



**VILLAGE OF SOUTH ZANESVILLE
MUSKINGUM COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 1998-1997



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

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REPORT OF INDEPENDENT ACCOUNTANTS

Village of South Zanesville
Muskingum County
P.O. Box 1828
South Zanesville, Ohio 43702

To the Village Council:

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

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village of South Zanesville, Muskingum County, as of December 31, 1998 and December 31, 1997, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 16, 2000 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 grants.

This report is intended solely for the information and use of management and the Village Council and other officials authorized to receive this report under Section 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, appearing to read "Jim Petro", with a large, stylized flourish at the end.

Jim Petro
Auditor of State

March 16, 2000

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND
CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1998**

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:					
Property Tax and Other Local Taxes	\$142,045	\$30,460	\$0	\$0	\$172,505
Special Assessments	0	17,801	0	0	17,801
Intergovernmental Receipts	68,058	40,802	0	121,687	230,547
Charges for Services	45,252	3,571	0	45,577	94,400
Fines, Licenses, and Permits	36,929	1,013	0	0	37,942
Earnings on Investments	5,759	7,386	0	0	13,145
Miscellaneous	15,157	3,960	0	0	19,117
Total Cash Receipts	<u>313,200</u>	<u>104,993</u>	<u>0</u>	<u>167,264</u>	<u>585,457</u>
Cash Disbursements:					
Current:					
Security of Persons and Property	129,088	473	0	0	129,561
Leisure Time Activities	23,586	0	0	0	23,586
Transportation	10,505	61,710	0	0	72,215
General Government	121,466	0	0	0	121,466
Capital Outlay	86,311	17,859	0	167,264	271,434
Total Cash Disbursements	<u>370,956</u>	<u>80,042</u>	<u>0</u>	<u>167,264</u>	<u>618,262</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(57,756)</u>	<u>24,951</u>	<u>0</u>	<u>0</u>	<u>(32,805)</u>
Other Financing Receipts/(Disbursements):					
Transfers-In	110,000	0	0	0	110,000
Total Other Financing Receipts/(Disbursements)	<u>110,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>110,000</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	52,244	24,951	0	0	77,195
Fund Cash Balances, January 1	<u>31,621</u>	<u>149,556</u>	<u>1,253</u>	<u>6,662</u>	<u>189,092</u>
Fund Cash Balances, December 31	<u>\$83,865</u>	<u>\$174,507</u>	<u>\$1,253</u>	<u>\$6,662</u>	<u>\$266,287</u>
Reserves for Encumbrances, December 31	<u>\$6,601</u>	<u>\$19,364</u>	<u>\$0</u>	<u>\$0</u>	<u>\$25,965</u>

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

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN FUND CASH
BALANCES - PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPE -
FOR THE YEAR ENDED DECEMBER 31, 1998**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$537,760	\$0	\$537,760
Interest	14,288		14,288
Miscellaneous	9,972	0	9,972
Total Operating Cash Receipts	<u>562,020</u>	<u>0</u>	<u>562,020</u>
Operating Cash Disbursements:			
Personal Services	75,305	0	75,305
Fringe Benefits	22,831	0	22,831
Contractual Services	295,120	0	295,120
Supplies and Materials	23,036	0	23,036
Capital Outlay	90,536	0	90,536
Miscellaneous	3,254		3,254
Total Operating Cash Disbursements	<u>510,082</u>	<u>0</u>	<u>510,082</u>
Operating Income/(Loss)	<u>51,938</u>	<u>0</u>	<u>51,938</u>
Non-Operating Cash Receipts:			
Property Tax and Other Local Taxes	0	107,350	107,350
Other Non-Operating Cash Receipts	0	50,300	50,300
Total Non-Operating Cash Receipts	<u>0</u>	<u>157,650</u>	<u>157,650</u>
Non-Operating Cash Disbursements:			
Debt Service - Principal	22,452	0	22,452
Debt Service - Interest	13,356	0	13,356
Other Non-Operating Cash Disbursements	21,926	50,300	72,226
Total Non-Operating Cash Disbursements	<u>57,734</u>	<u>50,300</u>	<u>108,034</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	(5,796)	107,350	101,554
Transfers-Out	<u>0</u>	<u>(110,000)</u>	<u>(110,000)</u>
Net Receipts Over/(Under) Disbursements	(5,796)	(2,650)	(8,446)
Fund Cash Balances, January 1	<u>313,468</u>	<u>77,586</u>	<u>391,054</u>
Fund Cash Balances, December 31	<u>\$307,672</u>	<u>\$74,936</u>	<u>\$382,608</u>
Reserve for Encumbrances, December 31	<u>\$32,318</u>	<u>\$0</u>	<u>\$32,318</u>

