



OHIO AUDITOR OF STATE
KEITH FABER



VILLAGE OF SOUTH ZANESVILLE
MUSKINGUM COUNTY

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

Village of South Zanesville
Muskingum County
24 East Main Street
Zanesville, Ohio 43701

To the Village Council:

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 Village of South Zanesville, Muskingum County, Ohio (the Village), as of and for the years ended December 31, 2018 and 2017.

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 Village'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 Village's internal control. Accordingly, we express no such 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 2 of the financial statements, the Village 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 Village 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 Village as of December 31, 2018 and 2017, and the respective changes in financial position or cash flows 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 cash balances, receipts and disbursements by fund type, and related notes of the Village of South Zanesville, Muskingum County, Ohio, as of December 31, 2018 and 2017, 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 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 11, 2019, on our consideration of the Village'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 Village's internal control over financial reporting and compliance.



Keith Faber
Auditor of State
Columbus, Ohio

July 11, 2019

**VILLAGE OF SOUTH ZANESVILLE
MUSKINGUM COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2018**

	General	Special Revenue	Debt Service	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$56,856	\$49,418	\$0	\$106,274
Municipal Income Tax	422,543	0	0	422,543
Intergovernmental	33,731	242,091	0	275,822
Special Assessments	0	19,243	0	19,243
Charges for Services	600	158,438	0	159,038
Fines, Licenses and Permits	17,850	200	0	18,050
Earnings on Investments	11,331	3,343	0	14,674
Miscellaneous	26,852	6,377	0	33,229
<i>Total Cash Receipts</i>	<u>569,763</u>	<u>479,110</u>	<u>0</u>	<u>1,048,873</u>
Cash Disbursements				
Current:				
Security of Persons and Property	165,098	75,303	0	240,401
Leisure Time Activities	10,168	0	0	10,168
Transportation	70,100	83,859	0	153,959
General Government	212,973	1,600	0	214,573
Capital Outlay	11,312	348,710	0	360,022
Debt Service:				
Principal Retirement	0	26,839	57,500	84,339
Interest and Fiscal Charges	0	3,322	5,104	8,426
<i>Total Cash Disbursements</i>	<u>469,651</u>	<u>539,633</u>	<u>62,604</u>	<u>1,071,888</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>100,112</u>	<u>(60,523)</u>	<u>(62,604)</u>	<u>(23,015)</u>
Other Financing Receipts (Disbursements)				
Loans Issued	0	170,334	0	170,334
Transfers In	0	0	62,550	62,550
Transfers Out	(62,550)	0	0	(62,550)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(62,550)</u>	<u>170,334</u>	<u>62,550</u>	<u>170,334</u>
<i>Net Change in Fund Cash Balances</i>	37,562	109,811	(54)	147,319
<i>Fund Cash Balances, January 1</i>	<u>258,763</u>	<u>168,568</u>	<u>106</u>	<u>427,437</u>
Fund Cash Balances, December 31				
Restricted	0	278,109	0	278,109
Assigned	71,454	270	52	71,776
Unassigned (Deficit)	224,871	0	0	224,871
<i>Fund Cash Balances, December 31</i>	<u>\$296,325</u>	<u>\$278,379</u>	<u>\$52</u>	<u>\$574,756</u>

See accompanying notes to the basic financial statements.

**VILLAGE OF SOUTH ZANESVILLE
MUSKINGUM COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Proprietary Fund Types	Fiduciary Fund Types	Totals
	Enterprise	Agency	(Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$903,536	\$0	\$903,536
<i>Total Operating Cash Receipts</i>	<u>903,536</u>	<u>0</u>	<u>903,536</u>
Operating Cash Disbursements			
Personal Services	187,259	0	187,259
Fringe Benefits	196,842	0	196,842
Contractual Services	492,576	0	492,576
Supplies and Materials	55,625	0	55,625
Other	14,360	0	14,360
<i>Total Operating Cash Disbursements</i>	<u>946,662</u>	<u>0</u>	<u>946,662</u>
<i>Operating Income (Loss)</i>	<u>(43,126)</u>	<u>0</u>	<u>(43,126)</u>
Non-Operating Receipts (Disbursements)			
Special Assessments	981	0	981
Loans Issued	124,134	0	124,134
Miscellaneous Receipts	5,994	4,068	10,062
Capital Outlay	(221,594)	0	(221,594)
Principal Retirement	(47,826)	0	(47,826)
Interest and Other Fiscal Charges	(11,808)	0	(11,808)
Other Financing Uses	0	(4,068)	(4,068)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(150,119)</u>	<u>0</u>	<u>(150,119)</u>
<i>Net Change in Fund Cash Balances</i>	(193,245)	0	(193,245)
<i>Fund Cash Balances, January 1</i>	<u>504,807</u>	<u>0</u>	<u>504,807</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$311,562</u></u>	<u><u>\$0</u></u>	<u><u>\$311,562</u></u>

