



**Auditor of State
Betty Montgomery**

**CITY OF ZANESVILLE
MUSKINGUM COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Combined Balance Sheet – All Fund Types, Account Groups and Discretely Presented Component Unit.....	4
Combined Statement of Revenues, Expenditures and Changes in Fund Balances – All Governmental Fund Types and Expendable Trust Fund.....	8
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual (Budget Basis) – All Governmental Fund Types and Expendable Trust Fund.....	10
Combined Statement of Revenues, Expenses and Changes in Fund Equity/ Fund Balance – All Proprietary Fund Types, Non-Expendable Trust Fund and Discretely Presented Component Unit.....	14
Combined Statement of Cash Flows – All Proprietary Fund Types, Non-Expendable Trust Funds and Discretely Presented Component Unit	16
Combined Statement of Revenues, Expenses and Changes in Fund Equity – Budget and Actual (Budget Basis) – All Proprietary Fund Types and Non-Expendable Trust Funds	20
Notes to the General Purpose Financial Statements.....	23
Schedule of Federal Awards Receipts and Expenditures.....	61
Notes to the Schedule of Federal Awards Receipts and Expenditures	62
Independent Accountants' Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	63
Independent Accountants' Report on Compliance with Requirements Applicable to Each Major Federal Program and Internal Control Over Compliance in Accordance with OMB Circular A-133	65
Schedule of Findings – <i>OMB Circular A-133 § .505</i>	67
Schedule of Prior Audit Findings – <i>OMB Circular A-133 § .315(b)</i>	69

This page intentionally left blank.



**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

City of Zanesville
Muskingum County
401 Market Street
Zanesville, Ohio 43701

To the City Council:

We have audited the accompanying general purpose financial statements of the City of Zanesville, Muskingum County, Ohio (the City), as of and for the year ended December 31, 2002, as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit. We did not audit the financial statements of the South East Area Transit Authority, which represents 100% of the assets and revenues of the component unit column. Those financial statements were audited by other auditor, whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the component unit, is based on the report of other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial 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 and the report of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the report of the other auditors, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Zanesville, Muskingum County, as of December 31, 2002, and the results of its operations and the cash flows of its proprietary fund types, non-expendable trust funds and component unit for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2003, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying Schedule of Federal Awards Receipts and Expenditures is presented for additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general purpose financial statements. We subjected this information to the auditing procedures applied in the audit of the general purpose financial statements. In our opinion, it is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

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

Betty Montgomery
Auditor of State

December 19, 2003

This page intentionally left blank.

**CITY OF ZANESVILLE
MUSKINGUM COUNTY**

**COMBINED BALANCE SHEET
ALL FUND TYPES, ACCOUNT GROUPS AND
DISCRETELY PRESENTED COMPONENT UNIT
DECEMBER 31, 2002**

	Governmental Fund Types				Proprietary
	General	Special Revenue	Debt Service	Capital Projects	Enterprise
<u>Assets and Other Debits:</u>					
<u>Assets:</u>					
Equity in Pooled Cash and Cash Equivalents	\$3,642,672	\$1,896,914	\$412,904	\$263,525	\$6,030,677
Investments	0	0	0	0	0
Cash and Cash Equivalents in Segregated Accounts	0	58,384	0	0	16,657
Receivables:					
Taxes	521,703	199,428	382,240	0	0
Municipal Income Tax	1,364,471	948,192	0	0	0
Accounts	658,573	3,492	0	4,341	1,083,763
Special Assessments	4,225	0	13,234	0	41,401
Accrued Interest	0	1,677	0	0	142
Loans	0	485,701	0	0	0
Interfund	93,576	0	0	0	0
Intergovernmental	1,106,819	1,306,034	19,994	32,596	650,773
Due from Other Funds	0	0	0	0	0
Materials and Supplies Inventory	0	20,572	0	0	687,290
Prepaid Items	30,288	39,983	0	2,090	57,899
Restricted Assets:					
Cash and Cash Equivalents	0	0	0	0	146,040
Investments	0	0	0	0	364,988
Cash and Cash Equivalents with Fiscal and Escrow Agents	0	0	0	0	33,503
Fixed Assets (Net, where applicable, of Accumulated Depreciation)	0	0	0	0	34,758,772
<u>Other Debits:</u>					
Amount Available in G.O. Bond Retirement Fund	0	0	0	0	0
Amount to be Provided from General Government Resources	0	0	0	0	0
Total Assets and Other Debits	\$7,422,327	\$4,960,377	\$828,372	\$302,552	\$43,871,905

Fund Types	Fiduciary Fund Types	Account Groups		Totals - Primary Government (Memorandum Only)	Component Unit	Totals - Reporting Entity (Memorandum Only)
Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations			
\$677,699	\$124,479	\$0	\$0	\$13,048,870	\$0	\$13,048,870
0	11,990	0	0	11,990	0	11,990
0	0	0	0	75,041	273,663	348,704
0	0	0	0	1,103,371	0	1,103,371
0	0	0	0	2,312,663	0	2,312,663
41,259	0	0	0	1,791,428	95,940	1,887,368
0	0	0	0	58,860	0	58,860
0	44	0	0	1,863	0	1,863
0	0	0	0	485,701	0	485,701
0	0	0	0	93,576	0	93,576
760	0	0	0	3,116,976	160,496	3,277,472
72,317	0	0	0	72,317	0	72,317
44,036	0	0	0	751,898	25,391	777,289
1,915	0	0	0	132,175	4,651	136,826
0	0	0	0	146,040	0	146,040
0	0	0	0	364,988	0	364,988
0	0	0	0	33,503	0	33,503
556,781	0	18,393,562	0	53,709,115	2,439,012	56,148,127
0	0	0	231,616	231,616	0	231,616
0	0	0	4,735,240	4,735,240	0	4,735,240
<u>\$1,394,767</u>	<u>\$136,513</u>	<u>\$18,393,562</u>	<u>\$4,966,856</u>	<u>\$82,277,231</u>	<u>\$2,999,153</u>	<u>\$85,276,384</u>

(Continued)

**CITY OF ZANESVILLE
MUSKINGUM COUNTY**

**COMBINED BALANCE SHEET
ALL FUND TYPES, ACCOUNT GROUPS AND
DISCRETELY PRESENTED COMPONENT UNIT
DECEMBER 31, 2002
(Continued)**

	Governmental Fund Types				Proprietary
	General	Special Revenue	Debt Service	Capital Projects	Enterprise
<u>Liabilities, Fund Equity, and Other Credits:</u>					
<u>Liabilities:</u>					
Accounts Payable	\$31,069	\$7,264	\$0	\$0	\$34,775
Contracts Payable	28,900	6,533	0	0	72,543
Accrued Wages and Benefits Payable	187,705	209,965	0	0	175,423
Compensated Absences Payable	53,586	68,519	0	0	210,477
Claims Payable	0	0	0	0	0
Retainage Payable	0	11,345	0	0	50,160
Due to Other Funds	19,799	31,545	0	0	20,304
Interfund Payable	0	0	0	93,576	0
Capital Leases Payable	0	0	0	0	0
Intergovernmental Payable	300,555	299,627	0	0	167,180
Deferred Revenue	1,848,234	1,492,049	415,468	24,735	629,776
Other Liabilities	0	0	0	0	0
Due to Others	0	0	0	0	0
Accrued Interest Payable	0	0	0	0	11,880
OWDA Loans Payable	0	0	0	0	5,651,862
Long Term Contracts Payable	0	0	0	0	256,330
Long Term Compensated Absences Payable from Restricted Assets:	0	0	0	0	149,417
Customer Deposits	0	0	0	0	240,821
Revenue Bonds Payable	0	0	0	0	131,250
General Obligation Bonds Payable	0	0	0	0	83,750
Revenue Bonds Payable (Net of Unamortized Discount)	0	0	0	0	2,340,000
Total Liabilities	2,469,848	2,126,847	415,468	118,311	10,225,948
<u>Fund Equity and Other Credits:</u>					
Investment in General Fixed Assets	0	0	0	0	0
Contributed Capital	0	0	0	0	12,697,881
Retained Earnings:					
Unreserved (Deficit)	0	0	0	0	20,948,076
Fund Balances:					
Reserved for Encumbrances	426,071	120,620	0	5,640	0
Reserved for Endowment	0	0	0	0	0
Reserved for Unclaimed Monies	11,551	0	0	0	0
Reserved for Inventory	0	20,572	0	0	0
Reserved for Loans	0	485,701	0	178,601	0
Unreserved, Undesignated	4,514,857	2,206,637	412,904	0	0
Total Fund Equity and Other Credits	4,952,479	2,833,530	412,904	184,241	33,645,957
Total Liabilities, Fund Equity, and Other Credits	\$7,422,327	\$4,960,377	\$828,372	\$302,552	\$43,871,905

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

Fund Types	Fiduciary Fund Types	Account Groups		Totals - Primary Government (Memorandum Only)	Component Unit	Totals - Reporting Entity (Memorandum Only)
Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations			
\$17,648	\$0	\$0	\$0	\$90,756	\$34,545	\$125,301
0	0	0	108,280	216,256	0	216,256
13,864	0	0	0	586,957	50,804	637,761
0	0	0	965,707	1,298,289	35,437	1,333,726
258,550	0	0	0	258,550	0	258,550
0	0	0	0	61,505	0	61,505
669	0	0	0	72,317	0	72,317
0	0	0	0	93,576	0	93,576
0	0	0	17,869	17,869	0	17,869
15,902	0	0	0	783,264	0	783,264
31,959	0	0	0	4,442,221	0	4,442,221
0	0	0	0	0	3,028	3,028
0	111,395	0	0	111,395	0	111,395
0	0	0	0	11,880	0	11,880
0	0	0	0	5,651,862	0	5,651,862
0	0	0	0	256,330	0	256,330
0	0	0	0	149,417	0	149,417
0	0	0	0	240,821	0	240,821
0	0	0	0	131,250	0	131,250
0	0	0	3,875,000	3,958,750	0	3,958,750
0	0	0	0	2,340,000	0	2,340,000
<u>338,592</u>	<u>111,395</u>	<u>0</u>	<u>4,966,856</u>	<u>20,773,265</u>	<u>123,814</u>	<u>20,897,079</u>
0	0	18,393,562	0	18,393,562	0	18,393,562
953,364	0	0	0	13,651,245	1,055,932	14,707,177
102,811	0	0	0	21,050,887	1,819,407	22,870,294
0	0	0	0	552,331	0	552,331
0	22,000	0	0	22,000	0	22,000
0	0	0	0	11,551	0	11,551
0	0	0	0	20,572	0	20,572
0	0	0	0	664,302	0	664,302
0	3,118	0	0	7,137,516	0	7,137,516
<u>1,056,175</u>	<u>25,118</u>	<u>18,393,562</u>	<u>0</u>	<u>61,503,966</u>	<u>2,875,339</u>	<u>64,379,305</u>
<u>\$1,394,767</u>	<u>\$136,513</u>	<u>\$18,393,562</u>	<u>\$4,966,856</u>	<u>\$82,277,231</u>	<u>\$2,999,153</u>	<u>\$85,276,384</u>

**CITY OF ZANESVILLE
MUSKINGUM COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2002**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Revenues:				
Property and Other Taxes	\$2,550,480	\$187,222	\$361,242	\$0
Municipal Income Taxes	7,857,743	4,790,450	0	0
Intergovernmental	105,191	1,379,935	45,049	148,156
Charges for Services	414,020	159,666	0	0
Fines, Licenses, and Permits	502,968	271,508	0	66,139
Interest	189,550	19,036	0	0
Special Assessments	6,536	3,210	0	0
Rent	8,685	69,422	0	0
Other	27,095	21,421	0	0
Total Revenues	11,662,268	6,901,870	406,291	214,295
Expenditures:				
Current:				
Security of Persons and Property	3,301,259	6,720,087	0	0
Public Health Services	57,730	56,386	0	0
Leisure Time Activities	631,753	6,668	0	0
Community Environment	258,692	869,170	0	0
Transportation	287	1,015,214	0	0
General Government	5,747,761	174	16	0
Intergovernmental	465,243	0	0	0
Capital Outlay	0	5,166	0	216,454
Debt Service:				
Principal Retirement	0	5,002	238,000	0
Interest and Fiscal Charges	0	2,292	231,943	0
Total Expenditures	10,462,725	8,680,159	469,959	216,454
Excess of Revenues Over (Under) Expenditures	1,199,543	(1,778,289)	(63,668)	(2,159)
Other Financing Sources (Uses):				
Sale of Fixed Assets	6,294	6,364	0	0
Other Financing Sources- Incep of Cap. Lease	0	5,166	0	0
Proceeds of Bonds	325,000	0	0	0
Operating Transfers In	0	1,843,849	97,583	0
Operating Transfers Out	(2,906,587)	(144,697)	0	0
Total Other Financing Sources (Uses)	(2,575,293)	1,710,682	97,583	0
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(1,375,750)	(67,607)	33,915	(2,159)
Fund Balances at Beginning of Year (Restated - Note 3)	6,328,229	2,908,928	378,989	186,400
Decrease in Reserve for Inventory	0	(7,791)	0	0
Fund Balances at End of Year	\$4,952,479	\$2,833,530	\$412,904	\$184,241

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

<u>Fiduciary Fund Type</u>	Totals (Memorandum Only)
Expendable Trust	
\$0	\$3,098,944
0	12,648,193
0	1,678,331
0	573,686
0	840,615
2,500	211,086
0	9,746
0	78,107
0	48,516
<u>2,500</u>	<u>19,187,224</u>
0	10,021,346
0	114,116
0	638,421
0	1,127,862
0	1,015,501
2,500	5,750,451
0	465,243
0	221,620
0	243,002
0	234,235
<u>2,500</u>	<u>19,831,797</u>
<u>0</u>	<u>(644,573)</u>
0	12,658
0	5,166
0	325,000
0	1,941,432
0	(3,051,284)
<u>0</u>	<u>(767,028)</u>
0	(1,411,601)
500	9,803,046
<u> </u>	<u>(7,791)</u>
<u>\$500</u>	<u>\$8,383,654</u>

**CITY OF ZANESVILLE
MUSKINGUM COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL (BUDGET BASIS)
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2002**

