

**VILLAGE OF SOUTH ZANESVILLE
MUSKINGUM COUNTY
Regular Audit
December 31, 2006 and 2005**



Mary Taylor, CPA
Auditor of State

Village Council
Village of South Zanesville
24 East Main Street
South Zanesville, Ohio 43701

We have reviewed the *Independent Accountants' Report* of the Village of South Zanesville, Muskingum County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2005 through December 31, 2006. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Accountants' Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Accountants' Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of South Zanesville is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

June 13, 2007

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**VILLAGE OF SOUTH ZANESVILLE
MUSKINGUM COUNTY**

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INDEPENDENT ACCOUNTANTS' REPORT

May 11, 2007

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

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, 2006 and 2005. 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 auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2006 and 2005. Instead of the combined funds the accompanying financial statements present for 2006 and 2005, the revisions require presenting entity wide statements and also to present it's larger (i.e. major) funds separately for 2006 and 2005. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to reformat its statements. Since the Village does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2006 and 2005 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2006 and 2005 or their changes in financial position for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserve for encumbrances of the Village of South Zanesville, Muskingum County, as of December 31, 2006 and 2005, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the years ended December 31, 2006 and 2005. The Government has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 11, 2007, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Respectfully Submitted,

Perry and Associates
Certified Public Accountants, A.C.

**VILLAGE OF SOUTH ZANESVILLE
MUSKINGUM COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<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	\$ 220,922	\$ 29,525	\$ -	\$ -	\$ 250,447
Intergovernmental	55,524	77,526	-	-	133,050
Special Assessments	-	19,804	-	-	19,804
Charges for Services	30,559	1,936	-	-	32,495
Fines, Licenses, and Permits	18,929	3,775	-	-	22,704
Earnings on Investments	9,919	4,866	2,193	-	16,978
Miscellaneous	13,165	2,049	-	-	15,214
	<u>349,018</u>	<u>139,481</u>	<u>2,193</u>	<u>-</u>	<u>490,692</u>
Total Cash Receipts					
	<u>349,018</u>	<u>139,481</u>	<u>2,193</u>	<u>-</u>	<u>490,692</u>
Cash Disbursements:					
Current:					
Security of Persons and Property	142,117	59	-	-	142,176
Leisure Time Activities	26,167	-	-	-	26,167
Transportation	4,730	84,497	-	-	89,227
General Government	172,756	382	-	-	173,138
Debt Service:					
Redemption of Principal	29,172	-	30,000	-	59,172
Interest and Fiscal Charges	1,922	-	38,450	-	40,372
Capital Outlay	5,323	48,721	-	-	54,044
	<u>382,187</u>	<u>133,659</u>	<u>68,450</u>	<u>-</u>	<u>584,296</u>
Total Cash Disbursements					
	<u>382,187</u>	<u>133,659</u>	<u>68,450</u>	<u>-</u>	<u>584,296</u>
Total Cash Receipts Over/(Under) Disbursements	<u>(33,169)</u>	<u>5,822</u>	<u>(66,257)</u>	<u>-</u>	<u>(93,604)</u>
Other Financing Receipts and (Disbursements):					
Transfer-In	50,000	-	65,225	-	115,225
	<u>50,000</u>	<u>-</u>	<u>65,225</u>	<u>-</u>	<u>115,225</u>
Total Other Financing Receipts/(Disbursements)					
	<u>50,000</u>	<u>-</u>	<u>65,225</u>	<u>-</u>	<u>115,225</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	16,831	5,822	(1,032)	-	21,621
Fund Cash Balances, January 1	61,615	102,634	1,939	116	166,304
	<u>61,615</u>	<u>102,634</u>	<u>1,939</u>	<u>116</u>	<u>166,304</u>
Fund Cash Balances, December 31	<u>\$ 78,446</u>	<u>\$ 108,456</u>	<u>\$ 907</u>	<u>\$ 116</u>	<u>\$ 187,925</u>
Reserve for Encumbrances, December 31	<u>\$ 2,551</u>	<u>\$ 196</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,747</u>