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

Village of South Zanesville, Ohio
Muskingum County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 1 - Reporting Entity

The Village of South Zanesville, Muskingum County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides general governmental services, including water and sewer utilities, park operations, and police services. The Village also appropriates local property tax money for the volunteer fire department. The Village contracts with Springfield Township, Muskingum County to receive fire protection services from the Village Fire Department. The Village appropriates general fund money to support a volunteer fire department if needed.

Joint Ventures, Jointly Governed Organizations, Public Entity Risk Pools and Related Organizations

The Village belongs to, the Ohio Plan Risk Management, Inc. (OPRM) a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments (“Members”). Note 6 to the financial statements provides additional information for this entity. The Village’s management believes these financial statements present all activities for which the village is financially accountable.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The Village’s financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary and fiduciary fund types which are organized on a fund type basis.

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

Street Construction Maintenance and Repair Fund: The street construction maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

State Highway Improvement Fund: The state highway improvement fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of the state highway within the Village. This includes traffic light repair and painting of pedestrian walking lines.

Village of South Zanesville, Ohio
Muskingum County
Notes to the Financial Statements
For the Year Ended December 31, 2018

State Nature Works Grant Fund: The state nature works grant fund accounts for and reports the state grant approved to improve the Village Parks. These funds are restricted for the construction of playground equipment and the construction of a shelter house.

Drug Law Enforcement Fund: The drug law enforcement fund accounts for and reports a portion of the money collected through the Village's Mayor's Court. These funds are restricted for the purpose of purchasing equipment to fight drug crimes.

Special Assessment Street Lighting Fund: This fund receives special assessments for the repair and maintenance of Village street lights.

Mayor's Court Computer Fund: The mayor's court computer fund accounts for and reports a portion of the money collected through the Village's Mayor's Court. These funds are restricted for the purpose of purchasing computer hardware and/or software for the Villages Mayor's Court.

Fire and EMS Fund: The fire and emergency medical services fund accounts for and reports on the funds collected by fire protection contract, special levy on property taxes, EMS billing receipts and funds transferred from the general fund

Debt Service Funds These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

Bond Retirement Fund: This fund is used to account for resources the Village accumulates to pay bond indebtedness used to finance the construction of the municipal building.

Enterprise Funds These funds account for operations that are similar to private business enterprises, where management intends to recover the significant costs of providing certain goods or services through user charges. The Village had the following significant Enterprise Funds:

Water Fund The water fund accounts for the provision of water treatment and distribution to the residents and commercial users located within the Village.

Sewer Fund The sewer fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village.

Utility Deposit Fund: The utility deposit fund accounts for utility deposits and the refunding of deposits when customer moves.

Refuse Collection Fund: The refuse fund accounts for the provision of refuse services to the residents of the Village.

Fiduciary Funds Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village's agency fund accounts for activity of the Mayor's Court. This fund receives fines and forfeitures from police department citations. These monies are divided between the Village, the State, and Muskingum County, as prescribed by law.

Village of South Zanesville, Ohio
Muskingum County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

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 Village Council must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

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.

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

A summary of 2018 budgetary activity appears in Note 3.

Deposits and Investments

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively. Money market mutual funds are recorded at share values the mutual funds report.

Capital Assets

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

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.

Village of South Zanesville, Ohio
Muskingum County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Fund Balance

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

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

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.

Committed Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council 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.