	General Fund		Variance Favorable (Unfavorable)
	Revised Budget	Actual	
<u>Revenues:</u>			
Property and Other Taxes	\$2,320,900	\$2,550,480	\$229,580
Municipal Income Taxes	7,549,533	7,808,249	258,716
Charges for Services	424,154	429,504	5,350
Fines, Licenses and Permits	513,754	507,506	(6,248)
Intergovernmental	242,118	287,118	45,000
Special Assessments	8,000	6,536	(1,464)
Rental Income	8,135	8,685	550
Investment Income	230,139	199,180	(30,959)
Other	32,383	27,095	(5,288)
Total Revenue	11,329,116	11,824,353	495,237
<u>Expenditures:</u>			
Security of Persons & Property	3,481,772	3,382,831	98,941
Public Health Services	58,030	57,730	300
Leisure Time Activities	777,386	659,676	117,710
Community Environment	405,856	260,988	144,868
Transportation	0	0	0
Intergovernmental	510,211	465,243	44,968
General Government	7,661,870	5,423,760	2,238,110
Capital Outlay	0	0	0
Debt Service:			
Principal Retirement	0	0	0
Interest & Fiscal Charges	0	0	0
Total Expenditures	12,895,125	10,250,228	2,644,897
Excess of Revenues Over/ (Under) Expenditures	(1,566,009)	1,574,125	3,140,134
<u>Other Financing Sources/(Uses):</u>			
Proceeds of Bonds	325,000	325,000	0
Proceeds of Notes	0	0	0
Sale of Fixed Assets	7,000	6,294	(706)
Advances - In	93,576	0	(93,576)
Advances - Out	0	0	0
Operating Transfers - In	0	0	0
Operating Transfers - Out	(2,922,667)	(2,906,587)	16,080
Total Other Financing Sources/Uses	(2,497,091)	(2,575,293)	(78,202)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses	(4,063,100)	(1,001,168)	3,061,932
Fund Balances (Deficit) at Beginning of Year	4,063,104	4,063,104	0
Prior Year Encumbrances Appropriated	0	0	0
Fund Balances (Deficit) at End of Year	\$4	\$3,061,936	\$3,061,932

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

Special Revenue Funds			Debt Service Funds		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$179,036	\$187,222	\$8,186	\$345,237	\$361,242	\$16,005
4,762,467	4,762,467	0	0	0	0
106,791	113,486	6,695	0	0	0
275,788	269,724	(6,064)	1,042	0	(1,042)
1,488,050	1,416,791	(71,259)	45,049	45,049	0
3,480	3,210	(270)	0	0	0
68,567	74,257	5,690	0	0	0
28,293	17,767	(10,526)	0	0	0
24,383	21,421	(2,962)	0	0	0
<u>6,936,855</u>	<u>6,866,345</u>	<u>(70,510)</u>	<u>391,328</u>	<u>406,291</u>	<u>14,963</u>
7,428,791	6,677,159	751,632	0	0	0
63,680	56,386	7,294	0	0	0
77,505	61,018	16,487	0	0	0
1,352,273	782,326	569,947	0	0	0
1,199,829	1,016,969	182,860	0	0	0
0	0	0	0	0	0
289,551	0	289,551	397,956	16	397,940
0	0	0	0	0	0
0	0	0	238,000	238,000	0
0	0	0	231,943	231,943	0
<u>10,411,629</u>	<u>8,593,858</u>	<u>1,817,771</u>	<u>867,899</u>	<u>469,959</u>	<u>397,940</u>
<u>(3,474,774)</u>	<u>(1,727,513)</u>	<u>1,747,261</u>	<u>(476,571)</u>	<u>(63,668)</u>	<u>412,903</u>
0	0	0	0	0	0
0	0	0	0	0	0
7,500	6,364	(1,136)	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
1,863,967	1,843,849	(20,118)	97,583	97,583	0
(148,735)	(144,697)	4,038	0	0	0
<u>1,722,732</u>	<u>1,705,516</u>	<u>(17,216)</u>	<u>97,583</u>	<u>97,583</u>	<u>0</u>
(1,752,042)	(21,997)	1,730,045	(378,988)	33,915	412,903
1,751,512	1,751,512	0	378,989	378,989	0
44,561	44,561	0	0	0	0
<u>\$44,031</u>	<u>\$1,774,076</u>	<u>\$1,730,045</u>	<u>\$1</u>	<u>\$412,904</u>	<u>\$412,903</u>

(Continued)

**CITY OF ZANESVILLE
MUSKINGUM COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL (BUDGET BASIS)
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2002
(Continued)**

	Capital Projects Funds		Variance
	Revised Budget	Actual	Favorable (Unfavorable)
<u>Revenues:</u>			
Property and Other Taxes	\$3,000	\$0	(\$3,000)
Municipal Income Taxes	0	0	0
Charges for Services	0	0	0
Fines, Licenses and Permits	52,000	66,551	14,551
Intergovernmental	1,087,760	148,037	(939,723)
Special Assessments	0	0	0
Rental Income	0	0	0
Investment Income	0	0	0
Other	0	0	0
Total Revenue	1,142,760	214,588	(928,172)
<u>Expenditures:</u>			
Security of Persons & Property	0	0	0
Public Health Services	0	0	0
Leisure Time Activities	0	0	0
Community Environment	0	0	0
Transportation	0	0	0
Intergovernmental	0	0	0
General Government	607,755	85,665	522,090
Capital Outlay	1,048,611	29,135	1,019,476
Debt Service:			
Principal Retirement	0	0	0
Interest & Fiscal Charges	0	0	0
Total Expenditures	1,656,366	114,800	1,541,566
Excess of Revenues Over/ (Under) Expenditures	(513,606)	99,788	613,394
<u>Other Financing Sources/(Uses):</u>			
Proceeds of Bonds	0	0	0
Proceeds of Notes	450,000	0	(450,000)
Sale of Fixed Assets	0	0	0
Advances - In	0	0	0
Advances - Out	(93,576)	0	93,576
Operating Transfers - In	0	0	0
Operating Transfers - Out	0	0	0
Total Other Financing Sources/Uses	356,424	0	(356,424)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses	(157,182)	99,788	256,970
Fund Balances (Deficit) at Beginning of Year	157,185	157,185	0
Prior Year Encumbrances Appropriated	912	912	0
Fund Balances (Deficit) at End of Year	\$915	\$257,885	\$256,970

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

Expendable Trust Fund			Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$0	\$0	\$0	\$2,848,173	\$3,098,944	\$250,771
0	0	0	12,312,000	12,570,716	258,716
0	0	0	530,945	542,990	12,045
0	0	0	842,584	843,781	1,197
0	0	0	2,862,977	1,896,995	(965,982)
0	0	0	11,480	9,746	(1,734)
0	0	0	76,702	82,942	6,240
2,000	2,500	500	260,432	219,447	(40,985)
0	0	0	56,766	48,516	(8,250)
<u>2,000</u>	<u>2,500</u>	<u>500</u>	<u>19,802,059</u>	<u>19,314,077</u>	<u>(487,982)</u>
0	0	0	10,910,563	10,059,990	850,573
0	0	0	121,710	114,116	7,594
2,500	2,500	0	857,391	723,194	134,197
0	0	0	1,758,129	1,043,314	714,815
0	0	0	1,199,829	1,016,969	182,860
0	0	0	510,211	465,243	44,968
0	0	0	8,957,132	5,509,441	3,447,691
0	0	0	1,048,611	29,135	1,019,476
0	0	0	238,000	238,000	0
0	0	0	231,943	231,943	0
<u>2,500</u>	<u>2,500</u>	<u>0</u>	<u>25,833,519</u>	<u>19,431,345</u>	<u>6,402,174</u>
<u>(500)</u>	<u>0</u>	<u>500</u>	<u>(6,031,460)</u>	<u>(117,268)</u>	<u>5,914,192</u>
0	0	0	325,000	325,000	0
0	0	0	450,000	0	(450,000)
0	0	0	14,500	12,658	(1,842)
0	0	0	93,576	0	(93,576)
0	0	0	(93,576)	0	93,576
0	0	0	1,961,550	1,941,432	(20,118)
0	0	0	(3,071,402)	(3,051,284)	20,118
<u>0</u>	<u>0</u>	<u>0</u>	<u>(320,352)</u>	<u>(772,194)</u>	<u>(451,842)</u>
<u>(500)</u>	<u>0</u>	<u>500</u>	<u>(6,351,812)</u>	<u>(889,462)</u>	<u>5,462,350</u>
500	500	0	6,351,290	6,351,290	0
0	0	0	45,473	45,473	0
<u>\$0</u>	<u>\$500</u>	<u>\$500</u>	<u>\$44,951</u>	<u>\$5,507,301</u>	<u>\$5,462,350</u>

**CITY OF ZANESVILLE
MUSKINGUM COUNTY**

**COMBINED STATEMENT OF REVENUES,
EXPENSES AND CHANGES IN FUND EQUITY/FUND BALANCE
ALL PROPRIETARY FUND TYPES, NON-EXPENDABLE TRUST FUNDS AND
DISCRETELY PRESENTED COMPONENT UNIT
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Proprietary Funds</u>		<u>Fiduciary Funds</u>	Totals
	<u>Enterprise Funds</u>	<u>Internal Service Funds</u>	<u>Non-Expendable Trusts</u>	Government (Memorandum Only)
Revenues:				
Charges for Services	\$8,842,823	\$3,527,531	\$0	\$12,370,354
Tap In Fees	23,095	0	0	23,095
Rent	5,119	0	0	5,119
Utility Deposits Received	7,044	0	0	7,044
Interest	0	0	121	121
Other	22,752	205	0	22,957
Total Revenues	8,900,833	3,527,736	121	12,428,690
Expenses:				
Salaries and Wages	2,765,954	253,879	0	3,019,833
Fringe Benefits	1,233,850	108,108	0	1,341,958
Claims	0	2,532,732	0	2,532,732
Contractual Services	1,554,762	194,807	0	1,749,569
Materials and Supplies	2,430,953	443,114	0	2,874,067
Utility Deposits Returned	14,700	0	0	14,700
Other	0	0	0	0
Depreciation	1,328,042	17,845	0	1,345,887
Total Expenses	9,328,261	3,550,485	0	12,878,746
Operating Income (Loss)	(427,428)	(22,749)	121	(450,056)
Non-Operating Revenues (Expenses):				
Gain on Disposal of Fixed Assets	833	251	0	1,084
Loss on Disposal of Fixed Assets	(25,287)	0	0	(25,287)
Other Non-Operating Revenues	1,780	0	0	1,780
Capital Contributions from Other Funds	1,086,504	0	0	1,086,504
Interest Income	43,678	0	0	43,678
Decrease in Fair Market Value	0	0	(410)	(410)
Grants	2,106,321	0	0	2,106,321
Interest and Fiscal Charges	(643,154)	0	0	(643,154)
Total Non-Operating Revenues (Expenses)	2,570,675	251	(410)	2,570,516
Income (Loss) Before Operating Transfers	2,143,247	(22,498)	(289)	2,120,460
Operating Transfers-In	1,020,133	116,967	0	1,137,100
Operating Transfers-Out	(27,248)	0	0	(27,248)
Net Income (Loss)	3,136,132	94,469	(289)	3,230,312
Addback Depreciation to Contributed Capital	0	0	0	0
Net Increase (Decrease) in Retained Earnings	3,136,132	94,469	(289)	3,230,312
Retained Earnings/Fund Balance at Beginning of Year - Restated	17,811,944	8,342	22,907	17,843,193
Retained Earnings/Fund Balance at End of Year	20,948,076	102,811	22,618	21,073,505
Contributed Capital Restated at Beginning of Year	12,697,881	953,364	0	13,651,245
Depreciation on Contributed Capital Assets	0	0	0	0
Contributed Capital at End of Year	12,697,881	953,364	0	13,651,245
Total Equity at End of Year	\$ 33,645,957	\$ 1,056,175	\$ 22,618	\$ 34,724,750

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

Component Unit	Totals Reporting Entity (Memorandum Only)
\$826,648	\$13,197,002
0	23,095
0	5,119
0	7,044
0	121
<u>90,486</u>	<u>113,443</u>
<u>917,134</u>	<u>13,345,824</u>
975,414	3,995,247
415,069	1,757,027
0	2,532,732
385,775	2,135,344
259,447	3,133,514
0	14,700
13,122	13,122
<u>273,287</u>	<u>1,619,174</u>
<u>2,322,114</u>	<u>15,200,860</u>
<u>(1,404,980)</u>	<u>(1,855,036)</u>
0	1,084
0	(25,287)
28,300	30,080
0	1,086,504
4,043	47,721
0	(410)
2,064,316	4,170,637
<u>0</u>	<u>(643,154)</u>
<u>2,096,659</u>	<u>4,667,175</u>
691,679	2,812,139
0	1,137,100
<u>0</u>	<u>(27,248)</u>
691,679	3,921,991
<u>254,852</u>	<u>254,852</u>
946,531	4,176,843
<u>872,876</u>	<u>18,716,069</u>
<u>1,819,407</u>	<u>22,892,912</u>
1,310,784	14,962,029
<u>(254,852)</u>	<u>(254,852)</u>
<u>1,055,932</u>	<u>14,707,177</u>
<u>\$2,875,339</u>	<u>\$ 37,600,089</u>

**CITY OF ZANESVILLE
MUSKINGUM COUNTY**

**COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES, NON-EXPENDABLE TRUST FUNDS
AND DISCRETELY PRESENTED COMPONENT UNIT
FOR THE YEAR ENDED DECEMBER 31, 2002**

	Proprietary Fund Types	
	Enterprise	Internal Service
<u>Increase (Decrease) in Cash and Cash Equivalents</u>		
<u>Cash Flows from Operating Activities:</u>		
Cash Received from Customers	\$8,881,500	\$0
Cash Received from Quasi External Transactions	0	3,529,335
Cash Payments for Employee Services and Benefits	(3,896,054)	(352,527)
Cash Payments to Suppliers for Goods and Services	(3,495,272)	(677,204)
Cash Payments for Claims	0	(2,634,482)
Cash Payments for Operating and Administrative Expenses	0	0
Other Operating Revenues	17,752	205
Other Operating Expenses	(250)	0
Other Non-Operating Revenues	1,780	0
Customer Deposits Received	80,219	0
Customer Deposits Returned	(35,235)	0
Net Cash Provided by (Used In) Operating Activities	1,554,440	(134,673)
<u>Cash Flows from Noncapital Financing Activities:</u>		
Operating Transfers In	1,020,133	116,967
Operating Transfers Out	(27,248)	0
Special Item: Contract with Port Authority	(135,444)	0
Net Cash Provided by (Used in) Noncapital Financing Activities	857,441	116,967
<u>Cash Flows from Capital and Related Financing Activities:</u>		
Acquisition of Capital Assets	(3,297,794)	0
Principal Paid on Debt	(561,195)	0
Interest Paid on Debt	(643,154)	0
Grants	2,070,161	0
Proceeds from Sale of Capital Assets	14,465	251
Net Cash Used for Capital and Related Financing Activities	(2,417,517)	251
<u>Cash Flows from Investing Activities:</u>		
Interest on Investments	45,300	0
Purchase of Investments	(325,000)	0
Sale of Investments	28,000	0
Net Cash Provided by Investing Activities	(251,700)	0
Net Increase (Decrease) in Cash and Cash Equivalents	0	(17,455)
Cash and Cash Equivalents Beginning of Year	6,484,213	695,154
Cash and Cash Equivalents End of Year	\$6,226,877	\$677,699