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

**VILLAGE OF SOUTH ZANESVILLE
MUSKINGUM COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL PROPRIETARY FUND TYPES AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<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	\$ 584,663	\$ -	\$ 584,663
Total Operating Revenues	<u>584,663</u>	<u>-</u>	<u>584,663</u>
Operating Cash Disbursements:			
Personal Services	90,435	-	90,435
Fringe Benefits	50,590	-	50,590
Contractual Services	285,381	-	285,381
Supplies and Materials	22,319	-	22,319
Other	6,866	-	6,866
Total Operating Cash Disbursements	<u>455,591</u>	<u>-</u>	<u>455,591</u>
Operating Income (Loss)	<u>129,072</u>	<u>-</u>	<u>129,072</u>
Non-Operating Cash Receipts:			
Property Tax and Other Local Tax	-	152,281	152,281
Earnings on Investments	968	-	968
Other Non-Operating Cash Receipts	759	28,558	29,317
Total Non-Operating Cash Receipts	<u>1,727</u>	<u>180,839</u>	<u>182,566</u>
Non-Operating Cash Disbursements:			
Capital Outlay	27,332	-	27,332
Debt Service:			
Redemption of Principal	31,417	-	31,417
Interest and Fiscal Charges	1,989	-	1,989
Other Non-Operating Expenses	-	28,558	28,558
Total Nonoperating Expenses	<u>60,738</u>	<u>28,558</u>	<u>89,296</u>
Excess of Cash Receipts Over/(Under) Cash Disbursements Before Interfund Transfers	70,061	152,281	222,342
Transfer-Out	<u>-</u>	<u>(115,225)</u>	<u>(115,225)</u>
Net Receipts Over/(Under) Cash Disbursements	70,061	37,056	107,117
Fund Cash Balances, January 1	<u>121,519</u>	<u>5,189</u>	<u>126,708</u>
Fund Cash Balances, December 31	<u>\$ 191,580</u>	<u>\$ 42,245</u>	<u>\$ 233,825</u>
Reserve for Encumbrances, December 31	<u>\$ 526</u>	<u>\$ -</u>	<u>\$ 526</u>

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

**VILLAGE OF SOUTH ZANESVILLE
MUSKINGUM COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<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	\$ 186,869	\$ 27,873	\$ -	\$ -	\$ 214,742
Intergovernmental	123,891	156,514	-	-	280,405
Special Assessments	-	19,106	-	-	19,106
Charges for Services	73,994	1,630	-	-	75,624
Fines, Licenses, and Permits	16,332	340	-	-	16,672
Earnings on Investments	2,499	1,916	-	-	4,415
Miscellaneous	10,278	2,338	-	-	12,616
Total Cash Receipts	<u>413,863</u>	<u>209,717</u>	<u>-</u>	<u>-</u>	<u>623,580</u>
Cash Disbursements:					
Current:					
Security of Persons and Property	180,380	86,007	-	-	266,387
Leisure Time Activities	28,429	-	-	-	28,429
Transportation	8,794	92,495	-	-	101,289
General Government	163,776	753	-	-	164,529
Debt Service:					
Redemption of Principal	27,369	-	32,192	-	59,561
Interest and Fiscal Charges	3,725	-	39,890	-	43,615
Capital Outlay	30,643	15,155	-	-	45,798
Total Cash Disbursements	<u>443,116</u>	<u>194,410</u>	<u>72,082</u>	<u>-</u>	<u>709,608</u>
Total Cash Receipts Over/(Under) Disbursements	<u>(29,253)</u>	<u>15,307</u>	<u>(72,082)</u>	<u>-</u>	<u>(86,028)</u>
Other Financing Receipts and (Disbursements):					
Transfer-In	63,000	-	70,000	-	133,000
Transfer-Out	(10,000)	-	-	-	(10,000)
Total Other Financing Receipts/(Disbursements)	<u>53,000</u>	<u>-</u>	<u>70,000</u>	<u>-</u>	<u>123,000</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	23,747	15,307	(2,082)	-	36,972
Fund Cash Balances, January 1	37,868	87,327	4,021	116	129,332
Fund Cash Balances, December 31	<u>\$ 61,615</u>	<u>\$ 102,634</u>	<u>\$ 1,939</u>	<u>\$ 116</u>	<u>\$ 166,304</u>
Reserve for Encumbrances, December 31	<u>\$ 3,083</u>	<u>\$ 669</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,752</u>