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 Village Council or a Village official delegated that authority by resolution, or by State Statute.

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 Village 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.

Village of South Zanesville, Ohio
Muskingum County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 3 - Budgetary Activity

Budgetary activity for the year ending 2018 follows:

2018 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$538,900	\$569,763	\$30,863
Special Revenue	776,241	649,444	(126,797)
Debt Service	62,550	62,550	0
Enterprise	1,118,320	1,034,645	(83,675)
Agency	7,100	4,068	(3,032)
Total	\$2,503,111	\$2,320,470	(\$182,641)

2018 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$633,917	\$533,419	\$100,498
Special Revenue	671,430	539,889	131,541
Debt Service	62,625	62,604	21
Enterprise	1,369,237	1,228,923	140,314
Agency	7,100	4,068	3,032
Total	\$2,744,309	\$2,368,903	\$375,406

Note 4 – Deposits and Investments

The Village maintains a deposit and investments pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits and investments at December 31 was as follows:

	2018
Demand deposits	\$886,318

Deposits

Deposits are insured by the Federal Depository Insurance Corporation or; collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Village of South Zanesville, Ohio
Muskingum County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 5 – Taxes

Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include these credits and/or deduction amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Village.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Village.

Income Taxes

The Village levies a municipal income tax of 1.5 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

Note 6 - Risk Management

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss. Effective November 1, 2016, the OPRM retained 50% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Effective November 1, 2017, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 764 members as of December 31, 2017.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period.

Village of South Zanesville, Ohio
Muskingum County
Notes to the Financial Statements
For the Year Ended December 31, 2018

The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2017 (the latest information available).

Assets	\$14,853,620
Liabilities	<u>(9,561,108)</u>
Members' Equity	\$ 5,292,512

You can read the complete audited financial statements for OPRM at the Plan's website, www.ohioplan.org.

Workers' Compensation coverage is provided by the State of Ohio. The Village pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs (if material).

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

Note 7 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Twelve (12) employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10%, of their gross salaries and the Village contributed an amount equaling 14%, of participants' gross salaries. The Village has paid all contributions required through December 31, 2018.

Ohio Police and Fire Retirement System

Two (2) Village full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25% of their wages. The Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. The Village has paid all contributions required through December 31, 2018.

Village of South Zanesville, Ohio
Muskingum County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Social Security

Seven (7) of the Village’s employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants’ gross salaries. The Village has paid all contributions required through December 31, 2018.

Note 8 - Postemployment Benefits

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 0 percent of the employer contribution to fund these benefits, and OP&F contributes 0.5 percent to fund these benefits.

Beginning January 1, 2019, OP&F is changing its retiree health care model and the current self-insured health care plan will no longer be offered. In its place is a stipend-based health care model. A stipend funded by OP&F will be placed in individual Health Reimbursement Accounts that retirees will use to be reimbursed for health care expenses.

Note 9 – Debt

Debt outstanding at December 31, 2018 was as follows:

	Principal	Interest Rate
CR18N OPWC - Water Meter Project	\$47,824	0%
CT68S OPWC - Water Plant Upgrade Ph 1	265,422	0%
CT76T OPWC - Water Plant Upgrade Ph 2	144,000	0%
1084700603 - PNC Municipal Bldg Bonds	172,500	2%
1094110416995 - 26 W. LaSalle	35,822	3%
1094110421439 - Water Plant	340,323	3%
4009991 - Maint. Truck	55,408	3%
4012410 - Ambulance	136,245	4%
Total	\$1,197,544	

The Ohio Public Works Commission (OPWC) Loan #CR18N relates to Water Meter Project completed in 2011. The original OPWC loan was for \$159,412 at no interest. The loan will be repaid in semiannual installments of \$7,971, over 10 years.

The Ohio Public Works Commission (OPWC) Loan #CT68S relates to the new Water Plant Project completed in December of 2017. The original OPWC loan was for \$265,422 at no interest. The loan will be repaid in semiannual installments of \$13,271, over 10 years.

The Ohio Public Works Commission (OPWC) Loan #CT76T relates to the new Water Plant Project completed in December of 2017. The original OPWC loan was for \$144,000 at no interest. The loan will be repaid in semiannual installments of \$3,600, over 20 years.