Fiduciary Fund Type	Totals Primary Government (Memorandum Only)	Component Unit	Totals Reporting Entity (Memorandum Only)
\$0	\$8,881,500	\$820,356	\$9,701,856
0	3,529,335	0	3,529,335
0	(4,248,581)	0	(4,248,581)
0	(4,172,476)	0	(4,172,476)
0	(2,634,482)	0	(2,634,482)
0	0	(2,068,457)	(2,068,457)
0	17,957	90,486	108,443
0	(250)	0	(250)
0	1,780	28,300	30,080
0	80,219	0	80,219
0	(35,235)	0	(35,235)
<u>0</u>	<u>1,419,767</u>	<u>(1,129,315)</u>	<u>290,452</u>
0	1,137,100	0	1,137,100
0	(27,248)	0	(27,248)
<u>0</u>	<u>(135,444)</u>	<u>0</u>	<u>(135,444)</u>
<u>0</u>	<u>974,408</u>	<u>0</u>	<u>974,408</u>
0	(3,297,794)	(866,560)	(4,164,354)
0	(561,195)	0	(561,195)
0	(643,154)	0	(643,154)
0	2,070,161	1,935,354	4,005,515
0	14,716	0	14,716
<u>0</u>	<u>(2,417,266)</u>	<u>1,068,794</u>	<u>(1,348,472)</u>
87	45,387	4,043	49,430
0	(325,000)	0	(325,000)
<u>0</u>	<u>28,000</u>	<u>0</u>	<u>28,000</u>
<u>87</u>	<u>(251,613)</u>	<u>4,043</u>	<u>(247,570)</u>
87	(274,704)	(56,478)	(331,182)
12,497	7,191,864	330,141	7,522,005
<u>\$12,584</u>	<u>\$6,917,160</u>	<u>\$273,663</u>	<u>\$7,190,823</u>

(Continued)

CITY OF ZANESVILLE
MUSKINGUM COUNTY

**COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES, NON-EXPENDABLE TRUST FUNDS
AND DISCRETELY PRESENTED COMPONENT UNIT
FOR THE YEAR ENDED DECEMBER 31, 2002
(Continued)**

	Proprietary Fund Types	
	Enterprise	Internal Service
Reconciliation of Operating Income (Loss) to Net Cash Provided by <u>Provided by (Used in) Operating Activities:</u>		
Operating Income (Loss)	(\$427,428)	(\$22,749)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:		
Interest Income	0	0
Other Non-Operating Revenues	1,780	0
Depreciation Expense	1,328,042	17,845
Changes in Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable	8,756	(41,259)
(Increase) Decrease in Intergovernmental Receivable	1,707	14,131
(Increase) Decrease in Inventory	82,456	(5,205)
(Increase) Decrease in Prepaids	(19,083)	(876)
Increase in Due from Other Funds	0	(483)
Increase (Decrease) in Accounts Payable	(90,289)	3,033
Decrease in Contracts Payable	72,543	0
Increase (Decrease) in Accrued Salaries	46,292	2,426
Decrease in Other Accrued Liabilities	0	0
Decrease in Deferred Revenue	0	(6,818)
Increase (Decrease) in Retainage Payable	43,422	0
Increase (Decrease) in Compensated Absences	53,662	2,854
Increase (Decrease) in Judgements Payable	0	(101,750)
Increase in Customer Deposits	47,390	0
Increase in Due to Other Funds	(22,956)	566
Increase (Decrease) in Intergovernmental Payables	24,238	3,612
Net Cash Provided by (Used in) Operating Activities	\$1,150,532	(\$134,673)
Combined Balance Sheet, Cash and Cash Equivalents All Trust and Agency Funds:		\$124,479
Agency Fund Cash and Cash Equivalents:		(111,395)
Expendable Trust Fund Cash and Cash Equivalents:		(500)
Non-Expendable Trust Funds Cash and Cash Equivalents:		\$12,584

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

Fiduciary Fund Type	Totals Primary Government (Memorandum Only)	Component Unit	Totals Reporting Entity (Memorandum Only)
\$87	(\$450,090)	(\$1,376,680)	(\$1,826,770)
(87)	(87)	0	(87)
0	1,780	0	1,780
0	1,345,887	273,287	1,619,174
0	(32,503)	(6,292)	(38,795)
0	15,838	0	15,838
0	77,251	(988)	76,263
0	(19,959)	(1,122)	(21,081)
0	(483)	0	(483)
0	(87,256)	(19,132)	(106,388)
0	72,543	0	72,543
0	48,718	0	48,718
0	0	1,612	1,612
0	(6,818)	0	(6,818)
0	43,422	0	43,422
0	56,516	0	56,516
0	(101,750)	0	(101,750)
0	47,390	0	47,390
0	(22,390)	0	(22,390)
0	27,850	0	27,850
<u>\$0</u>	<u>\$1,015,859</u>	<u>(\$1,129,315)</u>	<u>(\$113,456)</u>

**CITY OF ZANESVILLE
MUSKINGUM COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
FUND EQUITY - BUDGET AND ACTUAL (BUDGET BASIS)
ALL PROPRIETARY FUND TYPES AND NON-EXPENDABLE TRUST FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2002**

	Enterprise Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>			
Charges for Services	\$8,775,864	\$8,860,550	\$84,686
Tap in Fees	23,095	23,095	0
Rental Income	6,900	5,194	(1,706)
Investment Income	76,920	45,426	(31,494)
Grants	3,928,335	2,070,161	(1,858,174)
Security Deposit Revenues	74,192	80,219	6,027
Other Operating Revenues	17,400	17,752	352
Other Non-Operating Revenues	1,780	1,780	0
Proceeds of Bonds	2,000,000	0	(2,000,000)
Proceeds of Notes	1,400,000	0	(1,400,000)
Sale of Fixed Assets	4,350	14,465	10,115
	<u>16,308,836</u>	<u>11,118,642</u>	<u>(5,190,194)</u>
Total Revenue	16,308,836	11,118,642	(5,190,194)
<u>Expenses:</u>			
Current:			
Salaries & Wages	2,905,361	2,666,000	239,361
Fringe Benefits	1,544,459	1,259,910	284,549
Contractual Services	3,573,054	2,683,427	889,627
Material & Supplies	4,664,827	1,459,672	3,205,155
Customer Refunds	111,250	35,235	76,015
Claims Expense	0	0	0
Other Non-Operating Expenses	0	0	0
Capital Outlay	7,669,246	3,297,794	4,371,452
Special Items	135,456	135,444	12
Debt Service:			
Principal Retirement	561,196	561,195	1
Interest & Fiscal Charges	686,061	643,154	42,907
	<u>21,850,910</u>	<u>12,741,831</u>	<u>9,109,079</u>
Total Expenses	21,850,910	12,741,831	9,109,079
Excess of Revenues Over/(Under) Expenses	(5,542,074)	(1,623,189)	3,918,885
<u>Other Financing Sources/(Uses):</u>			
Operating Transfers - In	1,020,133	1,020,133	0
Operating Transfers - Out	(249,506)	(27,248)	222,258
	<u>770,627</u>	<u>992,885</u>	<u>222,258</u>
Total Other Financing Sources/(Uses)	770,627	992,885	222,258
Excess of Revenues and Other Financing Sources Over /(Under) Expenses and Other Uses	(4,771,447)	(630,304)	4,141,143
Fund Equity (Deficit) at Beginning of Year	5,081,953	5,081,953	0
Prior Year Encumbrances Appropriated	768,217	768,217	0
Fund Equity (Deficit) at End of Year	\$1,078,723	\$5,219,866	\$4,141,143

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

Internal Service Funds			Non-Expendable Trust Funds		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$3,875,186	\$3,529,335	-\$345,851	\$0	\$0	\$0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	380	87	(293)
0	0	0	0	0	0
0	0	0	0	0	0
100	205	105	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	251	251	0	0	0
<u>3,875,286</u>	<u>3,529,791</u>	<u>(345,495)</u>	<u>380</u>	<u>87</u>	<u>(293)</u>
263,800	248,599	15,201	0	0	0
132,000	107,742	24,258	0	0	0
295,927	233,672	62,255	0	0	0
540,910	451,802	89,108	0	0	0
0	0	0	0	0	0
3,423,160	2,634,482	788,678	0	0	0
0	0	0	0	0	0
0	0	0	24,869	0	24,869
0	0	0	0	0	0
0	0	0	0	0	0
<u>4,655,797</u>	<u>3,676,297</u>	<u>979,500</u>	<u>24,869</u>	<u>0</u>	<u>24,869</u>
<u>(780,511)</u>	<u>(146,506)</u>	<u>634,005</u>	<u>(24,489)</u>	<u>87</u>	<u>24,576</u>
116,967	116,967	0	0	0	0
0	0	0	0	0	0
<u>116,967</u>	<u>116,967</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
(663,544)	(29,539)	634,005	(24,489)	87	24,576
663,545	663,545	0	24,490	24,490	0
0	0	0	0	0	0
<u>\$1</u>	<u>\$634,006</u>	<u>\$634,005</u>	<u>\$1</u>	<u>\$24,577</u>	<u>\$24,576</u>

(Continued)

**CITY OF ZANESVILLE
MUSKINGUM COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
FUND EQUITY - BUDGET AND ACTUAL (BUDGET BASIS)
ALL PROPRIETARY FUND TYPES AND NON-EXPENDABLE TRUST FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2002
(Continued)**

	Totals (Memorandum Only)		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>			
Charges for Services	\$12,651,050	\$12,389,885	(\$261,165)
Tap in Fees	23,095	23,095	0
Rental Income	6,900	5,194	(1,706)
Investment Income	77,300	45,513	(31,787)
Grants	3,928,335	2,070,161	(1,858,174)
Security Deposit Revenues	74,192	80,219	6,027
Other Operating Revenues	17,500	17,957	457
Other Non-Operating Revenues	1,780	1,780	0
Proceeds of Bonds	2,000,000	0	(2,000,000)
Proceeds of Notes	1,400,000	0	(1,400,000)
Sale of Fixed Assets	4,350	14,716	10,366
Total Revenue	20,184,502	14,648,520	(5,535,982)
<u>Expenses:</u>			
<u>Current:</u>			
Salaries & Wages	3,169,161	2,914,599	254,562
Fringe Benefits	1,676,459	1,367,652	308,807
Contractual Services	3,868,981	2,917,099	951,882
Material & Supplies	5,205,737	1,911,474	3,294,263
Customer Refunds	111,250	35,235	76,015
Claims Expense	3,423,160	2,634,482	788,678
Other Non-Operating Expenses	7,694,115	3,297,794	4,396,321
Capital Outlay	135,456	135,444	12
Special Items			
<u>Debt Service:</u>			
Principal Retirement	561,196	561,195	1
Interest & Fiscal Charges	686,061	643,154	42,907
Total Expenses	26,531,576	16,418,128	10,113,448
Excess of Revenues Over/(Under) Expenses	(6,347,074)	(1,769,608)	4,577,466
<u>Other Financing Sources/(Uses):</u>			
Operating Transfers - In	1,137,100	1,137,100	0
Operating Transfers - Out	(249,506)	(27,248)	222,258
Total Other Financing Sources/(Uses)	887,594	1,109,852	222,258
Excess of Revenues and Other Financing Sources Over /(Under) Expenses and Other Uses	(5,459,480)	(659,756)	4,799,724
Fund Equity (Deficit) at Beginning of Year	5,769,988	5,769,988	0
Prior Year Encumbrances Appropriated	768,217	768,217	0
Fund Equity (Deficit) at End of Year	\$1,078,725	\$5,878,449	\$4,799,724

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

**CITY OF ZANESVILLE
MUSKINGUM COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002**

NOTE 1 - REPORTING ENTITY AND BASIS OF PRESENTATION

The City of Zanesville (the City) is a body politic, incorporated and established for the purpose of exercising the rights and privileges conveyed to it by the laws of the State of Ohio. The City is organized as a Mayor/Council form of government. Located in Muskingum County, the City was established in 1814. The City is located 55 miles east of Columbus, once served as the state capital, and currently serves as the county seat. The City employs approximately 380 people. The Mayor, Council, Auditor, Treasurer, and Law Director are elected officials. Department directors and public members of various boards and commissions are appointed by the Mayor.

A. Reporting Entity

The City utilizes the standards of Governmental Accounting Standards Board Statement 14 for determining the reporting entity.

The financial reporting entity consists of a) the primary government, b) component units, which are legally separate organizations which are fiscally dependent on the City or for which the City is financially accountable, and c) governmental organizations for which the primary government is not financially accountable, but for which the nature and significance of their financial relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The City provides various services including police and fire protection, recreation (including parks), planning, zoning, street maintenance and repair, water and water pollution control, sanitation services, and general administrative services. The operation of each of these activities is directly controlled by the Council through the budgetary process. These City operations form the legal entity of the City and are included as part of the primary government.

The "Component Unit" column in the Combined Financial Statements identifies the financial data of the City's component unit, the South East Area Transit Authority, formerly known as Muskingum Authority of Public Transit. It is discretely reported to emphasize that it is legally separate from the City.

The South East Area Transit Authority (the Authority) is a legally separate entity, organized under the laws of the State of Ohio, which is governed by a nine member board of directors. The board consists of six members appointed by the City, two members appointed by Muskingum County, and one member appointed by the Village of South Zanesville. The Authority provides bus service within the City of Zanesville, the Village of South Zanesville, and portions of Muskingum County. The Authority derives its revenues from bus fares, Federal Transit Authority grants administered by the State of Ohio, local matching funds, and other miscellaneous revenue sources. The City currently provides approximately 73 percent of the Authority's local matching funds. The remaining 27 percent is provided by the County and Village. The Authority operates on a fiscal year ending December 31. The operating statement of the Authority is presented at operating and non-operating category levels. Separately issued financial statements can be obtained from the South East Area Transit Authority, Zanesville, Ohio.