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

**VILLAGE OF SOUTH ZANESVILLE
MUSKINGUM COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL PROPRIETARY FUND TYPES AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<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	\$ 575,553	\$ -	\$ 575,553
Total Operating Revenues	<u>575,553</u>	<u>-</u>	<u>575,553</u>
Operating Cash Disbursements:			
Personal Services	107,728	-	107,728
Fringe Benefits	70,912	-	70,912
Contractual Services	311,536	-	311,536
Supplies and Materials	28,343	-	28,343
Other	10,839	-	10,839
Total Operating Cash Disbursements	<u>529,358</u>	<u>-</u>	<u>529,358</u>
Operating Income (Loss)	<u>46,195</u>	<u>-</u>	<u>46,195</u>
Non-Operating Cash Receipts:			
Property Tax and Other Local Tax	-	124,472	124,472
Earnings on Investments	2,034	-	2,034
Other Non-Operating Cash Receipts	2,207	22,740	24,947
Total Non-Operating Cash Receipts	<u>4,241</u>	<u>147,212</u>	<u>151,453</u>
Non-Operating Cash Disbursements:			
Capital Outlay	25,816	-	25,816
Debt Service:			
Redemption of Principal	38,521	-	38,521
Interest and Fiscal Charges	3,730	-	3,730
Other Non-Operating Expenses	-	22,740	22,740
Total Nonoperating Expenses	<u>68,067</u>	<u>22,740</u>	<u>90,807</u>
Excess of Cash Receipts Over/(Under) Cash Disbursements Before Interfund Transfers	(17,631)	124,472	106,841
Transfer-In	10,000	-	10,000
Transfer-Out	<u>(10,000)</u>	<u>(123,000)</u>	<u>(133,000)</u>
Net Receipts Over/(Under) Cash Disbursements	(17,631)	1,472	(16,159)
Fund Cash Balances, January 1	<u>139,150</u>	<u>3,717</u>	<u>142,867</u>
Fund Cash Balances, December 31	<u>\$ 121,519</u>	<u>\$ 5,189</u>	<u>\$ 126,708</u>
Reserve for Encumbrances, December 31	<u>\$ 1,493</u>	<u>\$ -</u>	<u>\$ 1,493</u>

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

**VILLAGE OF SOUTH ZANESVILLE
MUSKINGUM COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of South Zanesville, Muskingum County (the Village), as a body corporate and politic. A publicly elected six-member Council governs the Village. The Village provides water and sewer utilities, refuse collection, park and pool operations, and police services. The Village appropriates general fund money to support a volunteer fire department.

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 accounting basis the Auditor of State prescribes or permits. 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 the Auditor of State prescribes.

C. Cash and Investments

The Village's accounting basis includes investments as assets. This basis does not report disbursements for investment purchases or receipts for investment sales. The Village reports gains or losses at the time of sale as receipts or disbursements, respectively.

The Village values certificates of deposit at cost. Money market mutual funds (including STAR Ohio) are recorded at share values the mutual fund reports.

D. Fund Accounting

The Village uses fund accounting to segregate cash 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.

**VILLAGE OF SOUTH ZANESVILLE
MUSKINGUM COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds

These funds are used to account for proceeds from specific sources that are restricted to expenditure for specific purposes. The Village has the following significant Special Revenue Funds:

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

Special Assessment Street Light Fund – This fund receives a special assessment tax for maintaining and repairing Village street lights.

FEMA Fund – This fund is used to account for monies received and disbursed from the Federal Emergency Management Agency Disaster Assistance (FEMA) for purchase of fire department equipment.

3. Debt Service Fund

The Bond Retirement Fund is used to account for resources the Village accumulates to pay bond indebtedness used to finance the construction of a new municipal building.

4. Capital Project Funds

The Capital Project Fund is used to account for receipts and disbursements restricted for a street paving project partially funded with Issue II monies from the Ohio Public Works Commission.

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

Sewer 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.

**VILLAGE OF SOUTH ZANESVILLE
MUSKINGUM COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

6. Fiduciary Funds (Agency 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.

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the object level of control, and appropriations may not exceed estimated resources. Village 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 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 canceled, and reappropriated in the subsequent year. The Village did not encumber all commitments required by Ohio law.