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

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND
CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1997**

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:					
Property Tax and Other Local Taxes	\$72,954	\$28,962	\$0	\$0	\$101,916
Special Assessments	0	18,208	0	0	18,208
Intergovernmental Receipts	56,393	40,975	0	6,024	103,392
Charges for Services	46,721	0	0	0	46,721
Fines, Licenses, and Permits	22,120	1,074	0	0	23,194
Interest	0	4,399	0	0	4,399
Miscellaneous	9,173	3,771	23	142	13,109
Total Cash Receipts	<u>207,361</u>	<u>97,389</u>	<u>23</u>	<u>6,166</u>	<u>310,939</u>
Cash Disbursements:					
Current:					
Security of Persons and Property	122,189	11,612	0	0	133,801
Leisure Time Activities	21,016	0	0	0	21,016
Community Environment	0	0	0	6,024	6,024
Transportation	43,032	25,653	0	0	68,685
General Government	126,880	0	0	0	126,880
Capital Outlay	51,087	24,216	0	0	75,303
Total Cash Disbursements	<u>364,204</u>	<u>61,481</u>	<u>0</u>	<u>6,024</u>	<u>431,709</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(156,843)</u>	<u>35,908</u>	<u>23</u>	<u>142</u>	<u>(120,770)</u>
Other Financing Receipts/(Disbursements):					
Transfers-In	165,000	0	0	0	165,000
Total Other Financing Receipts/(Disbursements)	<u>165,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>165,000</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	8,157	35,908	23	142	44,230
Fund Cash Balances, January 1	<u>23,464</u>	<u>113,648</u>	<u>1,230</u>	<u>6,520</u>	<u>144,862</u>
Fund Cash Balances, December 31	<u>\$31,621</u>	<u>\$149,556</u>	<u>\$1,253</u>	<u>\$6,662</u>	<u>\$189,092</u>
Reserves for Encumbrances, December 31, 1997	<u>\$880</u>	<u>\$4,030</u>	<u>\$0</u>	<u>\$0</u>	<u>\$4,910</u>

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

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN FUND CASH
BALANCES - PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPE -
FOR THE YEAR ENDED DECEMBER 31, 1997**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$527,886	\$0	\$527,886
Interest	8,771		8,771
Miscellaneous	5,598	0	5,598
Total Operating Cash Receipts	<u>542,255</u>	<u>0</u>	<u>542,255</u>
Operating Cash Disbursements:			
Personal Services	66,635	0	66,635
Fringe Benefits	19,850	0	19,850
Contractual Services	315,601	0	315,601
Supplies and Materials	25,995	0	25,995
Capital Outlay	54,170	0	54,170
Total Operating Cash Disbursements	<u>482,251</u>	<u>0</u>	<u>482,251</u>
Operating Income/(Loss)	<u>60,004</u>	<u>0</u>	<u>60,004</u>
Non-Operating Cash Receipts:			
Property Tax and Other Local Taxes	0	169,987	169,987
Other Non-Operating Receipts	0	28,555	28,555
Total Non-Operating Cash Receipts	<u>0</u>	<u>198,542</u>	<u>198,542</u>
Non-Operating Cash Disbursements:			
Debt Service - Principal	17,778	0	17,778
Debt Service - Interest	12,666	0	12,666
Other Non-Operating Cash Disbursements	0	26,384	26,384
Total Non-Operating Cash Disbursements	<u>30,444</u>	<u>26,384</u>	<u>56,828</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	29,560	172,158	201,718
Transfers-In	75,000	0	75,000
Transfers-Out	0	(240,000)	(240,000)
Net Receipts Over/(Under) Disbursements	104,560	(67,842)	36,718
Fund Cash Balances, January 1	<u>208,908</u>	<u>145,428</u>	<u>354,336</u>
Fund Cash Balances, December 31	<u>\$313,468</u>	<u>\$77,586</u>	<u>\$391,054</u>
Reserve for Encumbrances, December 31	<u>\$987</u>	<u>\$0</u>	<u>\$987</u>