**CITY OF ZANESVILLE
MUSKINGUM COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002
(Continued)**

NOTE 1 - REPORTING ENTITY AND BASIS OF PRESENTATION (Continued)

The following have been excluded from the financial reporting entity:

Muskingum County Public Library
Zanesville City School District
Muskingum Community Action Group, Inc.
Muskingum College
Muskingum Area Technical College
Zanesville/Muskingum Convention and Visitors Bureau
Zanesville City Chamber of Commerce
East Muskingum Water Authority
East Muskingum Local School District

The City is involved with the following organizations which are defined as jointly governed organizations. Additional information concerning the jointly governed organizations is presented in Note 21.

Ohio Mid-Eastern Governments Association (OMEGA)
Zanesville/Muskingum County Port Authority
Zanesville/Muskingum Conventions Facility Authority
Zanesville Metropolitan Housing Authority

The City is involved with the following organizations which are defined as joint ventures. Additional information concerning the joint ventures is presented in Note 22.

Zanesville, South Zanesville and Springfield Joint Economic Development District (JEDD)
Zanesville-Washington Joint Economic Development District (JEDD)

The City is associated with the Ohio Rural Water Association Workers Compensation Group Rating Program which is defined as an insurance purchasing pool. Information regarding the pool is presented in Note 23.

B. Basis of Presentation - Fund Accounting

The City uses funds and account groups to report its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain City functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

For financial statement presentation purposes, the various funds of the City are grouped into the following generic fund types under the broad fund categories - governmental, proprietary, and fiduciary.

**CITY OF ZANESVILLE
MUSKINGUM COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002
(Continued)**

NOTE 1 - REPORTING ENTITY AND BASIS OF PRESENTATION (Continued)

Governmental Fund Types:

Governmental funds are those through which most governmental functions of the City are financed. The acquisition, use, and balances of the City's expendable financial resources and the related current liabilities (except those accounted for in the proprietary and trust funds) are accounted for through governmental funds. The following are the City's governmental fund types:

General Fund - This fund is the operating fund of the City and is used to account for all financial resources except those required to be accounted for in another fund. The general fund balance is available to the City for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds - These funds are established to account for the proceeds of specific revenue sources (other than amounts relating to major capital projects) that are legally restricted to expenditure for specified purposes.

Debt Service Funds - These funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs and special assessment long-term obligation principal, interest, and related costs.

Capital Projects Funds - These funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary and trust funds).

Proprietary Fund Types:

Proprietary funds are used to account for the City's ongoing activities which are similar to those found in the private sector. The following are the City's proprietary fund types:

Enterprise Funds - These funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that costs (expenses, including depreciation) of providing services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Internal Service Funds - The internal service funds are used to account for the financing on a cost-reimbursement basis of goods or services provided by one department or agency to other departments or agencies. Charges to the user departments are intended to recover costs.

Fiduciary Fund Types:

Fiduciary funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The City's fiduciary funds include the following:

Expendable Trust Fund - This fund is accounted for in essentially the same manner as governmental funds.

Non-Expendable Trust Funds - These funds are accounted for in essentially the same manner as proprietary funds; the principal of the trust must be preserved intact.

**CITY OF ZANESVILLE
MUSKINGUM COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002
(Continued)**

NOTE 1 - REPORTING ENTITY AND BASIS OF PRESENTATION (Continued)

Agency Funds - These funds are purely custodial (assets equal liabilities) and thus do not involve measurement of results of operations.

Account Groups:

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

General Fixed Assets Account Group - The General Fixed Asset Account Group is used to account for all general fixed assets of the City other than those accounted for in the proprietary or trust funds.

General Long-Term Obligations Account Group - The General Long-Term Obligations Account Group is used to account for all long-term obligations of the City, except that accounted for in the proprietary or trust funds.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed in the preparation of these financial statements are summarized below. These policies conform to generally accepted accounting principles (GAAP) for local governmental units as prescribed in the statements issued by the Governmental Accounting Standards Board and other recognized authoritative sources. The City applies Financial and Accounting Standards Board Statements and Interpretations issued prior to November 30, 1989 to proprietary activities provided they do not conflict with Governmental Accounting Standards Board Statements and Interpretations. Information in the notes to the General Purpose Financial Statements relates in general to the primary government. Information related to the operation of the South East Area Transit Authority (component unit) is specifically identified.

A. Measurement Focus and Basis of Accounting

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and the expendable trust fund are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary and nonexpendable trust funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Proprietary fund types and nonexpendable trust fund operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the governmental, expendable trust and agency funds. The full accrual basis of accounting is followed for the proprietary funds and non-expendable trust funds.

**CITY OF ZANESVILLE
MUSKINGUM COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the City, available means expected to be received within sixty days of year-end.

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include property taxes, income taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which that tax is levied (see Note 7). Revenue from income taxes is recognized in the period in which the income is earned. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: state-levied locally shared taxes, income taxes, interest, grants, fees and rentals. Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of December 31, 2002, but which were levied to finance year 2003 operations, have been recorded as deferred revenue. Grants and entitlements received before eligibility requirements are met are also recorded as deferred revenue. On the modified accrual basis, receivables that will not be collected within the available period have also been reported as deferred revenue.

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The City reports deferred revenues on its Combined Balance Sheet. Deferred revenues arise when potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the Combined Balance Sheet and revenue is recognized. Special assessments and current and delinquent property taxes measurable as of December 31, 2002, whose availability is indeterminate and which are not intended to finance current period obligations, have been recorded as a receivable and deferred revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term obligations are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year; and the costs of accumulated unpaid vacation and sick leave are reported as fund liabilities in the period in which they will be liquidated with available financial resources rather than in the period earned by employees. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

**CITY OF ZANESVILLE
MUSKINGUM COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The accrual basis of accounting is utilized for reporting purposes by the proprietary and non-expendable trust funds. Revenues are recognized when they are earned and become measurable and expenses are recognized when they are incurred, if measurable. Unbilled service charges receivable are recognized as revenue at year end. In addition, rent payments received in advance have been recorded as deferred revenue in the Airport Enterprise Fund; the deferred revenue will be eliminated when the revenue is earned, and delinquent demolition accounts receivable have been recorded as receivables and deferred revenues.

The Component Unit follows the accounting guidelines set forth in GASB Statement Number 29, "The Use of Not-For-Profit Accounting and Financial Reporting Principles by Governmental Entities." Under GASB Statement Number 29, the Component Unit used the governmental model for financial reporting. The Component Unit has only one fund and accounts for its operations on a full accrual basis similar to the proprietary funds of the City.

Tax Budget:

During the first Council meeting in July, the Mayor presents the annual operating budget for the following fiscal year to City Council for consideration and passage. The adopted budget is submitted to the County Auditor, as Secretary of the County Budget Commission, by July 20, of each year, for the period January 1 to December 31 of the following year.

Estimated Resources:

The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the City by October 1. As part of this certification, the City receives the official certificate of estimated resources, which states the projected revenue of each fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation ordinance. On or about January 1, the certificate of estimated resources is amended to include unencumbered fund balances at December 31 of the preceding year. The certificate may be further amended during the year if revenue fluctuations are anticipated. The amounts reported on the budgetary statement reflect the amounts included in the final amended official certificate of estimated resources issued during 2002.

Appropriations:

A temporary appropriation ordinance to control expenditures may be passed on or about January 1 of each year for the period January 1 to March 31. An annual appropriation ordinance must be passed by April 1 of each year for the period January 1 to December 31. The appropriation ordinance fixes spending authority at the fund, department, and object level. The appropriation ordinance may be amended during the year as new information becomes available, provided that total fund appropriations do not exceed current estimated resources, as certified. The allocation of appropriations among departments and objects within a fund may be modified during the year by an ordinance of Council. The amounts reported on the budgetary statement reflect the amounts in effect at the time final appropriations were adopted by council.

**CITY OF ZANESVILLE
MUSKINGUM COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Encumbrances:

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. The Ohio Revised Code prohibits expenditures plus encumbrances from exceeding appropriations. On the GAAP basis, encumbrances outstanding at year end are reported as reservations of fund balances for subsequent-year expenditures for governmental and expendable trust funds and are reported in the notes to the financial statements for proprietary funds.

Lapsing of Appropriations:

At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding year and is not reappropriated.

B. Budgetary Process

Budgetary Basis of Accounting:

While reporting financial position, results of operations, and changes in fund balance/retained earnings on the basis of generally accepted accounting principles (GAAP basis), the budgetary basis as provided by law is based upon accounting for transactions on a basis of cash receipts, disbursements, and encumbrances.

The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budget Basis) - All Governmental Fund Types and Expendable Trust Fund and the Combined Statement of Revenues, Expenses and Changes in Fund Equity - Budget and Actual (Budget Basis) - Proprietary Fund Types and Non-Expendable Trust Funds are presented on the budgetary basis to provide a comparison of actual results with the budget and to demonstrate compliance with state statute. The major differences between the budget basis and the GAAP basis are:

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures/expenses are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Outstanding year end encumbrances are treated as expenditures/expenses (budget) rather than as a reservation of fund balance for governmental fund types and the expendable trust fund and as note disclosure for the proprietary and non-expendable trust funds (GAAP).
4. Proceeds from and principal payment on short-term note obligations are reported on the operating statement (budget) rather than on the balance sheet (GAAP).
5. For proprietary funds, the acquisition and construction of capital assets are reported on the operating statement (budget) rather than on the balance sheet (GAAP).

**CITY OF ZANESVILLE
MUSKINGUM COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

6. Unreported Cash represents amounts received but not included as revenue on the budget basis operating statements. These amounts are included as revenue on the GAAP basis operating statements.

Budgetary information for the South East Area Transit Authority (Component Unit) is not reported because it is not included in the entity for which "the appropriated budget" is adopted and the Component Unit does not maintain separate budgetary financial information.

C. Cash and Cash Equivalents

To improve cash management, cash received by the City treasurer is pooled in a central bank account. Monies for all funds, including proprietary funds, are maintained in this account or temporarily used to purchase short term investments. These monies are presented in the Combined Balance Sheet as "Equity in Pooled Cash and Cash Equivalents with City Treasurer". Individual fund integrity is maintained through City records.

The City has segregated bank accounts for monies held separate from the City's central bank account. These depository accounts are presented in the Combined Balance Sheet as "Cash and Cash Equivalents in Segregated Accounts" since they are not required to be deposited into the City's treasury.

Cash related to the Component Unit is presented as "Cash and Cash Equivalents in Segregated Accounts".

For purposes of the Combined Statement of Cash Flows and for presentation on the Combined Balance Sheet, investments of the cash management pool and investments with an original maturity of three months or less are considered to be cash equivalents.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements and nonnegotiable certificates of deposit are reported at cost.

The City invested funds in the State Treasury Asset Reserve of Ohio (STAROhio) and U.S. Treasury Notes during 2002. STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on December 31, 2002.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest income received directly by the South East Area Transit Authority during 2002 was \$4,043. Interest revenue credited to the general fund during fiscal year 2002 amounted to \$189,550, which includes \$107,250 assigned from other City funds.

**CITY OF ZANESVILLE
MUSKINGUM COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Inventory

Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. The costs of inventory items are recorded as expenditures in the governmental fund types when purchased and as expenses in the proprietary fund types when used. Reported materials and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

The Component Unit's inventory consists of spare parts and fuel used in the maintenance of the Authority's buses and is stated at the lower of cost or market. Cost is determined on a first-in, first-out basis.

E. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2002, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed.

F. Restricted Assets

Assets are reported as restricted when limitations on the use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation. Restricted assets in the enterprise funds represent customer deposits and funds restricted as part of the bond indenture for debt service.

G. Fixed Assets and Depreciation

1. Primary Government

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fund fixed assets (assets used to provide services accounted for in proprietary funds) are capitalized in the fund that uses them. The City's capitalization threshold is \$5,000.

All purchased fixed assets are valued at cost where historical records are available and at an estimated historical cost when no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Public domain ("infrastructure") general fixed assets consisting of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems are not capitalized, as these assets are immovable and of value only to the City.

**CITY OF ZANESVILLE
MUSKINGUM COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets in the general fixed assets account group are not depreciated. Depreciation in the proprietary fund types is computed using the straight-line method over the following useful lives:

Land	0-1200 months
Buildings	120-1200 months
Building Improvements	120-1200 months
Infrastructure	0-1200 months
Machinery, Equipment, Furniture and Fixtures	48-240 months
Vehicles	36-120 months

2. Component Unit

Component Unit fixed assets are recorded at cost and depreciated over estimated useful lives utilizing the straight line method, except for two buses for which depreciation is computed by the units-of-production method at six cents per mile. Depreciation on assets acquired with federal, state, and/or local financial assistance is recorded as a transfer to the contributed capital account.

H. Interfund Assets and Liabilities

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "interfund receivables/payables." All other outstanding balances between funds are reported as "due to/from other funds."

I. Compensated Absences

GASB Statement 16, Accounting for Compensated Absences, specifies the methods used to accrue liabilities for leave benefits. Vacation benefits are accrued as a liability as the benefits are earned if the employee's right to receive compensation is attributable to services already rendered and it is probable that the City will compensate the employee for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the City has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the City's termination policy.

For governmental funds, the City records a liability for accumulated unused vacation time when earned for all employees with more than one year of service. The City records a liability for accumulated unused sick leave for police and jail employees after five years of service; street, water, sewer and sanitation employees after seven years of service; fire department employees after one year of service; and all other City employees after nine years of service. The current portion of compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In the proprietary funds, the entire amount of compensated absences is reported as a fund liability.

**CITY OF ZANESVILLE
MUSKINGUM COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Contributed Capital

1. Primary Government

Contributed capital is recorded in proprietary funds that have received federal and state grants and other financial resources prior to 2001. Because the City had not prepared financial statements in accordance with generally accepted accounting principles prior to 1993, the exact amount of contributed capital pertaining to prior years cannot be determined. Capital contributions received after 2000 have been recorded as non-operating revenues and are reported as increases in retained earnings based on new guidelines established by GASB Statement No. 33, "Accounting and Reporting for Nonexchange Transactions".