A summary of 2006 and 2005 budgetary activity appears in Note 3.

**VILLAGE OF SOUTH ZANESVILLE
MUSKINGUM COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. Accumulated Leave

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

2. EQUITY IN POOLED CASH

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

	2006	2005
Demand deposits	\$272,662	\$121,959
Total deposits	272,662	121,959
 STAR Ohio	 149,088	 171,053
Total investments	149,088	171,053
Total deposits and investments	\$421,750	\$293,012

Deposits: are insured by the Federal Deposit Insurance Corporation; or collateralized by the financial institution's public entity deposit pool.

Investments: in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

**VILLAGE OF SOUTH ZANESVILLE
MUSKINGUM COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2006 and 2005 follows:

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$441,039	\$399,018	(\$42,021)
Special Revenue	73,730	139,481	65,751
Debt Service	70,000	67,418	(2,582)
Capital Projects	0	0	0
Enterprise	568,529	586,390	17,861
Total	\$1,153,298	\$1,192,307	\$39,009

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$501,950	\$384,738	\$117,212
Special Revenue	151,160	133,855	17,305
Debt Service	71,938	68,450	3,488
Capital Projects	110	0	110
Enterprise	688,417	516,855	171,562
Total	\$1,413,575	\$1,103,898	\$309,677

2005 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$544,117	\$476,863	(\$67,254)
Special Revenue	171,000	209,717	38,717
Debt Service	150,000	70,000	(80,000)
Capital Projects	0	0	0
Enterprise	564,000	589,794	25,794
Total	\$1,429,117	\$1,346,374	(\$82,743)

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$463,430	\$456,199	\$7,231
Special Revenue	234,900	195,079	39,821
Debt Service	70,000	72,082	(2,082)
Capital Projects	0	0	0
Enterprise	701,822	608,918	92,904
Total	\$1,470,152	\$1,332,278	\$137,874

**VILLAGE OF SOUTH ZANESVILLE
MUSKINGUM COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

Contrary to Ohio Rev. Code Section 5705.41 (D), the certification of availability of unencumbered appropriations for expenditure was not obtained for 26% of expenditures tested during 2006 and 7% of expenditures testing during 2005.

Contrary to Ohio Rev. Code Section 5705.41 (B), expenditures exceeded appropriations during 2006 in the Street Maintenance and Repair Fund and the Bond Retirement Fund and during 2005 in the Note Retirement Fund.

4. DEBT

Debt outstanding at December 31, 2006 was as follows:

	Principal	Interest Rate
Ohio Public Works Commission - Water Tank Loan	\$ 5,354	4.00%
Ohio Public Works Commission - I & I Project	13,022	2.00%
Ohio Public Works Commission - Waterline Replacement Loan	1,763	2.00%
Ohio Public Works Commission - Water Main Loan	21,018	2.00%
Municipal Building Bonds	737,808	5.15%
Total	\$ 778,895	

The Ohio Environmental Protection Agency loan relates to the sewer line improvements and studies completed in 1998. The loan principal was repaid through the Sewer Fund in annual installments of \$2,000, over 10 years. The interest free loan was originally issued on July 1, 1997 in the amount of \$20,000. The loan was collateralized by sewer receipts. The Village had agreed to set utility rates sufficient to cover the debt service requirements. This loan was paid off during the audit period.

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 was repaid through the Sewer Fund in semi-annual installments of \$9,083, including interest, over 20 years. This loan was issued on January 1, 1987 in the amount of \$172,166. The loan was collateralized by sewer receipts. The Village had agreed to set utility rates sufficient to cover OWDA debt service requirements. This loan was paid off during the audit period.

The Ohio Public Works Commission (OPWC) loan relating to the water tank project will be repaid in semiannual installments of \$5,461, including interest, over 10 years. The loan was originally issued on July 1, 1997. The loan is collateralized by water receipts. The Village has agreed to set utility rates sufficient to cover OPWC debt service requirements.

**VILLAGE OF SOUTH ZANESVILLE
MUSKINGUM COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005**

((Continued))

4. DEBT (Continued)

The Ohio Public Works Commission (OPWC) loan relating to the sewer inflow and infiltration improvement project (I & 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 \$60,223. The loan is collateralized by sewer receipts. The Village has agreed to set utility rates sufficient to cover OPWC debt service requirements.