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of South Zanesville, Muskingum County, 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 Village is directed by a publicly-elected six-member Council. The Village provides general governmental services, including water and sewer utilities, refuse collection, park and pool operations (leisure time activities), and police and fire services. The Village also provided an emergency squad until November, 1998 when the Village ceased emergency squad operations.

The Village's management believes these financial statements present all activities for which the Village 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. 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 prescribed or permitted by the Auditor of State.

C. Cash and Investments

Certificates of deposit are valued at cost. The investment in STAR Ohio is valued at amounts reported by the State Treasurer.

D. Fund Accounting

The Village uses fund accounting to segregate cash and investments that are restricted as to use. The Village classifies its funds into the following types:

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Funds:

Street Construction, Maintenance and Repair Fund - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining and repairing Village streets.

State Highway Improvement Fund - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining, and repairing state highways within the Village.

NOTES TO THE FINANCIALS STATEMENTS
DECEMBER 31, 1998 AND 1997
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

Special Assessment Street Light Fund - This fund receives a special assessment tax for maintaining and repairing of the Village's street lights.

3. Debt Service Fund

These funds are used to accumulate resources for the payment of bonds and note indebtedness related to the purchase of the Village's computer system.

4. Capital Project Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Village had the following significant Capital Projects Fund:

Municipal Building Construction Fund - This fund received intergovernmental revenues and loan proceeds relating to Ohio Public Works Commission and Ohio Water Development Authority projects. These proceeds were used for water tank construction and repair and expansion of the Village's water and sewer lines.

5. Enterprise Funds

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

Water Operating Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

Sewer Operating Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

Refuse Collection Fund - This fund receives charges for services from residents to cover the costs of providing this utility.

6. Fiduciary Funds

Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following significant Fiduciary Funds:

Local Income Tax Fund - This fund receives a one percent income tax levied on wages earned by Village residents and employees who work within the Village's corporation limits. Taxes received by this fund are transferred to other funds for expenditure for general governmental purposes.

Mayor's Court Fund - This fund receives and distributes Mayor's Court fines and forfeitures.

NOTES TO THE FINANCIALS STATEMENTS
DECEMBER 31, 1998 AND 1997
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level and appropriations may not exceed estimated resources. The Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

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 also approve estimated resources.

3. Encumbrances

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

A summary of 1998 and 1997 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

G. Unpaid Vacation and Sick Leave

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the Village.

NOTES TO THE FINANCIALS STATEMENTS
DECEMBER 31, 1998 AND 1997
(Continued)

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	<u>1998</u>	<u>1997</u>
Demand deposits	\$344,841	\$380,146
Certificates of deposit	<u>0</u>	<u>200,000</u>
Total deposits	<u>344,841</u>	<u>580,146</u>
STAROhio	<u>304,054</u>	<u>0</u>
Total investments	<u>304,054</u>	<u>0</u>
Total deposits and investments	<u>\$648,895</u>	<u>\$580,146</u>

A. Deposits

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

B. Investments

The Village's investments consist solely of monies held in STAROhio.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 1998 and 1997 is as follows:

	<u>1998 Budgeted vs. Actual Receipts</u>		
<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$239,996	\$423,200	\$183,204
Special Revenue	72,200	104,993	32,793
Capital Projects	200,000	167,264	(32,736)
Enterprise	<u>568,500</u>	<u>562,020</u>	<u>(6,480)</u>
Total	<u>\$1,080,696</u>	<u>\$1,257,477</u>	<u>\$176,781</u>

NOTES TO THE FINANCIALS STATEMENTS
DECEMBER 31, 1998 AND 1997
(Continued)