2. Component Unit

Prior to 2001, the Component Unit recognized resources provided to finance capital expenditures as contributed capital. Capital contributions received after 2000 have been recorded as revenues and reported as increases in retained earnings based upon the guidelines established by GASB Statement 33.

K. Intergovernmental Revenues

1. Primary Government

For governmental funds, intergovernmental revenues, such as grants awarded on a non-reimbursement basis, shared revenues, and entitlements, are recorded as receivables and revenues when measurable and available. Reimbursement-type grants are recorded as receivables and revenues when the related expenditures are incurred. Grants, entitlements, or shared revenues received for proprietary fund operating purposes are recognized as non-operating revenues in the accounting period in which they are earned and become measurable.

2. Component Unit

The Component Unit intergovernmental revenues, such as grants, shared revenues, and entitlements, are recognized as operating revenues in the accounting period in which they are earned and become measurable. Amounts received from certain entities, based on a percentage of federal grants applied for, are recorded as deferred revenue, until the revenue becomes measurable and available.

L. Fund Balance Reserves and Contributed Capital

Fund balance reserves represent those portions of fund equity not appropriate for expenditure or legally segregated for a specific future use. Fund balances are reserved for encumbrances, loans receivables, inventories of materials and supplies, and unclaimed monies. Under Ohio law, unclaimed funds are not available for appropriation until they have remained unclaimed for five years. Contributed capital is recorded in proprietary funds that have received contributions from customers and developers prior to 2001. A determination of the amount of contributed capital received prior to 1993 has not been made. Capital contributions received after 2000 have been recorded as revenues and are reported as increases in retained earnings based on new guidelines established by GASB 33, "Accounting and Reporting for Nonexchange Transactions".

**CITY OF ZANESVILLE
MUSKINGUM COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Interfund Transactions

During the course of normal operations, the City makes numerous transactions between funds. The most significant include operating transfers, reimbursements, and quasi-external transactions.

1. Transfers of resources from one fund to another through which resources are expended are recorded as operating transfers.
2. Reimbursements from one fund to another fund are treated as expenditures/expenses in the reimbursing fund and as reductions in the expenditures/expenses in the reimbursed fund.
3. Quasi-external transactions are accounted for as revenues and expenditures/expenses.

Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

N. Accrued Liabilities and Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless whether they will be liquidated with current resources. However, claims and judgments, compensated absences, and special termination benefits are reported as a liability in the general long-term obligation account group to the extent that they will not be paid with current expendable available financial resources. Payments made more than sixty days after year end are generally considered not to have been paid with current available financial resources. Bonds, capital leases and long-term loans are recognized as a liability of the general long-term obligations account group until due. Long-term obligations expected to be financed from proprietary fund operations are accounted for in those funds.

O. Total Columns on General Purpose Financial Statements

Total columns on the General Purpose Financial Statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data. When the title of a statement indicates a Component Unit is included, two total columns are presented. The first is captioned "Primary Government" to indicate that only those activities that comprise the City's legal entity have been included. The second is captioned "Reporting Entity" and includes the activity and operations of the City's legally separate discretely presented Component Unit, see Note 1. The total column on the statements which do not include a component unit have no additional caption.

P. Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

**CITY OF ZANESVILLE
MUSKINGUM COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002
(Continued)**

NOTE 3 - RESTATEMENT OF FUND BALANCE

A. Primary Government:

For the year ended December 31, 2002, the following fund balance/retained earnings amounts were restated:

	<u>Balance</u> <u>December 31, 2001</u>	<u>Adjustments</u>	<u>Restated Balance</u> <u>January 1, 2002</u>
General Fund	\$6,198,648	\$129,581	\$6,328,229
Special Revenue Funds	2,920,366	(11,438)	2,908,928
Enterprise Funds	16,720,960	1,090,984	17,811,944

The General Fund was restated in the amount of \$122,227 for amounts incorrectly reported in the Zanesville–Washington Township JEDD Agency Fund. In addition, the General Fund was restated in the amount of \$7,355 for amounts due from other funds. The Community Development Special Revenue Fund was restated in the amount of \$11,438 for retainage payable amounts that were incorrectly reported. The Cemetery Enterprise Fund was restated in the amount of \$121 due to an error in the amount previously reported for the change in the fair market value of investments. The Water Enterprise Fund and Sewer Enterprise Fund were restated in the amounts of \$115,863 and \$975,000, respectively, due to construction in progress not being appropriately capitalized.

B. Component Unit

The component unit previously implemented GASB Statement No. 33, “*Accounting and Financial Reporting for Nonexchange Transactions*” and GASB Statement No. 36, “*Recipient Reporting for Certain Shared Nonexchange Revenues*.” In 2001, the component unit recorded capital grants as contributed capital, however these GASB statements require such transactions to be recorded as revenue. As a result, a prior period adjustment has been made to restate \$468,580 of contributed capital to revenue. This adjustment had the effect of increasing retained earnings from the previous balance of \$404,296 to the restated balance of \$872,876, while decreasing contributed capital from the previous balance of \$1,779,364 to the restated balance of \$1,310,784.

**CITY OF ZANESVILLE
MUSKINGUM COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002
(Continued)**

NOTE 4 - CONVERSION OF OPERATIONS FROM BUDGET TO GAAP BASIS

Adjustments necessary to convert the results of operations at the end of the year on the Budget Basis to the GAAP basis are as follows:

Excess of Revenues and Other Financing Sources
Over (Under) Expenditures and Other Financing Uses
All Governmental Fund Types and Expendable Trust Fund

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
GAAP Basis	(\$1,375,750)	(\$67,607)	\$33,915	(\$2,159)
Net Adjustment for Revenue Accruals	162,025	(40,691)	0	293
Net Adjustment for Expenditure Accruals	649,559	208,646	0	107,294
Encumbrances	<u>(437,002)</u>	<u>(122,345)</u>	<u>0</u>	<u>(5,640)</u>
Budget Basis	<u>(\$1,001,168)</u>	<u>(\$21,997)</u>	<u>\$33,915</u>	<u>\$99,788</u>

Net Income (Loss)/Excess of Revenues and Other Financing Sources
Over(Under) Expenses and Other Financing Uses
All Proprietary Fund Types and Non-Expendable Trust Funds

	<u>Enterprise</u>	<u>Internal Service</u>	<u>Non-Expendable Trust</u>
GAAP Basis	\$3,136,132	\$94,469	(\$289)
Net Adjustment for Revenue Accruals	(1,093,649)	1,804	(34)
Loss on Sale of Fixed Assets	25,287	0	0
Utility Deposits	52,460	0	0
Depreciation	1,328,042	17,845	0
Net Adjustment for Expense Accruals	(1,874,411)	(115,787)	410
Debt Principal Retirement	(561,195)	0	0
Special Items	(135,444)	0	0
Encumbrances	<u>(1,507,526)</u>	<u>(27,870)</u>	<u>0</u>
Budget Basis	<u>(\$630,304)</u>	<u>(\$29,539)</u>	<u>\$87</u>

**CITY OF ZANESVILLE
MUSKINGUM COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002
(Continued)**

NOTE 5 - ACCOUNTABILITY AND COMPLIANCE

Fund Deficits

The following funds had deficit fund balances/retained earnings at December 31, 2002:

Capital Projects Fund:	
State and Federal Infrastructure	(\$14,756)
Internal Service Fund:	
Vehicle and Equipment Maintenance Fund	(\$319,231)

The deficit in the capital projects fund is due to the recognition of accruals in accordance with generally accepted accounting principles. The deficit in the internal service funds is due to the recognition of contributed capital and depreciation expense in accordance with generally accepted accounting principles. In addition, these funds are not charging sufficient amounts to recover costs. Management is reviewing and analyzing their operations to determine appropriate measures necessary to eliminate the deficits.

Cash Deficits

As of October 31, 2002, the City's Airport Capital Equipment Fund had a deficit cash balance of (\$902,743) which is contrary to Ohio law which prohibits fund cash overdrafts at any time during the year. This fund was subsequently replenished and had a cash balance of \$19,756 as of December 31, 2002.

NOTE 6 - DEPOSITS AND INVESTMENTS

A. Primary Government

State statutes classify monies held by the City into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the City Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that Council has identified as not required for use within the current two year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

Protection of the City's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

**CITY OF ZANESVILLE
MUSKINGUM COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002
(Continued)**

NOTE 6 - DEPOSITS AND INVESTMENTS (Continued)

Interim monies may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
6. The State Treasurer's investment pool (STAROhio).

The City may also invest any monies not required to be used for a period of six months or more in the following:

1. Bonds of the State of Ohio;
2. Bonds of any municipal corporation, village, county, township, or other political subdivision of this State, as to which there is no default of principal, interest or coupons; and
3. Obligations of the City.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. Historically, the City has not purchased these types of investments or issued these types of notes. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the City, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**CITY OF ZANESVILLE
MUSKINGUM COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002
(Continued)**

NOTE 6 - DEPOSITS AND INVESTMENTS (Continued)

Deposits At year-end, the carrying amount of the City's deposits was \$700,832 and the bank balance was \$897,828. Of the bank balance:

1. \$256,334 was covered by federal depository insurance;
2. \$641,494 was uninsured and uncollateralized. Although all State statutory requirements for the investment of money had been followed, noncompliance with federal requirements would potentially subject the City to a successful claim by the FDIC.

Investments GASB Statement 3 "Deposits with Financial Institutions, Investment and Reverse Repurchase Agreements" requires that investments be categorized to give an indication of the level of risk assumed by the City at year-end. Category 1 includes investments that are insured or registered or are held by the City or its agent in the City's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the City's name. Category 3 includes uninsured and unregistered investments which are held by the counterparty, or by its trust department or agent but not in the City's name.

	<u>Category</u>			<u>Carrying</u>	<u>Fair</u>
	<u>1</u>	<u>2</u>	<u>3</u>	<u>Value</u>	<u>Value</u>
Bonds	\$325,000			\$325,000	\$325,000
United States Treasury	49,978			49,978	49,978
Repurchase Agreement			7,579,622	7,579,622	7,579,622
STAROhio				<u>5,025,000</u>	<u>5,025,000</u>
Total Investments				<u>\$12,979,600</u>	<u>\$12,979,600</u>

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9. A reconciliation between the classifications of cash and investments on the combined financial statements and the classifications per GASB Statement No. 3 is as follows:

	<u>Cash & Cash</u> <u>Equivalents/Deposits</u>	<u>Investments</u>
GASB Statement 9	\$13,303,454	\$376,978
Investments:		
Certificates of Deposit	2,000	(2,000)
Repurchase Agreements	(7,579,622)	7,579,622
STAROhio	(5,025,000)	5,025,000
GASB Statement 3	<u>\$700,832</u>	<u>\$12,979,600</u>

**CITY OF ZANESVILLE
MUSKINGUM COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002
(Continued)**

NOTE 6 - DEPOSITS AND INVESTMENTS (Continued)

B. Component Unit

The component unit is subject to the same legal requirements for the classification of cash as discussed in part A of this note. At year-end, the carrying amount of the component unit's deposits was \$273,663 and the bank balance was \$308,507. Of the bank balance, \$100,000 was covered by federal depository insurance. The remaining balance of \$208,507 was uninsured and uncollateralized as defined by the Governmental Accounting Standards Board (GASB). The uncollateralized deposits were, however, covered by the financial institutions' risk pool for public deposits as governed by the Ohio Revised Code Section 135.

NOTE 7 - PROPERTY TAXES

Property taxes include amounts levied against all real, public utility and tangible personal property located in the City. Property tax revenue received during 2002 for real and public utility property taxes represents collections of 2001 taxes. Property tax payments received during 2002 for tangible personal property (other than public utility property) is for 2002 taxes.

2002 real property taxes are levied after October 1, 2002, on assessed value as of January 1, 2002, the lien date. Assessed values are established by State law at 35 percent of the appraised market value. 2002 real property taxes are collected in and intended to finance 2003.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2002 public utility property taxes became a lien December 31, 2001, are levied after October 1, 2002, and are collected in 2003 with real property taxes.

2002 tangible personal property taxes are levied after October 1, 2001, on the value as of December 31, 2001. Collections are made in 2002. Tangible personal property assessments are 25 percent of true value for machinery and equipment and 24 percent of true value for inventory.

The full tax rate for all City operations for the year ended December 31, 2002, was \$3.40 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2002 property tax receipts were based are as follows:

Real Property	\$279,029,390
Tangible Personal Property	<u>74,490,210</u>
Total Assessed Value	<u><u>\$353,519,600</u></u>

Real property taxes are payable annually and semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable at September 20.

**CITY OF ZANESVILLE
MUSKINGUM COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002
(Continued)**

NOTE 7 - PROPERTY TAXES (Continued)

The County Treasurer collects property taxes on behalf of Muskingum County, including the City of Zanesville. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real and tangible personal property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2002. Although total property tax collections for the next fiscal year are measurable, amounts to be received during the available period are not subject to reasonable estimation at December 31, nor are they intended to finance 2002 operations. The receivable is therefore offset by a credit to deferred revenue.

NOTE 8 - RECEIVABLES

A. Primary Government

Receivables at December 31, 2002, consisted of taxes, accounts (billings for user charged services including unbilled utility services), special assessments, loans, interest, and intergovernmental receivables arising from grants, entitlements, and shared revenues. All receivables are collectible in full. Delinquent accounts receivable are certified and collected as a special assessment, subject to foreclosure for nonpayment.

The special revenue funds reflect loans receivable of \$485,701. This amount is for the principal owed to the City for Federal Community Development Block Grant Program monies loaned to local businesses for capital improvements. The loans bear interest at annual rates between four and twelve percent.