The Ohio Public Works Commission (OPWC) loans relating to the waterline replacement and west side water main projects will be repaid in semiannual installments of \$206 for the waterline replacement and \$2,219 for the west side water main, including interest, over 10 years. The loans were originally issued in 2001 in the amount of \$3,714 and \$40,046. The loans are collateralized by water receipts. The Village has agreed to set utility rates sufficient to cover OPWC debt service requirements.

The Municipal Building Bonds were issued to finance the construction of the new village hall completed in 2000. The Municipal Building Bonds are general obligations of the Village and are intended to be repaid with the Village's income tax revenue. The \$875,000 bonds issued for new village hall construction include serial and term bonds in the amounts of \$455,000 and \$420,000, respectively. The bonds are being retired from the Bond Retirement Fund.

The term bonds maturing on December 1, 2017 are subject to mandatory sinking fund redemption at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption on December 1 in the year and in the respective principal amounts as follows:

<u>Year</u>	<u>Principal Amount to be Redeemed</u>
2015	\$ 50,000
2016	\$ 55,000

The term bonds maturing on December 1, 2021 are subject to mandatory sinking fund redemption at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption on December 1 in the year and in the respective principal amounts as follows:

<u>Year</u>	<u>Principal Amount to be Redeemed</u>
2018	\$ 60,000
2019	\$ 65,000
2020	\$ 65,000

**VILLAGE OF SOUTH ZANESVILLE
MUSKINGUM COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

4. DEBT (Continued)

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

Year ending December 31:	OPWC Water Tank Loan	OPWC I & I Project Loan	OPWC Line Replace Loans	Municipal Buildings Bonds
2007	\$ 5,461	\$ 6,675	\$ 4,850	\$ 65,520
2008	-	6,675	4,850	69,080
2009	-	-	4,850	67,400
2010	-	-	4,850	70,720
2011	-	-	4,644	68,800
Thereafter	-	-	-	724,323
Total	<u>\$ 5,461</u>	<u>\$ 13,350</u>	<u>\$ 24,044</u>	<u>\$ 1,065,843</u>

5. LEASE OBLIGATION

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 required the Village to make payments annually beginning September 1997 until paid in full in 2006. The Village made payments totaling \$56,542 during the audit period. After the last payment in September 2006, ownership was transferred to the Village.

6. 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.

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

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.

**VILLAGE OF SOUTH ZANESVILLE
MUSKINGUM COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

7. LOCAL INCOME TAX

In November of 2004, residents of the Village authorized an additional .5 percent municipal income tax. The Village now 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.

8. RETIREMENT SYSTEMS

The Village's law enforcement officers belong to the Ohio Police and Fire Pension Funds (OP&F). Other full-time employees and elected officials belong to the Ohio Public Employees Retirement System (OPERS) of Ohio. OP&F and OPERS are cost-sharing, multi-employer plans. This plan provides retirement benefits, including post retirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2006 and 2005, OP&F participants contributed 10% of their wages. The Village contributed an amount equal to 19.5% of police participant wages. Members of OPERS contributed 9.0% and 8.5%, respectively, of their gross salaries. The Village contributed an amount equal to 13.70% of participants' gross salaries in 2006 and 13.55% in 2005. The Village has paid all contributions required through December 31, 2006.

9. RISK MANAGEMENT

The Village is a member of the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP may make supplemental premiums. The following risks are covered by PEP:

- General liability and casualty;
- Employee benefit liability
- Automobile liability

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

Risk Pool Membership

The Village belongs to the Public Entities Pool of Ohio, (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty insurance for its members. PEP is a member of the American Public Entity Excess Pool (APEEP). The Village pays an annual contribution to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

**VILLAGE OF SOUTH ZANESVILLE
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

9. RISK MANAGEMENT (Continued)

Casualty Coverage

PEP retains casualty risks up to \$250,000 per claim, including loss adjustment expenses. PEP pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$5,000,000 in the aggregate year. Governments can elect additional coverage from \$2,000,000 with General Reinsurance Corporation, through contracts with PEP. If losses exhaust PEP's retained earnings, APEEP covers PEP losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Coverage

Beginning in 2005, Travelers Indemnity Company reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable value. If the stop loss is reached by payment of losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2005 was \$1,682,589.