3. BUDGETARY ACTIVITY (Continued)

<u>1998 Budgeted vs. Actual Budgetary Basis Expenditures</u>			
<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$395,800	\$377,557	\$18,243
Special Revenue	206,330	99,406	106,924
Capital Projects	200,000	167,264	32,736
Enterprise	<u>812,509</u>	<u>600,134</u>	<u>212,375</u>
Total	<u>\$1,614,639</u>	<u>\$1,244,361</u>	<u>\$370,278</u>

<u>1997 Budgeted vs. Actual Receipts</u>			
<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$248,150	\$372,361	\$124,211
Special Revenue	67,305	97,389	30,084
Debt Service	0	23	23
Capital Projects	125,000	6,166	(118,834)
Enterprise	<u>519,100</u>	<u>617,255</u>	<u>98,155</u>
Total	<u>\$959,555</u>	<u>\$1,093,194</u>	<u>\$133,639</u>

<u>1997 Budgeted vs. Actual Budgetary Basis Expenditures</u>			
<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$418,670	\$365,084	\$53,586
Special Revenue	106,500	65,511	40,989
Capital Projects	131,500	6,024	125,476
Enterprise	<u>654,500</u>	<u>513,682</u>	<u>140,818</u>
Total	<u>\$1,311,170</u>	<u>\$950,301</u>	<u>\$360,869</u>

**NOTES TO THE FINANCIALS STATEMENTS
DECEMBER 31, 1998 AND 1997
(Continued)**

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Village Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payment, the first half is due December 31. The second half payment is due the following June 20.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

5. DEBT

Debt outstanding at December 31, 1998 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Environmental Protection Agency Loan	\$20,000	0%
Ohio Water Development Authority Loan	97,785	8.48%
Ohio Public Works Commission - Water Line Loan	19,241	2%
Ohio Public Works Commission - Water Tank Loan	78,048	4%
Ohio Public Works Commission - I and I Project	<u>60,223</u>	2%
Total	<u>\$275,297</u>	

The Ohio Environmental Protection Agency (OEPA) loan relates to sewer line improvements and studies completed in 1998. The loan principal will be repaid through the Sewer Fund in annual installments of \$2,500 over 10 years. This is an interest free loan which was originally issued on July 1, 1997, in the amount of \$25,000. The utility revenue is pledged for the repayment of this debt.

The Ohio Water Development Authority (OWDA) loan was to shut down the Village's sewer treatment plant and switch over to the Muskingum County sewer system to comply with a mandate from the Ohio Environmental Protection Agency. The loan will be repaid through the Sewer Fund in semiannual installments of \$9,083, including interest, over 20 years. This loan was issued on January 1, 1987, in the amount of \$172,166. The utility revenue is pledged for the repayment of this debt.

NOTES TO THE FINANCIALS STATEMENTS
DECEMBER 31, 1998 AND 1997
(Continued)

5. DEBT (Continued)

The Ohio Public Works Commission (OPWC) loans relating to a water tank and water line expansion project will be repaid in semiannual installments of \$5,461 for the water tank and \$1,856 for the water line, including interest, over 10 years. The loans were originally issued on January 15, 1995, in the amount of \$89,295 and \$33,490. The utility revenue is pledged for the repayment of this debt.

The Ohio Public Works Commission (OPWC) loan relating to the sewer inflow and infiltration improvement project (I and I Project) that the Village completed in 1998 will be repaid in semiannual installments of \$3,338, including interest, over 10 years. The loan was originally issued on July 1, 1997, in the amount of \$60,223. The utility revenue is pledged for the repayment of this debt.

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

Year ending December 31:	OEPA Sewer Line Loan	OWDA Loan	OPWC Water Line Loan	OPWC Water Tank Loan	OPWC I and I Loan
1999	\$2,500	\$18,166	\$3,712	\$10,922	\$3,849
2000	2,500	18,166	3,712	10,922	6,675
2001	2,500	18,166	3,712	10,922	6,675
2002	2,500	18,166	3,712	10,922	6,675
2003	2,500	18,166	3,712	10,922	6,675
Subsequent	<u>7,500</u>	<u>54,498</u>	<u>3,711</u>	<u>87,891</u>	<u>36,708</u>
Total	<u>\$20,000</u>	<u>\$145,328</u>	<u>\$22,271</u>	<u>\$142,501</u>	<u>\$67,257</u>

6. LEASE OBLIGATIONS

The Village entered into a ten year lease for the acquisition of a new fire truck during 1996 with Midwest Bankers Group, Inc. This lease requires the Village to make payments of \$31,094 annually beginning September, 1997. The last payment date is September, 2006 and with this payment, ownership will be transferred to the Village. As of December 31, 1998, the total of the outstanding lease payments was \$248,750.