A summary of the principal items of intergovernmental receivables follows:

Intergovernmental Receivables	<u>Amount</u>
General Fund:	
Estate Tax	\$142,533
Rollback Taxes	57,587
Local Government Tax	903,943
Miscellaneous	<u>2,756</u>
Total General Fund	\$1,106,819

**CITY OF ZANESVILLE
MUSKINGUM COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002
(Continued)**

NOTE 8 – RECEIVABLES (Continued)

Special Revenue Funds:	
Motor Vehicle License Tax	\$158,875
Gasoline Tax	249,025
Miscellaneous	5,433
Community Development Grants	809,216
DARE Grant	12,902
COPS FAST Grant	701
Jail Reduction	14,600
Salvation Army State Grant	44,850
Rollback Taxes	10,432
Total Special Revenue Funds	\$1,306,034
Debt Service Funds:	
Rollback Taxes	19,994
Total Debt Service Funds	19,994
Capital Projects Funds:	
Motor Vehicle License	32,596
Total Capital Projects Funds:	32,596
Enterprise Funds:	
Capital Grants	649,050
Miscellaneous	1,723
Total Enterprise Funds	650,773
Internal Service Funds:	
Intergovernmental Charges for Services	760
Total Internal Service Funds	<u>760</u>
Total All Funds	\$3,116,976

**CITY OF ZANESVILLE
MUSKINGUM COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002
(Continued)**

NOTE 8 – RECEIVABLES (Continued)

B. Component Unit

Intergovernmental receivable at December 31, 2002 consisted of the following amounts:

Federal Operating Assistance Receivable	\$69,516
Federal Capital Grant Receivable	<u>90,980</u>
Total	<u>\$160,496</u>

All amounts are considered collectible; consequently, an allowance for uncollectible accounts receivable is not necessary.

NOTE 9 - INCOME TAX

The City levies a municipal income tax of one and seven tenths percent on substantially all earned income arising from employment, residency, or business activities within the City as well as income of residents earned outside of the City.

Employers within the City are required to withhold income tax on employee compensation and remit the tax to the City either monthly or quarterly, as required. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually. Income tax proceeds are distributed to funds in the following manner: 1% to General Fund, .5% to Police Expenditure Special Revenue Fund, and .2% to Jail Operating Special Revenue Fund. Income tax revenue for 2002 was \$12,648,193.

NOTE 10 - FIXED ASSETS AND DEPRECIATION

A summary of the proprietary funds' property, plant, and equipment at December 31, 2002 follows:

	<u>Enterprise</u>	<u>Internal Service</u>	<u>Component Unit</u>
Land	\$761,106	\$397,639	\$35,000
Buildings and Building Improvements	5,265,583	376,437	670,697
Improvements other than Buildings	50,183,060	0	0
Machinery, Equipment, Furniture and Fixtures	2,096,294	164,841	450,731
Vehicles	1,525,669	49,524	1,759,636
Construction in Progress	<u>3,157,629</u>	<u>0</u>	<u>1,177,085</u>
Total	62,989,341	988,441	4,093,149
Less: Accumulated Depreciation	<u>(28,230,569)</u>	<u>(431,660)</u>	<u>(1,654,137)</u>
Net Fixed Assets	<u>\$34,758,772</u>	<u>\$556,781</u>	<u>\$2,439,012</u>

**CITY OF ZANESVILLE
MUSKINGUM COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002
(Continued)**

NOTE 10 - FIXED ASSETS AND DEPRECIATION

A summary of changes in general fixed assets follows:

	<u>Restated Balance January 1, 2002</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance December 31, 2002</u>
Land	\$4,382,835	\$0	\$0	\$4,382,835
Buildings and Building Improvements	8,755,894	163,600	0	8,919,494
Improvements other than Buildings	879,559	0	0	879,559
Machinery, Equipment, Furniture, and Fixtures	1,484,457	76,350	57,606	1,503,201
Vehicles	2,574,068	187,756	68,351	2,693,473
Construction In Progress	<u>0</u>	<u>15,000</u>	<u>0</u>	<u>15,000</u>
Total	<u>\$18,076,813</u>	<u>\$442,706</u>	<u>\$125,957</u>	<u>\$18,393,562</u>

NOTE 11 - RISK MANAGEMENT

A. Primary Government

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. Effective June 1, 2002, the City contracted with Specialty National for general liability insurance including police professional liability, EMT liability, fire legal liability, personal injury and advertising injury. Bodily injury and property damage are covered for \$1,000,000 each occurrence, \$3,000,000 aggregate. The City has a \$5,000 deductible per occurrence for general liability insurance. Personal injury and advertising injury are covered up to \$1,000,000 for each occurrence, premises medical payments limit is \$10,000 per person and fire legal liability is covered \$500,000 per occurrence. Ohio Stop Gap insurance of \$1,000,000 per occurrence and \$3,000,000 aggregate employee benefit liability is also maintained with a \$1,000 deductible for employee liability insurance. Property and contents coverage is maintained per summary of values and cost of reproduction new, less exclusions, plus leased and rented items, with a \$1,000 deductible per occurrence. Earthquake coverage is maintained with a \$10,000,000 occurrence limit, \$10,000,000 policy year limit, with a \$100,000 deductible each occurrence. Police professional liability coverage is maintained with a \$1,000,000 each occurrence, \$1,000,000 aggregate limit with a \$10,000 deductible per claim, including loss adjustment expense.

Public official liability (claims made policy) with full prior acts is maintained in the amount of \$1,000,000 per claim, \$1,000,000 aggregate, with a \$10,000 deductible, including loss adjustment expense.

Vehicle fleet insurance is maintained in the amount of \$1,000,000 CSL covering bodily injury and property damage. Uninsured motorist is covered up to \$1,000,000 CSL. A \$1,000 deductible is effective for collision and comprehensive on certain vehicles. Non-owned and hired vehicles are covered for bodily injury and property damage in the amount of \$1,000,000 CSL.

**CITY OF ZANESVILLE
MUSKINGUM COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002
(Continued)**

NOTE 11 - RISK MANAGEMENT (Continued)

Boiler and machinery insurance is contracted with Cincinnati Insurance Company with a limit of \$25,000,000 and a \$1,000 deductible.

Excess liability insurance over general liability, EMT, ambulance malpractice, fire division liability, public official liability, police professional liability, and auto liability is maintained in an aggregate amount of \$6,000,000. Excess liability insurance excludes uninsured/underinsured motorist coverage and is subject to a \$10,000 self insured restriction.

The Cincinnati Insurance Company provides crime insurance coverage for robbery and safe burglary with a \$25,000 per occurrence limit and a \$500 deductible.

Settlements have not exceeded coverage in any of the last three years. There have been no significant reductions in insurance coverage from last year.

For 2002, the City participated in the Ohio Rural Water Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 24). The intent of the GRP is to achieve the benefit of a reduced premium for the City by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participant is calculated as one experience and a common premium rate is applied to all members in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to members that can meet the GRP's selection criteria. The firm Comp Management provides administrative, cost control and actuarial services to the GRP.

The City maintains a limited risk health insurance program for employees. Premiums are paid to a third party administrator, Central Benefits, Inc. All claims are processed and monitored by the third party administrator. An internal service fund is presented in the financial statements and reflects premiums paid into the Health Self-Insurance internal service fund by other funds which are available to pay claims and administrative costs, and establish claim reserves. An excess coverage insurance policy covers aggregate annual claims at 110% of estimated claims. No excess coverage is maintained for individual claims.

The claims liability of the Health Self-Insurance internal service fund of \$258,500 reported at December 31, 2002, is based on the requirements of Governmental Accounting Standards Board Statement No. 10 which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. Changes in the fund's claims liability for 2001 and 2002 were:

	Balance at Beginning of Year	Current Year Claims	Current Year Claim Payments	Balance at End of Year
2001	\$430,292	\$2,092,063	\$2,162,055	\$360,300
2002	360,300	2,532,732	2,634,482	258,550

B. Component Unit

The South East Area Transit Authority (Component Unit) carries commercial insurance for all risks of loss including workers' compensation, property insurance and bonding. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

**CITY OF ZANESVILLE
MUSKINGUM COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002
(Continued)**

NOTE 12 - DEFINED BENEFIT PENSION PLANS

A. Primary Government

1. Ohio Public Employees Retirement System:

All City employees, other than police officers and firefighters, participate in the Ohio Public Employees Retirement System (OPERS), a cost-sharing multiple-employer public employee retirement system administered by the Public Employees Retirement Board. OPERS provides basic retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report which may be obtained by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642.

In 2002, plan members were required to contribute 8.5 percent of their annual covered salary to fund pension obligations. The 2002 employer pension contribution rate for the City was 8.55 percent of covered payroll, decreased from 9.25 percent in 2001. Contributions are authorized by State statute. The contribution rates are determined actuarially.

The City's required contributions to OPERS for the years ended December 31, 2002, 2001 and 2000 were \$555,123, \$639,158, and \$533,499, respectively. 65 percent has been contributed for 2002 with the remainder being reported as a fund liability.

2. Ohio Police and Firemen's Disability and Pension Fund:

The City of Zanesville contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple employer public employee retirement system administered by the OP&F's Board of Trustees. OP&F provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and by Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information. That report may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Police and firefighters are required to contribute 10 percent of their annual covered salary to fund pension obligations and the City was required to contribute 11.75 percent for police and 16.25 percent for firefighters. In 2001, the City contributions were 12 percent for police and 16.5 percent for firefighters. Contributions are authorized by State statute. The City's contributions to the OP&F for police and firefighters were \$271,648 and \$313,171, for the year ended December 31, 2002, \$296,686 and \$305,726, for the year ended December 31, 2001, and \$286,093 and \$319,701 for the year ended December 31, 2000. The full amount has been contributed for 2001 and 2000. 68 percent has been contributed for 2002 with the remainder being reported as a fund liability.

B. Component Unit:

All South East Area Transit Authority full-time employees participate in the Ohio Public Employees Retirement System of Ohio ("System") as discussed in Section A1 of this note.

The Authority's contributions to the OPERS for the years ended December 31, 2002, 2001 and 2000 were \$129,168, \$129,504, and \$96,797, respectively; 100% has been contributed for 2001 and 2000, and 92% has been contributed for 2002. Of the 2002 amount, \$9,791 was unpaid at December 31, 2002 and is recorded as a liability.

**CITY OF ZANESVILLE
MUSKINGUM COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002
(Continued)**

NOTE 13 - POSTEMPLOYMENT BENEFITS

A. Primary Government

1. Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to OPERS is set aside for the funding of post retirement health care. The Ohio Revised Code provides statutory authority for employer contributions.

The 2002 employer contribution rate for local government's was 13.55 percent of covered payroll; 5 percent was the portion that was used to fund health care for the year.

Benefits are advance-funded using the entry age normal actuarial cost method of valuation. Significant actuarial assumptions, based on OPERS's latest actuarial review performed December 31, 2001, include a rate of return on investments of 8 percent, an annual increase in active employee total payroll of 4 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .5 and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase 4 percent annually.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets.

The number of active contributing participants was 402,041. The City's actual contributions for 2002 which were used to fund postemployment benefits were \$324,634. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2001 (the latest date information available), were \$11.6 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$16.4 billion and \$4.8 billion, respectively.

2. Ohio Police and Fire Disability and Pension Fund

The Ohio Police and Fire Pension Fund (OP&F) provides postretirement health care coverage to any person who receives or is eligible to receive a monthly benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school or under the age of 22 if attending school full-time or on a 2/3 basis.

**CITY OF ZANESVILLE
MUSKINGUM COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002
(Continued)**

NOTE 13 - POSTEMPLOYMENT BENEFITS (Continued)

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. The Ohio Revised Code provides the authority allowing the Ohio Police and Fire Pension Fund's Board of Trustees to provide health care coverage and states that health care cost paid from the Ohio Police and Fire Pension Fund shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis. The total police employer contribution is 19.5 percent of covered payroll and the total firefighter employer contribution rate is 24 percent of covered payroll, of which 7.75 percent of covered payroll was applied to the postemployment health care program during 2002. For 2001 the percent used to fund healthcare was 7.5 percent. In addition, since July 1, 1992, most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment.

The City's actual contributions for 2002 that were used to fund postemployment benefits were \$179,172 for police and \$149,358 for fire. The OP&F's total health care expenses for the year ended December 31, 2001 (the latest information available) was \$122,298,771, which was net of member contributions of \$6,874,699. The number of OP&F participants eligible to receive health care benefits as of December 31, 2001, was 13,174 for police and 10,239 for firefighters.

B. Component Unit

The Component Unit retirants are provided postemployment health coverage by the Public Employees Retirement System of Ohio. Complete information regarding postemployment benefits is discussed in Section A1 of this note. The Authority's actual contributions for 2002 which were used to fund postemployment benefits were \$47,663.

NOTE 14 - OTHER EMPLOYEE BENEFITS

A. Other Insurance Benefits

All employees are covered under a \$10,000 life insurance policy through Allianz Life Insurance. Additionally, for non-union employees and elected officials, the City provides coverage under an Accidental Death and Dismemberment policy. To be eligible, employees must work a minimum of twenty hours per week.

The City provides a self-funded comprehensive health insurance plan administered by Central Benefits. Deductibles vary according to employee group: non-union - \$100 family, \$50 single; police/correction officer/AFSCME unions - \$350 family, \$150 single; and firefighters' union - \$400 family, \$125 single. After deductibles, employees are responsible for a 20 percent co-payment per claim (major medical). Employees with family coverage are responsible for a \$7.00 payroll deduction per pay for the cost of health insurance.

**CITY OF ZANESVILLE
MUSKINGUM COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002
(Continued)**

NOTE 14 - OTHER EMPLOYEE BENEFITS (Continued)

B. Compensated Absences

1. Primary Government

The criteria for determining vested vacation and sick leave components are derived from negotiated agreements and State laws. Upon retirement, AFSCME union employees and policemen are paid 33% of their sick leave up to a maximum of 33% of 960 hours. Assistant Fire Chiefs whose work week consists of 56 hours when averaged over a three-week period shall receive, upon retirement, 25% of accrued sick leave up to 540 hours. Upon retirement, 33% of balance with a maximum payment of 540 hours shall be made to firefighters. Police sergeants and lieutenants shall receive, upon retirement, 33% of sick leave balances with a maximum of 960 hours. All other uniformed police and corrections officers shall receive, upon retirement, 25% of their balance with a maximum of 960 hours of sick leave. Unaffiliated employees shall receive 25% of balance with a maximum of 385 hours. All employees are required to have ten or more years of service before any compensation for accumulated sick leave is paid upon retirement. Upon voluntary termination, death, or retirement, with the exception of AFSCME employees who have not been employed with the City for a full year, all other employees will receive 100% of vacation earned and not previously taken. As of December 31, 2002 the liability for unpaid compensated absences was \$1,298,289.

2. Component Unit

The Authority records compensated absences for vacation leave in accordance with GASB Statement No. 16. However, since accrued sick leave is not paid upon termination, no liability is recorded.

