1,100,000 in tax anticipation revenue bonds dated October 1, 1994. The proceeds of these bonds were used to construct the Authority's 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 as follows:

Years ending December 31:	Tax Anticipation Revenue Bonds
2003	\$137,393
2004	124,903
Total	\$262,296

4. SOCIAL SECURITY

The Authority's employees contribute to Social Security. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

The employer and employee contributions to Social Security were equal to 6.2% of gross wages. The Authority has paid all contributions to Social Security required through December 31, 2002.

5. RISK MANAGEMENT

Commercial Insurance

The Authority has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Commercial umbrella.

The Authority also provides health and life insurance to its employees through Muskingum County's self-insurance program, CoreSource.



**Auditor of State
Betty Montgomery**

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

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

To the Board of Directors:

We have audited the financial statement of the Muskingum County Convention Facilities Authority, Muskingum County, Ohio (the Authority), as of and for the years ended December 31, 2002 and 2001, and have issued our report thereon dated July 1, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 statement is 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying Schedule of Findings as item 2002-001. We also noted a certain immaterial instance of noncompliance that we have reported to management of the Authority in a separate letter dated July 1, 2003.

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 statement and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Authority's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statement. A reportable condition is described in the accompanying Schedule of Findings as item 2002-002.

Muskingum County Convention Facilities Authority
Muskingum County
Independent Accountants' Report on Compliance and on
Internal Control Required by *Government Auditing Standards*

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 statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not consider the reportable condition described above to be a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Authority in a separate letter dated July 1, 2003.

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



Betty Montgomery
Auditor of State

July 1, 2003

**MUSKINGUM COUNTY CONVENTION FACILITIES AUTHORITY
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2002 AND 2001**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2002-001

Finding for Recovery Repaid Under Audit

On January 8, 2001, a check in the amount of \$112 was issued from the Authority to Robert Adams, former Executive Director, for reimbursement for a gift he purchased on behalf of the Board to present to the outgoing chairman in appreciation of past service. However, Mr. Adams had utilized the Authority's VISA credit card, rather than his own credit card, thereby never incurring the expense of the gift. The Authority paid for the gift on February 7, 2001, after receiving its monthly credit card statement.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code § 117.28, a finding for recovery for money illegally expended is hereby issued against Robert Adams, former Executive Director, and his surety, Ohio Casualty Group, jointly and severally, in the amount of \$112, in favor of the Muskingum County Convention Facilities Authority.

Once Mr. Adams was made aware of the improper reimbursement, he promptly repaid the Authority.

FINDING NUMBER 2002-002

Reportable Condition

As part of the authorization process for non-payroll related disbursements, the Executive Director reviewed and approved each individual invoice prior to disbursements being made. Once the checks were issued, the fiscal officer printed out a check register, which was signed by two Board members indicating the Board's authorization of the disbursements. However, certain disbursements were made to pay credit card balances where only the monthly credit card statement was attached to the duplicate check and original invoices or other supporting documentation was not present. These procedures could allow improper disbursements to be made without being detected by management in a timely manner.

We recommend the fiscal officer prepare a voucher for each invoice to be paid. The original invoice and all other supporting documentation should be attached to vouchers and presented to the Board at the Board's regular meetings. These voucher packages should be reviewed and signed by the Board's members (or the Board's designated committee members) to document the Board's authorization and approval for payment. Voucher numbers should correspond to check numbers for future reference purposes. In addition, the Board should adopt a formal policy concerning credit card purchases, including a description of those items which may be purchased as well as those items prohibited. The policy should hold individuals making credit card purchases personally liable when supporting documentation is not obtained and/or when purchases are not permitted by policy. The Board may wish to refer to Ohio Rev. Code § 301.27 for guidance in adopting this policy.



**Auditor of State
Betty Montgomery**

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MUSKINGUM COUNTY 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
AUGUST 28, 2003**