Village of South Zanesville, Ohio
Muskingum County
Notes to the Financial Statements
For the Year Ended December 31, 2018

The Municipal Building Bonds Refinancing through PNC Bank, Loan # 108470060, was accomplished in 2012 to save \$80,000 plus in interest. The \$575,000 was issued for the Village Municipal Building construction in 2000. The bonds will be repaid in quarterly installments of \$14,375 for the principal plus interest, over 10 years.

The Village purchased the property at 26 W. LaSalle St. for the purpose of expanding the Water Plant and relocating the Street Department Equipment in 2015 for \$61,000, Loan # 1094110416995. This loan is being paid through the multiple funds in quarterly installments of \$2,112, including interest, over 9 years.

The Village took out a loan for \$400,000 in December of 2016, for the building of and repairs of the Village Water Plant, Loan # 1094110421439. This loan will be paid through an increase in water rates through the Enterprise Water Fund in quarterly installments of \$9,834, including interest, over 12 years.

The Village purchased a Maintenance Truck and financed \$61,000 in 2018, Loan # 4009991. This loan is being paid through multiple funds in quarterly installments of \$3,346, including interest, over 5 years.

The Village purchased an Ambulance and financed \$150,000 in 2018, Loan # 4012410. This loan is being paid through the Fire Department Funds in quarterly installments of \$8,285, including interest, over 5 years.

Amortization

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

Year Ending	Water					
December 31:	OPWC Loans	PNC Bank	26 W. LaSalle	Plant	Maint. Truck	Ambulance
2019	\$49,683	\$61,198	\$8,450	\$39,337	\$13,384	\$33,139
2020	49,683	59,789	8,450	39,337	13,384	33,139
2021	49,683	58,380	8,450	39,337	13,384	33,139
2022	33,742		8,450	39,337	13,384	33,139
2023	33,742		4,225	39,337	6,692	16,569
2024-2028	168,713			196,686		
2029-2033	36,000					
2034-2038	36,000					
Total	<u>\$457,246</u>	<u>\$179,367</u>	<u>\$38,025</u>	<u>\$393,371</u>	<u>\$60,228</u>	<u>\$149,125</u>

Note 10 – Construction and Contractual Commitments

The Village of South Zanesville started repairing/building a new water plant in 2017. This project was completed in December 2018.

Note 11 – Contingent Liabilities

Amounts grantor agencies pay to the Village 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.

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**VILLAGE OF SOUTH ZANESVILLE
MUSKINGUM COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2017**

	General	Special Revenue	Debt Service	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$60,852	\$52,445	\$0	\$113,297
Municipal Income Tax	411,800	0	0	411,800
Intergovernmental	34,693	228,839	0	263,532
Special Assessments	0	24,573	0	24,573
Charges for Services	800	49,900	0	50,700
Fines, Licenses and Permits	20,975	500	0	21,475
Earnings on Investments	3,777	723	0	4,500
Miscellaneous	27,098	24,388	0	51,486
<i>Total Cash Receipts</i>	<u>559,995</u>	<u>381,368</u>	<u>0</u>	<u>941,363</u>
Cash Disbursements				
Current:				
Security of Persons and Property	150,999	65,214	0	216,213
Leisure Time Activities	11,529	0	0	11,529
Transportation	15,383	73,368	0	88,751
General Government	197,044	805	0	197,849
Capital Outlay	15,664	129,984	0	145,648
Debt Service:				
Principal Retirement	10,788	64,876	57,500	133,164
Interest and Fiscal Charges	182	1,717	6,494	8,393
<i>Total Cash Disbursements</i>	<u>401,589</u>	<u>335,964</u>	<u>63,994</u>	<u>801,547</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>158,406</u>	<u>45,404</u>	<u>(63,994)</u>	<u>139,816</u>
Other Financing Receipts (Disbursements)				
Transfers In	0	7,500	64,100	71,600
Transfers Out	(71,600)	0	0	(71,600)
Advances In	17,773	17,773	0	35,546
Advances Out	(17,773)	(17,773)	0	(35,546)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(71,600)</u>	<u>7,500</u>	<u>64,100</u>	<u>0</u>
<i>Net Change in Fund Cash Balances</i>	86,806	52,904	106	139,816
<i>Fund Cash Balances, January 1</i>	<u>171,957</u>	<u>115,664</u>	<u>0</u>	<u>287,621</u>
Fund Cash Balances, December 31				
Restricted	0	168,568	0	168,568
Assigned	95,018	0	106	95,124
Unassigned (Deficit)	163,745	0	0	163,745
<i>Fund Cash Balances, December 31</i>	<u>\$258,763</u>	<u>\$168,568</u>	<u>\$106</u>	<u>\$427,437</u>