The aforementioned casualty and property reinsurance agreements do not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective Village. Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

Members may withdraw on each anniversary of the date they joined PEP. They must provide written notice to PEP 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contribution, minus the subsequent year's premium. Also upon withdrawal, payments for all property and casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the withdrawal.

**VILLAGE OF SOUTH ZANESVILLE
MUSKINGUM COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

9. RISK MANAGEMENT (Continued)

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2005:

<u>Casualty Coverage</u>	<u>2005</u>	<u>2004</u>
Assets	\$29,719,675	\$27,437,169
Liabilities	<u>(15,994,168)</u>	<u>(13,880,038)</u>
Retained earnings	\$13,725,507	\$13,557,131

<u>Property Coverage</u>	<u>2005</u>	<u>2004</u>
Assets	\$4,443,332	\$3,648,272
Liabilities	<u>(1,068,245)</u>	<u>(540,073)</u>
Retained earnings	\$3,375,087	\$3,108,199

The Casualty Coverage assets and retained earnings above include approximately \$14.3 million and \$12 million of unpaid claims to be billed to approximately 430 member governments in the future, as of December 31, 2005 and 2004, respectively. PEP will collect these amounts in future annual premium billings when PEP's related liabilities are due for payment.

10. CONTINGENT LIABILITIES

A. Pending Litigation

The former police chief has filed suit against the Village alleging wrongful termination. Although the outcome of this suit is not presently determinable, management believes that the resolution of this matter will not materially adversely affect the Village's financial condition.

B. Grants

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor. Grantors 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.

Perry & Associates
Certified Public Accountants, A.C.

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

May 11, 2007

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

To the Village Council:

We have audited the financial statements of the Village of South Zanesville, Muskingum County, Ohio (the Village) as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated May 11, 2007, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting we consider significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Village's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

Internal Control Over Financial Reporting (Continued)

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2006-001 through 2006-008.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Village's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. We believe significant deficiencies 2006-001 through 2006-006 described above are material weaknesses.

We also noted certain internal control matters that we reported to the Village's management in a separate letter dated May 11, 2007.

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, providing an opinion 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 instances of noncompliance or other matters that we must report under *Government Auditing Standard* which are described in the accompanying schedule of findings as items 2006-009 and 2006-010.

In a separate letter to the Village's management dated May 11, 2007, we reported other matters related to noncompliance we deemed immaterial.

This report is intended solely 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.

Respectfully Submitted,

Perry and Associates
Certified Public Accountants, A.C.

**VILLAGE OF SOUTH ZANESVILLE
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2006 and 2005**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
--

FINDING NUMBER 2006-001

Significant Deficiency/Material Weakness

Monitoring of Delinquent Income Tax Accounts

Upon our review of the Village's Income Tax Department, we could find no evidence the Village monitors delinquent income tax accounts nor could we find a formal policy for the collection of delinquent income taxes due the Village. Upon discussion with staff, a list of delinquent accounts had not been generated for a significant length of time. Council is responsible for monitoring income tax collections of the Village. They receive financial information from the Village Clerk at their monthly meetings, however, a list of delinquent income tax accounts is not provided. As a result of not reviewing and addressing delinquent accounts, the Village may be losing revenues due them.

We recommend the Village Fiscal Officer provide to Village Council a complete listing of all delinquent accounts at least quarterly. We also recommend the Village establish a formal policy detailing the procedures to be utilized for collecting on delinquent income tax accounts.

Management's Response – We did not receive a response from officials to this finding.

FINDING NUMBER 2006-002

Significant Deficiency/Material Weakness

Income Tax Collections

The Village does not have a procedure in place to help ensure all individuals required to pay Village income tax are actually paying. This could result in a loss of income tax revenue for the Village.

We recommend the Village implement procedures to verify all individuals required to pay Village income tax are paying. An example may be cross checking residents receiving utility services within the Village to income tax filings. The Village should contact other similar Villages with an income tax and get suggestions on how they ensure collections.