7. RETIREMENT SYSTEMS

The Village's law enforcement officers and firefighters belong to the Police & Firemen's Disability & Pension Funds (PFDPF). Other full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. PFDPF and PERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

NOTES TO THE FINANCIALS STATEMENTS
DECEMBER 31, 1998 AND 1997
(Continued)

7. RETIREMENT SYSTEMS (Continued)

Contribution rates are also prescribed by the Ohio Revised Code. For 1997 and 1998, members of PFDPF contributed 10% of their wages to the PFDPF. The Village contributed an amount equal to 19.5% of their wages. PERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' wages. The Village has paid all contributions required through December 31, 1998.

8. RISK MANAGEMENT

The Village is a member of the Ohio Municipal League Joint Self Insurance Pool (the Pool). The Pool assumes the risk of loss up to the limits of the Village's policy. The Pool may assess supplemental premiums. The following risks are covered by the Pool:

- General liability and casualty
- Public official's liability
- Vehicle
- General liability and casualty
- Errors and Omissions

The Village also provides health insurance and dental and vision coverage to full-time employees through a private carrier.

9. SUBSEQUENT EVENTS

On August 3, 1999, The Village Council adopted an Ordinance providing for the issuance and sale of notes in the maximum principal amount of \$950,000 in anticipation of the issuance of bonds, for the purpose of constructing and equipping a new municipal building to house the legislative, administrative and safety facilities of the Village. Bonds will be dated approximately June 1, 2000, and are estimated to mature in 20 annual installments. Principal and interest obligations will be paid from Village income tax revenues to be set aside in a Bond Retirement Fund.



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

Village of South Zanesville
Muskingum County
P.O. Box 1828
South Zanesville, Ohio 43702

To the Village Council:

We have audited the accompanying financial statements of the Village of South Zanesville, Muskingum County, Ohio, (the Village) as of and for the years ended December 31, 1998 and December 31, 1997, and have issued our report thereon dated March 16, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed 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 1998-31060-001. We also noted a certain immaterial instance of noncompliance that we have reported to management of the Village in a separate letter dated March 16, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. A reportable condition involves matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect the Village's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in the accompanying schedule of findings as item 1998-31060-001.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. 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 believe the reportable condition described above is 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 Village in a separate letter dated March 16, 2000.

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

A handwritten signature in black ink, appearing to read "Jim Petro", with a large, stylized flourish at the end.

Jim Petro
Auditor of State

March 16, 2000

**SCHEDULE OF FINDINGS
DECEMBER 31, 1998 AND 1997**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 1998-31060-001

Noncompliance Citation

Ohio Rev. Code Section 5705.41 (D) states, in part, that no subdivision or taxing unit shall make any contract or order any expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the same has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund, free from any previous encumbrances. Every such contract made without such a certificate shall be null and void and no warrant shall be issued in payment of any amount due thereon. This section also provides two "exceptions" to the above requirements:

- A. Then and Now Certificate - If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was appropriated and free of any previous encumbrances, the Village Council may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate, if such expenditure is otherwise valid.

- B. If the amount involved is less than one thousand dollars, the fiscal officer may authorize it to be paid without the affirmation of the Village Council.

Certain liabilities, contracts, and open purchase commitments greater than one thousand dollars were not certified by the Clerk-Treasurer prior to the invoice date and no evidence was presented to indicate that a "then and now" certificate was issued by the Clerk-Treasurer and presented to Council.

We also noted that eight blanket purchase orders exceeded the three month limitation and two extended beyond the fiscal year.

We recommend the Village management utilize purchase orders to enable the Clerk-Treasurer to properly certify the availability of funds prior to a commitment being incurred.



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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
APRIL 11, 2000**