See accompanying notes to the basic financial statements

**VILLAGE OF SOUTH ZANESVILLE
MUSKINGUM COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Proprietary Fund Types	Fiduciary Fund Types	Totals
	Enterprise	Agency	(Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$833,596	\$0	\$833,596
<i>Total Operating Cash Receipts</i>	<u>833,596</u>	<u>0</u>	<u>833,596</u>
Operating Cash Disbursements			
Personal Services	145,431	0	145,431
Fringe Benefits	174,492	0	174,492
Contractual Services	421,516	0	421,516
Supplies and Materials	34,551	0	34,551
Other	15,067	0	15,067
<i>Total Operating Cash Disbursements</i>	<u>791,057</u>	<u>0</u>	<u>791,057</u>
<i>Operating Income (Loss)</i>	<u>42,539</u>	<u>0</u>	<u>42,539</u>
Non-Operating Receipts (Disbursements)			
Intergovernmental	438,561	0	438,561
Special Assessments	6,078	0	6,078
Earnings on Investments (proprietary funds only)	3,840	0	3,840
Sale of Bonds	400,000	0	400,000
Loans Issued	325,956		325,956
Miscellaneous Receipts	17,897	2,748	20,645
Capital Outlay	(1,055,237)	0	(1,055,237)
Principal Retirement	(59,206)	0	(59,206)
Interest and Other Fiscal Charges	(11,903)	0	(11,903)
Other Financing Uses	0	(2,748)	(2,748)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>65,986</u>	<u>0</u>	<u>65,986</u>
<i>Net Change in Fund Cash Balances</i>	108,525	0	108,525
<i>Fund Cash Balances, January 1</i>	<u>396,282</u>	<u>0</u>	<u>396,282</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$504,807</u></u>	<u><u>\$0</u></u>	<u><u>\$504,807</u></u>

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

Village of South Zanesville, Ohio
Muskingum County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 1 - Reporting Entity

The Village of South Zanesville, Muskingum County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides general governmental services, including water and sewer utilities, park operations, and police services. The Village also appropriates local property tax money for the volunteer fire department. The Village contracts with Springfield Township, Muskingum County to receive fire protection services from the Village Fire Department. The Village appropriates general fund money to support a volunteer fire department if needed.

Joint Ventures, Jointly Governed Organizations, Public Entity Risk Pools and Related Organizations

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments (“Members”). Note 6 to the financial statements provides additional information for this entity. The Village’s management believes these financial statements present all activities for which the village is financially accountable.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The Village’s financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary and fiduciary fund types which are organized on a fund type basis.

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

Street Construction Maintenance and Repair Fund: The street construction maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

State Highway Improvement Fund: The state highway improvement fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of the state highway within the Village. This includes traffic light repair and painting of pedestrian walking lines.

Village of South Zanesville, Ohio
Muskingum County
Notes to the Financial Statements
For the Year Ended December 31, 2017

State Nature Works Grant Fund: The state nature works grant fund accounts for and reports the state grant approved to improve the Village Parks. These funds are restricted for the construction of playground equipment and the construction of a shelter house.

Drug Law Enforcement Fund: The drug law enforcement fund accounts for and reports a portion of the money collected through the Village's Mayor's Court. These funds are restricted for the purpose of purchasing equipment to fight drug crimes.

Special Assessment Street Lighting Fund: This fund receives special assessments for the repair and maintenance of Village street lights.