Management's Response – We did not receive a response from officials to this finding.

**VILLAGE OF SOUTH ZANESVILLE
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2006 and 2005**

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

FINDING NUMBER 2006-003

Significant Deficiency/Material Weakness

Posting Expenditures

During 2005 and 2006, several expenditures related to debt were not posted into accurate classifications based on the source of the expenditure. Expenditures for debt payments were posted to capital outlay or entirely to interest rather than broken down between principal and interest. These mispostings resulted in several audit reclassifications.

We recommend the Clerk refer to the Village Handbook for guidance to determine the proper establishment of expenditure accounts and posting of expenditures.

Management's Response – We did not receive a response from officials to this finding.

FINDING NUMBER 2006-004

Significant Deficiency/Material Weakness

Posting Estimated Revenues and Appropriations

The Village did not have a control procedure in place to ensure that appropriations and estimated receipts, as authorized by Village Council and approved by the County Budget Commission, were reconciled to the appropriations and estimated receipts posted to the accounting system.

This resulted in incorrect amounts posted to the accounting system and information available to Village officials to monitor year-to-date total comparison of budgeted amounts versus actual amounts was not accurate. Adjustments were made to the budgetary activity reported in Note 3 to the financial statements in order to accurately present estimated receipts as Certified by the County Budget Commission.

We recommend the Village implement procedures to ensure appropriations and estimated receipts are accurately posted to the accounting system and reconciled to the amounts approved by the budget commission after each amendment.

Management's Response – We did not receive a response from officials to this finding.

**VILLAGE OF SOUTH ZANESVILLE
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2006 and 2005**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2006-005

Significant Deficiency/Material Weakness

Mayor's Court

Upon our review of the Village's Mayor's Court, we could find no evidence the Village monitors outstanding fines nor could we find a formal policy for the collection of outstanding fines. Upon discussion with staff, an outstanding fines list is not generated. Council is responsible for monitoring revenue collections of the Village. They receive financial information from the Village Fiscal Officer at their monthly meetings, however, a list of outstanding fines is not provided. As a result of not reviewing and addressing outstanding fines, the Village may be losing revenues due them.

We recommend the Village Fiscal Officer provide to Village Council a complete listing of all outstanding fines at least quarterly. We also recommend the Village establish a formal policy detailing the procedures to be utilized for collecting on outstanding fines. The Village should contact their solicitor in establishing said policy.

Management's Response – We did not receive a response from officials to this finding.

FINDING NUMBER 2006-006

Significant Deficiency/Material Weakness

Village Swimming Pool

During our testing of pool receipts, we noted the following:

- The Daily Recap Sheet, which summarized daily activity was not signed by the Pool Manager nor was there any indication it was reviewed and approved by the Fiscal Officer as agreeing to the daily deposit.
- For one day tested, the cash register tape did not agree to the Daily Recap Sheet. The register tape was manually corrected but no indication was given as to why the tape was incorrect nor was their any indication as to who manually corrected the tape.
- The recreation department did not maintain an inventory for the concession items available for sale and there was not cost-of-goods performed.
- Daily pool receipts were deposited in a timely manner, however the receipts were not posted to the Village's computer system on a timely basis. In some instances, receipts were not posted until 3 to 4 weeks later.

The internal controls over the collection of pool receipts were inadequate and could result in misappropriation of Village assets.

**VILLAGE OF SOUTH ZANESVILLE
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2006 and 2005**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2006-006 (Continued)

Significant Deficiency/Material Weakness (Continued)

Village Swimming Pool (Continued)

We recommend the Village take the following actions concerning pool receipt collections:

- The Daily Recap Sheet should be properly completed, filed and signed by the Pool Manager.
- Whenever, an error has been made when operating the cash register (over/under ring), a void should be made. All voids or adjustments should be documented as to the reason and signed by the Pool Manager.
- Enhance the internal controls over season passes by recording the receipt # and amount paid on each application.
- Enhance the effectiveness/usefulness of the Daily Recap Sheet by including attendance and reconciling to amount collected.
- Consider preparing a formal written policy which summarizes the Village's procedures over the pool. These policies and procedures could be distributed to the applicable parties and acknowledgement forms could be signed and kept on file evidencing individuals' awareness of the Village's policies and procedures.
- The pool department should maintain a perpetual inventory of all concession goods. In addition, a cost-of-goods calculation should be performed to ascertain the reasonableness of the rates being charged in the concession area. Inventory sold should be compared to concession receipts on a regular basis to ensure reasonableness.