NOTE 15 - CAPITAL LEASES - LESSEE DISCLOSURE

In prior years, the City has entered into capitalized leases for copying equipment and vehicles. Each lease meets the criteria of a capital lease set forth in the Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease as one which transfers benefits and risks of ownership to the lessee. Capital lease payments are reflected as debt service expenditures in the General Purpose Financial Statements for the government. Equipment acquired by lease has been capitalized in the General Fixed Assets Account Group in the amount of \$30,449 which is the present value of the future minimum lease payments at the time of acquisition. A corresponding liability was recorded in the General Long-Term Obligations Account Group. Governmental fund principal payments during 2002 totaled \$5,002.

**CITY OF ZANESVILLE
MUSKINGUM COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002
(Continued)**

NOTE 15 - CAPITAL LEASES - LESSEE DISCLOSURE (Continued)

Future minimum lease payments through 2007 are as follows:

<u>Year</u>	<u>General Long-Term Obligations Account Group</u>
2003	\$8,327
2004	6,947
2005	4,187
2006	1,387
2007	<u>1,034</u>
Total	<u>21,882</u>
Less Amount Representing Interest	(4,013)
Present Value of Net Minimum Lease Payments	<u>\$17,869</u>

NOTE 16 - CONTRACTUAL COMMITMENTS

As of December 31, 2002 the City had purchase commitments for capital improvements in the General Fund. The Permissive License Tax Fund and State & Federal Infrastructure Fund, both Capital Projects Funds, had purchase commitments for Capital Improvements. Community Development, a Special Revenue Fund, had purchase commitments for equipment. The Airport, Auditorium, Sanitation, Water, and Sewer Funds, all Enterprise Funds, had commitments for capital improvements and operating equipment purchases.

The amount for each project is as follows:

<u>Projects</u>	<u>Purchase Commitments</u>	<u>Amount Expended</u>	<u>Amount Remaining on Contracts</u>
<u>General Fund:</u>			
Boiler Replacement	78,682	0	78,682
<u>Permissive License Capital Project:</u>			
City Wide Overlays	73,468	0	73,468
<u>State & Federal Infrastructure Capital Project:</u>			
City Wide Overlays	195,532	0	195,532
Main St. Beautification Phase II	545,000	0	545,000

**CITY OF ZANESVILLE
MUSKINGUM COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002
(Continued)**

NOTE 16 - CONTRACTUAL COMMITMENTS (Continued)

<u>Projects</u>	<u>Purchase Commitments</u>	<u>Amount Expended</u>	<u>Amount Remaining on Contracts</u>
<u>Community Development Special Revenue:</u>			
Tucker Park Improvements	34,900	0	34,900
 <u>Airport Enterprise Fund:</u>			
Municipal Airport Improvements	1,957,518	1,509,031	448,487
 <u>Auditorium Enterprise Fund:</u>			
Secret Lighting System	47,322	0	47,322
 <u>Sanitation Enterprise Fund:</u>			
Compactor Box & Hydraulics	31,430	0	31,430
 <u>Water Enterprise Fund:</u>			
Water Treatment Plant Improvement	685,000	0	685,000
St. Rt. #719 Waterline Improvements	674,575	0	674,575
 <u>Sewer Enterprise Fund:</u>			
Anaerobic Digesters Improvements	1,261,237	0	1,261,237

NOTE 17 - LONG-TERM OBLIGATIONS

A. Primary Government

Changes in long-term obligations of the City for the year ending December 31, 2002 were as follows:

<u>ENTERPRISE FUND OBLIGATIONS</u>	<u>Outstanding 12/31/01</u>	<u>Additions</u>	<u>Reductions</u>	<u>Outstanding 12/31/02</u>
<u>REVENUE BONDS:</u>				
Water Improvements -				
1989 Series A, 5.90% to 6.90%	\$420,000	\$0	\$41,250	\$378,750
Water System Improvements -				
1993, 2.90% to 5.75%	1,080,000	0	40,000	1,040,000
Sewer - 1989 Series A, 5.90% to 6.90%	453,600	0	44,550	409,050
Storm Sewer - 1989 Series A, 5.90% to 6.90%	<u>806,400</u>	<u>0</u>	<u>79,200</u>	<u>727,200</u>
TOTAL REVENUE BONDS	<u>2,760,000</u>	<u>0</u>	<u>205,000</u>	<u>2,555,000</u>

**CITY OF ZANESVILLE
MUSKINGUM COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002
(Continued)**

NOTE 17 - LONG-TERM OBLIGATIONS (Continued)

OWDA LOANS:

OWDA Water, 7.36% to 8.40%	1,932,411	0	177,095	1,755,316
OWDA Sewer, 2.00% to 10.20%	<u>4,306,456</u>	<u>0</u>	<u>409,910</u>	<u>3,896,546</u>
TOTAL OWDA LOANS	<u>6,238,867</u>	<u>0</u>	<u>587,005</u>	<u>5,651,862</u>
Long Tem Contract Payable	<u>391,774</u>	<u>0</u>	<u>135,444</u>	<u>256,330</u>
TOTAL ENTERPRISE FUND OBLIGATIONS	<u>\$9,390,641</u>	<u>\$0</u>	<u>\$927,449</u>	<u>\$8,463,192</u>

GENERAL LONG-TERM OBLIGATIONS

GENERAL OBLIGATION BONDS:

Capital Improvements – 1989(B), 5.90% to 6.90%	\$785,000	\$0	\$75,000	\$710,000
Fire Truck Acquisition - 1991, 6.5%	28,000	0	28,000	0
Ohio Government Building – 1986, 7.38%	440,000	0	40,000	400,000
Jail Facility - 1993, 5.61%	2,535,000	0	95,000	2,440,000
Zanes/Newt/Jedd Water - 2002, 3.00%	<u>0</u>	<u>325,000</u>	<u>0</u>	<u>325,000</u>
TOTAL GENERAL OBLIGATION BONDS	<u>3,788,000</u>	<u>325,000</u>	<u>238,000</u>	<u>3,875,000</u>

OTHER LONG-TERM OBLIGATIONS:

Long-Term Contract Payable	203,644	0	95,364	108,280
Compensated Absences	881,197	84,510	0	965,707
Capital Leases	<u>17,704</u>	<u>5,166</u>	<u>5,001</u>	<u>17,869</u>
TOTAL OTHER LONG-TERM DEBT	<u>1,102,545</u>	<u>89,676</u>	<u>100,365</u>	<u>1,091,856</u>
TOTAL GENERAL LONG-TERM OBLIGATIONS	<u>4,890,545</u>	<u>414,676</u>	<u>338,365</u>	<u>4,966,856</u>

GRAND TOTAL	<u>\$14,281,186</u>	<u>\$414,676</u>	<u>\$1,265,814</u>	<u>\$13,430,048</u>
--------------------	----------------------------	-------------------------	---------------------------	----------------------------

Water and Sewer System revenue bonds will be paid from revenue derived from charges for services in the enterprise funds. The Water and Sewer OWDA loans will be paid from revenue derived from charges for services in the water and sewer enterprise funds. The Capital Improvements, Fire Truck Acquisition, Ohio Government Building and Jail Facility general obligation bonds are paid from property tax receipts of the debt service fund. Compensated absences reported in the "Compensated Absences Payable" account will be paid from the fund which the employee's salaries are paid.

**CITY OF ZANESVILLE
MUSKINGUM COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002
(Continued)**

NOTE 17 - LONG-TERM OBLIGATIONS (Continued)

Principal and interest requirements to retire long-term obligations outstanding at December 31, 2002, including interest of \$5,057,231 are as follows:

<u>Year</u>	<u>General Obligation Bonds</u>	<u>Enterprise Revenue Bonds</u>	<u>OWDA Loans</u>	<u>Total</u>
2003	\$510,140	\$380,147	\$1,053,091	\$1,943,378
2004	499,880	383,174	944,591	1,827,645
2005	505,945	379,838	837,173	1,722,956
2006	499,165	382,954	804,442	1,686,561
2007	501,722	379,746	771,710	1,653,178
2008 - 2012	1,694,322	1,024,082	3,521,758	6,240,162
2013 - 2017	1,179,025	504,475	43,314	1,726,814
2018 - 2022	<u>237,937</u>	<u>100,463</u>	<u>0</u>	<u>338,400</u>
Totals	<u>\$5,628,136</u>	<u>\$3,534,879</u>	<u>\$7,976,079</u>	<u>\$17,139,094</u>

The City entered into an agreement with the Zanesville-Muskingum County Port Authority and Muskingum County for construction of the infrastructure improvements on April 1, 2000. The terms of the agreement call for an OWDA loan to be obtained by the Port Authority in the estimated amount of \$2,114,068, to be repaid over a period of five years. The City and Muskingum County agreed to pay annually, one-half of the required principal and interest requirements of the OWDA loan. The estimated cost to the City for the balance of this contract for the years 2003 and 2004 are \$230,808, and \$133,802, respectively. Payments made by the City during 2002 totaled \$230,808, with \$95,364 (41%) being paid from the General Fund and \$135,444 (59%) being paid from the Sewer Fund. The contract balance at December 31 was \$108,280 in the General Long-Term Obligations Account Group for the General Fund Portion and \$256,330 in the Sewer Enterprise Fund for its portion.

As of December 31, 2002, the City's overall legal debt margin (the ability to issue additional amounts of general obligation bonded debt) was \$28,354,668.

NOTE 18 - INTERFUND TRANSACTIONS

	<u>Receivable</u>	<u>Payable</u>
Interfund Receivable/Payable		
General Fund	\$93,576	\$0
State and Federal Infrastructure Capital Projects Fund	<u>0</u>	<u>93,576</u>
Total Interfund Receivable/Payable	<u>\$93,576</u>	<u>\$93,576</u>

**CITY OF ZANESVILLE
MUSKINGUM COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002
(Continued)**

NOTE 18 - INTERFUND TRANSACTIONS (Continued)

Due From/To Other Funds	<u>Due From</u>	<u>Due To</u>
General	\$0	\$19,799
Special Revenue Funds:		
Police Expenditure	0	23,114
Auto Gas	0	7,719
Jail Operating	0	361
Jail Reduction	0	115
Community Development	0	182
Litter	<u>0</u>	<u>54</u>
Total Special Revenue Funds	<u>0</u>	<u>31,545</u>
Enterprise Funds:		
Airport	0	298
Auditorium	0	18
Cemetery	0	1,365
Sanitation	0	3,834
Sewer	0	5,798
Water	<u>0</u>	<u>8,991</u>
Total Enterprise Funds	<u>0</u>	<u>20,304</u>
Internal Service Funds:		
Vehicle Equipment Maintenance	36,301	669
Health Self-Insurance	<u>36,016</u>	<u>0</u>
Total Internal Service Funds	<u>72,317</u>	<u>669</u>
Total Due to/Due From Other Funds	<u>72,317</u>	<u>72,317</u>
Total Interfund Activity	<u>\$165,893</u>	<u>\$165,893</u>

NOTE 19 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The City's enterprise funds account for the provision of airport, water, sewer, sanitation, cemetery, and auditorium services. The table below reflects, in a summarized format, the more significant financial data relating to the enterprise funds of the City of Zanesville as of and for the year ended December 31, 2002:

	<u>Airport</u>	<u>Water</u>	<u>Sewer</u>
Operating Revenues	\$10,939	\$3,402,863	\$4,699,562
Depreciation	62,714	389,752	766,745
Operating Expenses (excluding Depreciation)	128,573	2,995,023	3,107,376
Operating Income (Loss)	(180,348)	18,088	825,441
Net Non-Operating Revenue (Expenses)	1,504,679	338,754	(396,839)

**CITY OF ZANESVILLE
MUSKINGUM COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002
(Continued)**

NOTE 19 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS (Continued)

	<u>Airport</u>	<u>Water</u>	<u>Sewer</u>	
Operating Transfers In	126,562	0	0	
Operating Transfers Out	0	(11,106)	(11,468)	
Net Income (Loss)	1,450,893	345,736	417,134	
Additions to Fixed Assets	2,089,069	417,258	86,779	
Net Working Capital	208,894	3,337,036	3,061,388	
Total Assets	3,879,328	11,707,735	24,722,639	
Long-Term Liabilities to be paid from fund revenues (including current portion)	0	3,564,302	5,289,128	
Total Equity	3,229,616	7,986,607	19,139,346	
Encumbrances Outstanding at December 31, 2002	27,955	900,950	180,603	
Segment Information Continued:	<u>Sanitation</u>	<u>Cemetery</u>	<u>Auditorium</u>	<u>Total</u>
Operating Revenues	\$576,294	\$93,882	\$117,293	\$8,900,833
Depreciation	38,425	21,078	49,328	1,328,042
Operating Expenses (Excluding Depreciation)	1,129,965	264,717	374,565	8,000,219
Operating Income (Loss)	(592,096)	(191,913)	(306,600)	(427,428)
Net Non-Operating Revenue (Expenses)	935	35,239	1,087,907	2,570,675
Operating Transfers In	510,123	202,112	181,336	1,020,133
Operating Transfers Out	(4,674)	0	0	(27,248)
Net Income (Loss)	(85,712)	45,438	962,643	3,136,132
Additions to Fixed Assets	25,900	40,771	1,086,504	3,746,281
Net Working Capital	361,366	724,124	47,807	7,740,615
Total Assets	617,820	874,253	2,070,130	43,871,905

**CITY OF ZANESVILLE
MUSKINGUM COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002
(Continued)**

NOTE 19 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS (Continued)

	<u>Sanitation</u>	<u>Cemetery</u>	<u>Auditorium</u>	<u>Total</u>
Long-Term Liabilities to be paid from fund revenues (including current portion)	0	0	0	8,853,430
Total Equity	484,485	824,573	1,981,330	33,645,957
Encumbrances Outstanding at December 31, 2002	111,206	15,134	50,373	1,286,221

NOTE 20 - CONTRIBUTED CAPITAL

A: Primary Government

Contributed Capital remained the same during the year based on the new guidelines of GASB No. 33.