Mayor's Court Computer Fund: The mayor's court computer fund accounts for and reports a portion of the money collected through the Village's Mayor's Court. These funds are restricted for the purpose of purchasing a computer hardware and/or software for the Villages Mayor's Court.

Fire and EMS Fund: The fire and emergency medical services fund accounts for and reports on the funds collected by fire protection contract, special levy on property taxes and funds transferred from the general fund

Debt Service Funds These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

Bond Retirement Fund: This fund is used to account for resources the Village accumulates to pay bond indebtedness used to finance the construction of the municipal building.

Enterprise Funds These funds account for operations that are similar to private business enterprises, where management intends to recover the significant costs of providing certain goods or services through user charges. The Village had the following significant Enterprise Funds:

Water Fund The water fund accounts for the provision of water treatment and distribution to the residents and commercial users located within the Village.

Sewer Fund The sewer fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village.

Utility Deposit Fund: The utility deposit fund accounts for utility deposits and the refunding of deposits when customer moves.

Refuse Collection Fund: The refuse fund accounts for the provision of refuse services to the residents of the Village.

Fiduciary Funds Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village's agency fund accounts for activity of the Mayor's Court. This fund receives fines and forfeitures from police department citations. These monies are divided between the Village, the State, and Muskingum County, as prescribed by law.

Village of South Zanesville, Ohio
Muskingum County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

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 Village Council must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

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.

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

A summary of 2017 budgetary activity appears in Note 3.

Deposits and Investments

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively. Money market mutual funds are recorded at share values the mutual funds report.

Capital Assets

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

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.

Village of South Zanesville, Ohio
Muskingum County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Fund Balance

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

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

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.

Committed Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council 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.

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 Village Council or a Village official delegated that authority by resolution, or by State Statute.

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 Village 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.

Village of South Zanesville, Ohio
Muskingum County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 3 - Budgetary Activity

Budgetary activity for the year ending 2017 follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$500,000	\$577,768	\$77,768
Special Revenue	391,752	406,641	14,889
Debt Service	64,100	64,100	0
Enterprise	2,104,982	2,025,928	(79,054)
Agency	7,800	2,748	(5,052)
Total	\$3,068,634	\$3,077,185	\$8,551

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$591,358	\$492,487	\$98,871
Special Revenue	415,584	354,007	61,577
Debt Service	64,100	63,994	106
Enterprise	2,175,561	1,918,744	256,817
Agency	7,800	2,748	5,052
Total	\$3,254,403	\$2,831,980	\$422,423

Note 4 – Deposits and Investments

The Village maintains a deposit and investments pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits and investments at December 31 was as follows:

	2017
Demand deposits	\$932,244

Deposits

Deposits are insured by the Federal Depository Insurance Corporation or; collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Village of South Zanesville, Ohio
Muskingum County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 5 – Taxes

Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include these credits and/or deduction amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Village.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Village.

Income Taxes

The Village levies a municipal income tax of 1.5 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

Note 6 - Risk Management

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss. Effective November 1, 2016, the OPRM retained 50% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Effective November 1, 2017, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 764 members as of December 31, 2017.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period.

Village of South Zanesville, Ohio
Muskingum County
Notes to the Financial Statements
For the Year Ended December 31, 2017

The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2017.

Assets	\$14,853,620
Liabilities	<u>(9,561,108)</u>
Members' Equity	\$ 5,292,512

You can read the complete audited financial statements for OPRM at the Plan's website, www.ohioplan.org.

Workers' Compensation coverage is provided by the State of Ohio. The Village pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs (if material).

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

Note 7 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Twelve (12) employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10%, of their gross salaries and the Village contributed an amount equaling 14%, of participants' gross salaries. The Village has paid all contributions required through December 31, 2017.

Ohio Police and Fire Retirement System

Four (4) Village full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25% of their wages. The Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. The Village has paid all contributions required through December 31, 2017.

Village of South Zanesville, Ohio
Muskingum County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Social Security

Seven (7) of the Village’s employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants’ gross salaries. The Village has paid all contributions required through December 31, 2017.

Note 8 - Postemployment Benefits

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 1 percent of the employer contribution to fund these benefits, and OP&F contributes 0.5 percent to fund these benefits.