Management's Response – We did not receive a response from officials to this finding.

**VILLAGE OF SOUTH ZANESVILLE
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2006**

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

FINDING NUMBER 2006-007

Significant Deficiency

Tax Related Late Payments

During 2006, federal taxes were not always remitted to the Internal Revenue Service in a timely manner. The Village incurred a late penalty and interest costs in the amount of \$613.78 due to the 2006 fourth quarter federal taxes not being remitted by the required due date. The Village made payment on the late fee and interest costs in 2007. This resulted in the Village expending unnecessary funds.

We recommend the Fiscal Officer take steps to ensure payroll tax reports and withholdings are timely remitted in order to avoid the unnecessary expense of interest and penalties. The situation could lead to a Finding for Recovery being issued against Village officials for misappropriation of Village monies.

Management's Response – We did not receive a response from officials to this finding.

FINDING NUMBER 2006-008

Significant Deficiency

Late Payments

During 2006, the Village incurred and paid late payment fees to various vendors. In addition, these expenditures were not classified in a separate account to reflect the fees. Of the non-payroll expenditures tested during 2006, we noted two instances in which late fees were incurred totaling \$20.70. This amount was deemed immaterial, however was an unnecessary expense for the Village.

This could also result in vendors refusing to do business with the Village due to untimely payment of invoices. We recommend the clerk ensure payments are made timely to vendors. The situation could lead to a Finding for Recovery being issued against Village officials for misappropriation of Village monies.

Management's Response – We did not receive a response from officials to this finding.

**VILLAGE OF SOUTH ZANESVILLE
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2006 AND 2005**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2006-009

Noncompliance Citation

Ohio Revised Code § 5705.41(D) requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance. The certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. "Then and Now" certificate - If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority can authorize the drawing of a warrant for the payment of the amount due. The taxing authority has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution. Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority.
2. Blanket Certificate – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. Super Blanket Certificate – The entity may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line-item appropriation.

**VILLAGE OF SOUTH ZANESVILLE
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2006 AND 2005**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2006-009 (Continued)

Ohio Revised Code § 5705.41(D) (Continued)

The Village did not properly certify the availability of funds prior to purchase commitment for 26% and 7% of the expenditures tested during 2006 and 2005, respectively. In addition there was no evidence that the Village followed the aforementioned exceptions. Without these certifications, the management of the Village lost budgetary control over expenditures.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, we recommend that the Clerk certify that the funds are or will be available prior to an obligation being incurred by the Village. When prior certification is not possible, "then and now" certification should be used.

Management's Response – We did not receive a response from officials to this finding.

FINDING NUMBER 2006-010

Noncompliance Citation

Ohio Rev. Code Section 5705.41 (B) states that no subdivision or taxing unit shall make any expenditure of money unless the same has been properly appropriated.

Actual disbursements exceeded appropriations in 2006 in the Special Revenue Fund Type, Street Construction and Maintenance Repair Fund and Debt Service Fund Type, Note Retirement Fund and during 2005 in the Debt Service Fund Type, Note Retirement Fund.

We recommend the Fiscal Officer modify appropriations with the Village Council and County Budget Commission before incurring obligations that would cause expenditures to exceed appropriations.

**VILLAGE OF SOUTH ZANESVILLE
MUSKINGUM COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2006 AND 2005**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2004-001	ORC Section 5705.41(D) – Expenditures were made without the fiscal officer’s prior certification.	No	Not Corrected, Repeated as finding 2006-009.
2004-002	ORC Section 5705.41(B) – Expenditures in excess of appropriations.	No	Not Corrected, Repeated as finding 2006-010.
2004-003	ORC Section 5705.39 – Appropriations exceed Estimated Resources.	Yes	N/A
2004-004	ORC Section 5705.36(A)(2) – Failure to Obtain Amended Certificates.	Yes	N/A



Mary Taylor, CPA
Auditor of State

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
JUNE 26, 2007