Beginning January 1, 2019, OP&F is changing its retiree health care model and the current self-insured health care plan will no longer be offered. In its place is a stipend-based health care model. A stipend funded by OP&F will be placed in individual Health Reimbursement Accounts that retirees will use to be reimbursed for health care expenses.

Note 9 – Debt

Debt outstanding at December 31, 2017 was as follows:

	Principal	Interest Rate
CR18N OPWC - Water Meter Project	\$55,794	0%
1084700603 - PNC Municipal Bldg Bonds	230,000	2%
1094110416995 - 26 W. LaSalle	43,248	3%
1094110420009 - Fire Truck 1412	10,625	3%
1094110421439 - Water Plant	369,672	3%
CT68S OPWC - Water Plant Upgrade Ph 1	202,310	0%
CT76T OPWC - Water Plant Upgrade Ph 2	123,645	0%
Total	\$1,035,294	

The Ohio Public Works Commission (OPWC) Loan #CR18N relates to Water Meter Project completed in 2011. The original OPWC loan was for \$159,412 at no interest. The loan will be repaid in semiannual installments of \$7,971, over 10 years.

The Municipal Building Bonds Refinancing through PNC Bank, Loan # 108470060, was accomplished in 2012 to save \$80,000 plus in interest. The \$575,000 was issued for the Village Municipal Building construction in 2000. The bonds will be repaid in quarterly installments of \$14,375 for the principal plus interest, over 10 years.

The Village purchased the property at 26 W. LaSalle St. for the purpose of expanding the Water Plant and relocating the Street Department Equipment in 2015 for \$61,000, Loan # 1094110416995. This loan is being paid through the multiple funds in quarterly installments of \$2,112, including interest, over 9 years.

Village of South Zanesville, Ohio
Muskingum County
Notes to the Financial Statements
For the Year Ended December 31, 2017

The Village purchased Fire Rescue Truck in 2016 for \$25,000, Loan # 1094110420009. This loan is being paid through the Fire Department Fund in quarterly installments of \$2,174, including interest, over 3 years.

The Village took out a loan for \$400,000 in December of 2016, for the building of and repairs of the Village Water Plant, Loan # 1094110421439. This loan will be paid through an increase in water rates through the Enterprise Water Fund in quarterly installments of \$9,834, including interest, over 12 years.

The Ohio Public Works Commission (OPWC) Loan #CT68S relates to the new Water Plant Project completed in December of 2017. The original OPWC loan was for \$265,422 at no interest. By the end of 2017, only \$202,310 had been disbursed by OPWC, therefore, no amortization schedules were finalized as of December 31, 2017.

The Ohio Public Works Commission (OPWC) Loan #CT76T relates to the new Water Plant Project completed in December of 2017. The original OPWC loan was for \$144,000 at no interest. By the end of 2017, only \$123,645 had been disbursed by OPWC, therefore, no amortization schedules were finalized as of December 31, 2017.

Amortization

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

Year Ending December 31:	OPWC Loan	PNC Bank	26 W. LaSalle	Fire Truck 1412	Water Plant
2018	\$15,941	\$62,607	\$8,450	\$8,695	\$39,337
2019	15,941	61,198	8,450	2,174	39,337
2020	15,941	59,789	8,450		39,337
2021	7,971	58,380	8,450		39,337
2022			8,450		39,337
2023-2027			4,225		196,686
2028					39,337
Total	<u>\$55,794</u>	<u>\$241,974</u>	<u>\$46,475</u>	<u>\$10,869</u>	<u>\$432,708</u>

Note 10 – Construction and Contractual Commitments

The Village of South Zanesville started repairing/building a new water plant in 2017. This project was completed in December 2018.

Note 11 – Contingent Liabilities

Amounts grantor agencies pay to the Village 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.

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OHIO AUDITOR OF STATE KEITH FABER



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SoutheastRegion@ohioauditor.gov

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

Village of South Zanesville
Muskingum County
24 East Main Street
Zanesville, Ohio 43701

To the Village Council:

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 Village of South Zanesville, Muskingum County, Ohio (the Village), as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements, and have issued our report thereon dated July 11, 2019, wherein we noted the Village 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 Village'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 Village'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 Village'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 2018-001 to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the Village'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*.

Village's Response to Finding

The Village's response to the finding identified in our audit is described in the accompanying Schedule of Findings. We did not subject the Village's response to the auditing procedures applied in the audit of the financial statements 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 Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio

July 11, 2019

**VILLAGE OF SOUTH ZANESVILLE
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2018 AND 2017**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2018-001

Material Weakness

In our audit engagement letter, as required by AU-C § 210, Terms of Engagement, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; 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 as discussed in AU-C § 210 paragraphs .A14 & .A16.

In addition, Governmental Accounting Standards Board (GASB) Statement No. 54 defined how fund balances were to be classified and was codified as follows: GASB Cod. 1800.168-169 requires reporting funds whose revenue has external legal constraints as Restricted. GASB Cod. 1800.170-172 requires reporting funds whose revenue had constraints imposed by the Board, which could not be changed without Board approval, as Committed. GASB Cod. 1800.173-176 requires funds without external or internal constraints to report Assigned fund balances for amounts encumbered or set aside to cover the excess of subsequent year appropriations exceeding estimated revenue. GASB Cod. 1800.177 designates Unassigned fund balance as the residual classification for the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund.

For 2018, the Village classified certain significant transactions incorrectly as follows:

- Motor Vehicle License Tax receipts recorded in the Street Construction Maintenance and Repair and State Highway Improvement Funds were incorrectly recorded as Property and Other Taxes rather than Intergovernmental in the amounts of \$21,605 and \$1,752, respectively.
- A Permissive Motor Vehicle License receipt in the amount of \$57,700 in the Street Construction Maintenance and Repair Fund was incorrectly recorded as Property and Other Taxes rather than Intergovernmental.
- OPWC loan proceeds of \$83,467 were recorded as Intergovernmental receipts rather than Loans Issued in the Water Operating Fund.
- A portion of the General Fund's balance totaling \$69,930 for subsequent year appropriations and encumbrances were incorrectly reported as Unassigned rather than Assigned.

For 2017, the Village classified certain significant transactions incorrectly as follows:

- An OPWC grant receipt for street paving in the Street Construction Maintenance and Repair Fund in the amount of \$97,399 was improperly classified as Miscellaneous Revenue rather than Intergovernmental.
- Motor Vehicle License Tax receipts recorded in the Street Construction Maintenance and Repair and State Highway Improvement Funds were incorrectly recorded as Property and Other Taxes rather than Intergovernmental in the amounts of \$20,995 and \$1,702, respectively.
- OPWC loan proceeds of \$325,956 were recorded as Intergovernmental receipts rather than Loans Issued in the Water Operating Fund.
- A portion of the General Fund's balance of \$95,018 for subsequent year appropriations and encumbrances were incorrectly reported as Unassigned rather than Assigned.

These adjustments, to which management has agreed, are reflected in the accompanying financial statements.

VILLAGE OF SOUTH ZANESVILLE
MUSKINGUM COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2018 AND 2017
(Continued)

FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

FINDING NUMBER 2018-001 (Continued)

Material Weakness (Continued)

The Fiscal Officer should refer to the Ohio Village Handbook for proper classification and take additional care in posting transactions to the Village's ledgers and annual financial report in order to ensure the Village's year-end financial statements reflect the appropriate sources and uses of the Village's receipts and disbursements.

Officials' Response:

1. After reviewing the OPWC documentation the Fiscal Officer is now aware of the requirement to assign a new fund for the project(s) and will be monitoring this on future loans/grants through OPWC.
2. For the Motor Vehicle License Tax receipts, we have been receiving these monies the same way for over 20 years; however, the Fiscal Officer agrees to the change in codes and has implemented the new revenue codes.
3. As for the Unassigned vs. Assigned encumbrances, we will monitor them closer in future years; however, the Village does not understand the dollar amounts noted in the report as the only encumbrances that was carried over was for OP&F and OPERS and the Fiscal Officer needs further understanding.

OHIO AUDITOR OF STATE
KEITH FABER



VILLAGE OF SOUTH ZANESVILLE

MUSKINGUM COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JULY 23, 2019**