B: Component Unit

Changes in the Component Unit's contributed capital for the year ended December 31, 2002:

Contributed Capital December 31, 2001 - Restated	\$1,310,784
Depreciation of Assets Acquired with Capital Grants	<u>(254,852)</u>
Contributed Capital December 31, 2002	<u>\$1,055,932</u>

NOTE 21 - JOINTLY GOVERNED ORGANIZATIONS

- A. The Ohio Mid-Eastern Governments Association (OMEGA) is a ten-county regional council of governments comprised of Belmont, Carroll, Coshocton, Columbiana, Guernsey, Harrison, Holmes, Jefferson, Muskingum, and Tuscarawas Counties. OMEGA was formed to aid and assist the participating counties in the application for Appalachian Regional Commission and Economic Development grant monies. OMEGA is governed by a sixteen member executive board comprised of members appointed from each participating county and cities within each county. City membership is voluntary. The mayor of the City of Zanesville serves as the City's representative on the board. The board has total control over budgeting, personnel, and financial matters. Each member currently pays an eight cent per capita membership fee based upon the most recent U.S. census. During 2002, OMEGA received \$2,410 from the City of Zanesville. The continued existence of OMEGA is not dependent on the City's continued participation and no equity interest exists. OMEGA has no outstanding debt. Financial information can be obtained from the Ohio Mid-Eastern Governments Association, Cambridge.

**CITY OF ZANESVILLE
MUSKINGUM COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002
(Continued)**

NOTE 21 - JOINTLY GOVERNED ORGANIZATIONS (Continued)

- B. The Zanesville/Muskingum County Port Authority (the Authority) is a separate legal entity. The Authority is governed by a five member board and was created by a resolution of the City of Zanesville and Muskingum County. The Authority is incorporated as a non-profit corporation under the laws of the State of Ohio. The City appoints two members to the Authority board and Muskingum County appoints two members. The fifth member is appointed jointly by the City and the County. The Authority board adopts its own budget, is its own contracting authority, hires and fires its own staff, authorizes all expenditures and does not rely on the City or the County to finance deficits. The Authority derives its revenues from lease/rental income, interest income, contributions from the City and County, and other miscellaneous revenue sources. The City and County currently lease the Anchor Glass Facilities from the Authority, and sublet the facilities to the Anchor Glass Corporation. The lease is a twenty year lease which is in effect until 2008. The City and the County, by the terms of the lease agreement, make lease payments directly to National City Bank in conjunction with Anchor Glass which is used for the payment of Authority debt. The City and the County also provide operating subsidies to the Authority. During 2002, the City provided \$120,000 and the County provided \$120,000 in operating subsidies to the Authority. Financial information is available from the Zanesville/Muskingum County Port Authority, Zanesville, Ohio.
- C. The Zanesville/Muskingum Conventions Facility Authority (the Authority) was created pursuant to State Statutes for the purpose of acquiring, constructing, equipping, and operating a convention facility in Muskingum County. The Authority operates under the direction of an eleven member appointed board of directors. The board consists of three members appointed by the Mayor of the City of Zanesville, six members appointed by Muskingum County, and two members appointed by remaining municipal corporations located in the County. The board exercises total control over the operation of the Authority including budgeting, appropriating, contracting, and designating management. The Authority receives funding in the form of a four percent hotel and motel excise tax for each transaction occurring in the boundaries of Muskingum County. The tax is levied and collected by the Authority directly. The City is prohibited from contributing to the operations of the Authority by State Law. During 2002 the Authority received \$385,843 from excise taxes and rental income. The Authority has no outstanding debt. Complete financial information can be obtained from the Zanesville/Muskingum Conventions Facility Authority, Zanesville, Ohio.
- D. The Zanesville Metropolitan Housing Authority (the Authority) was created in 1938, and currently operates pursuant to Revised Code Section 3735.27. The Authority is operated by a five member board. The City appoints two members and the County appoints three members. The board adopts their own appropriations, is their own contracting authority, hires and fires their own staff, authorizes all expenditures, and does not rely on the City or the County to finance deficits. The Authority receives funding from the federal government in the form of grants. All monies are received directly by the Authority in the Authority's name. Although the City appoints members to the board, the City is not financially accountable for the Authority, nor is the Authority fiscally dependent on the City. The Authority has no outstanding debt. Complete financial information can be obtained from the Zanesville Metropolitan Housing Authority, Zanesville, Ohio.

NOTE 22 - JOINT VENTURES

- A. The Zanesville, South Zanesville and Springfield Joint Economic Development District (JEDD) was created by contract during 2000 pursuant to Revised Code Section 715.77. The JEDD was created to facilitate economic development to create or preserve jobs and employment opportunities and to improve the economic welfare of the people in the State, the County, the City, the Village, the Township and the JEDD. The JEDD is operated by a three member board.

**CITY OF ZANESVILLE
MUSKINGUM COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002
(Continued)**

NOTE 22 - JOINT VENTURES (Continued)

The City and the Village of South Zanesville appoint one member jointly, Springfield Township appoints one member, and these two JEDD members jointly appoint the third member of the JEDD. The JEDD's board exercises total control over the budgeting, appropriation, contracting, and management. The JEDD's board, pursuant to Revised Code Section 715.74 has implemented a 1.7 percent income tax that will be used for the purposes of the JEDD. The continued existence of the JEDD is dependent upon the continued participation by the City, Village and Township; however, the City, Village or Township do not have an equity interest in the JEDD. The JEDD is not accumulating significant financial resources and is not experiencing fiscal distress that may cause an additional financial burden on the City. The financial activity of the JEDD is presented as an agency fund due to the City serving as fiscal agent. Complete financial information can be obtained from the Zanesville, South Zanesville, Springfield Joint Economic Development District, Zanesville, Ohio.

- B. The Zanesville-Washington Township Joint Economic Development District (JEDD) was created by contract during 2000 pursuant to Revised Code Section 715.77. The JEDD was created to facilitate economic development to create or preserve jobs and employment opportunities and to improve the economic welfare of the people in the State, the County, the City, the Village, the Township and the JEDD. The JEDD is operated by a three member board. The City and Washington Township each appoint one member and these two JEDD members jointly appoint the third member of the JEDD. The JEDD's board exercises total control over the budgeting, appropriation, contracting, and management. The JEDD's board, pursuant to Revised Code Section 715.74 has implemented a 1.7 percent income tax that will be used for the purposes of the JEDD. The continued existence of the JEDD is dependent upon the continued participation by the City and Township; however, the City or Township does not have an equity interest in the JEDD. The JEDD is not accumulating significant financial resources and is not experiencing fiscal distress that may cause an additional financial burden on the City. The financial activity of the JEDD is presented as an agency fund due to the City serving as fiscal agent. Complete financial information can be obtained from the Zanesville, South Zanesville-Washington Joint Economic Development District, Zanesville, Ohio.

NOTE 23 - INSURANCE PURCHASING POOL

Ohio Rural Water Association Workers' Compensation Group Rating Plan - The City participates in the Ohio Rural Water Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by an eleven member Board of directors. The board is a self-appointing board that coordinates the program. Each year, the participating members pay an enrollment fee to the GRP to cover the costs of administering the program.

NOTE 24 - RELATED PARTY TRANSACTIONS

The South East Area Transit Authority, a discretely presented component unit of the City of Zanesville, received contributions from the City for facilities, certain equipment, transportation and salaries for administrative implementation and supervision of its programs. These contributions are reflected as "Contributions from Local Governments" and "Operating Expenses" in the general purpose financial statements. In 2002, these contributions were \$165,900. In addition, \$144,767 was contributed by Muskingum County, Guernsey County, the Village of South Zanesville, the Village of Byesville and the City of Cambridge.

**CITY OF ZANESVILLE
MUSKINGUM COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002
(Continued)**

NOTE 25 - CONTINGENCIES

A. Grants

The City received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the City at December 31, 2002.

B. Litigation

Claims and lawsuits are pending against the City of Zanesville. Based upon information provided by the City's legal counsel, any potential liability and effect on the financial statements, if any, is not determinable at this time.

C. Component Unit - Contingencies

The South East Area Transit Authority receives a substantial amount of support from federal, state, and local governments. A significant reduction in the level of this support, if such were to occur, would have a material effect on the Authority's programs and activities.

NOTE 26 - SPECIAL ITEMS

The Combined Cash Flow Statement reflects a Special Item: Contract with Port Authority in the amount of \$135,444 which represents the City's share of the payment made on the OWDA loan from the Sewer Enterprise Fund. This expense was recognized pursuant to the cooperative agreement entered into by the City, Muskingum County, and the Zanesville-Muskingum County Port Authority as more fully discussed in Note 17.

This page intentionally left blank.

**CITY OF ZANESVILLE
MUSKINGUM COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2002**

FEDERAL GRANTOR <i>Pass-Through Grantor</i>	Pass-Through Entity	Federal CFDA	Receipts	Disbursements
Program Title	Number	Number		
U.S. DEPARTMENT OF AGRICULTURE				
<i>Passed Through Ohio Department of Education:</i>				
Summer Food Service Program for Children	N/A	10.559	<u>\$57,053</u>	<u>\$56,386</u>
Total U.S. Department of Agriculture			57,053	56,386
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
<i>Passed Through Ohio Department of Development:</i>				
Community Development Block Grant / State's Program	A-C-00-204-1	14.228	26,840	26,840
	A-E-01-204-1	14.228	196,400	196,400
	A-F-00-204-1	14.228	0	66,400
	A-F-01-204-1	14.228	106,750	106,750
	A-F-02-204-1	14.228	8,000	8,000
	A-L-01-204-1	14.228	29,650	29,650
	A-L-02-204-1	14.228	14,950	14,950
	A-M-01-204-1	14.228	7,200	10,850
	A-N-00-204-1	14.228	13,400	13,614
	A-N-02-204-1	14.228	8,695	8,607
	A-T-97-204-1	14.228	0	59,366
		14.228	43,482	20,344
		14.228	58,188	21,277
		14.228	<u>34,102</u>	<u>17,011</u>
Total Community Development Block Grant / State's Program			547,657	600,059
HOME Investment Partnerships Program	A-C-00-204-2	14.239	<u>0</u>	<u>10</u>
Total U.S. Department of Housing and Urban Development			547,657	600,069
U.S. DEPARTMENT OF INTERIOR				
<i>Passed Through Ohio Historical Society:</i>				
Historic Preservation Fund Grants-In-Aid		15.904	<u>13,050</u>	<u>13,050</u>
Total U.S. Department of Interior			13,050	13,050
U.S. DEPARTMENT OF JUSTICE				
<i>Passed Through Ohio Department of Rehabilitation and Correction:</i>				
Local Law Enforcement Block Grants Program	00-LB-VX-0806	16.592		
	00-LB-BX-0362	16.592		22,618
	01-LB-BX-1080	16.592		50,028
	02-LB-BX-2068	16.592	<u>32,188</u>	<u>440</u>
Total Local Law Enforcement Block Grants Program			32,188	73,086
Public Safety, Partnership and Community Policing Grants	1995-CF-WX-2981	16.710	<u>42,533</u>	<u>33,141</u>
Total U.S. Department of Justice			74,721	106,227
U.S. DEPARTMENT OF TRANSPORTATION				
<i>Direct Assistance:</i>				
Airport Improvement Program	3-39-0097-0401	20.106	1,492,363	1,623,784
<i>Passed Through Ohio Department of Transportation:</i>				
Highway Planning and Construction - SR 146/60 Connector	TE21-G000(368)	20.205	31,311	31,311
	TE21-G000(559)	20.205	<u>307,683</u>	<u>307,683</u>
Total Highway Planning and Construction			<u>338,994</u>	<u>338,994</u>
Total U.S. Department of Transportation			1,831,357	1,962,778
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
<i>Passed Through Muskingum County Department of Job and Family Services:</i>				
Temporary Assistance for Needy Families (TANF)	N/A	93.558	<u>0</u>	<u>4,185</u>
Total U.S. Department of Health and Human Services			<u>0</u>	<u>4,185</u>
Total Federal Awards Receipts and Expenditures			<u>\$2,523,838</u>	<u>\$2,742,695</u>

The accompanying Notes to the Schedule of Federal Awards Receipts and Expenditures are an integral part of this Schedule.

**CITY OF ZANESVILLE
MUSKINGUM COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2002**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) is a summary of the City's federal award programs. The Schedule has been prepared on the cash basis of accounting.

NOTE B – MATCHING REQUIREMENTS

Certain federal programs require the City to contribute non-federal funds (matching funds) to support the federally funded programs. The City has complied with the matching requirements. The expenditures of non-federal matching funds are not included on the Schedule.

NOTE C – LOANS OUTSTANDING

The City has established a revolving loan program to provide low-interest loans to businesses to create jobs for persons from low to moderate income households. The U.S. Department of Housing and Urban Development (HUD) grants the money for these loans to the City, passed through the State Department of Development. The initial loan of this money is recorded as a disbursement on the Schedule. Loans repaid, including interest, are used to make additional loans. Such subsequent loans are subject to certain compliance requirements imposed by HUD. Significant delinquencies existing at December 31, 2002 were \$64,108 in principal and \$21,202 in interest for outstanding Housing Program loans.

The City had the following loan balances outstanding at December 31, 2002:

<u>Program Title</u>	<u>CFDA Number</u>	<u>Amount Outstanding</u>
CDBG Economic Development Revolving Loan Fund Program	14.228	\$ 302,959
CDBG Housing Program	14.228	\$ 195,427

NOTE D – SUB-RECIPIENTS

The City passes through the Federal Emergency Shelter Grant Program assistance from the State Department of Development to the Salvation Army, a not-for-profit corporation. This program is identified on the accompanying Schedule of Federal Awards Receipts and Expenditures as Community Development Block Grant Programs A-L-01-204-1 and A-L-02-204-1 in the amounts of \$29,650 and \$14,950, respectively. As described in Note 1, the City records expenditures of federal awards to sub-recipients when paid in cash.

The sub-recipient agency has certain compliance responsibilities related to administering this federal program. Under *OMB Circular A-133*, the City is responsible for monitoring sub-recipients to help assure that federal awards are used for authorized purposes in compliance with laws, regulations and the provisions of contracts or grant agreements, and the performance goals are achieved.



Auditor of State Betty Montgomery

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

City of Zanesville
Muskingum County
401 Market Street
Zanesville, Ohio 43701

To the City Council:

We have audited the accompanying financial statements of the City of Zanesville, Muskingum County, Ohio (the City), as of and for the year ended December 31, 2002, and have issued our report thereon dated December 19, 2003. We did not audit the financial statements of the South East Area Transit Authority which represents all assets and revenues of the component unit column. Those financial statements were audited by other auditors, following *Government Auditing Standards*, and their report thereon has been furnished to us. Our opinion, insofar as it relates to the amounts included for the component unit, is based on the report of other auditors. We conducted our audit in accordance with auditing standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City'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 2002-001. We also noted certain immaterial instances of noncompliance that we have reported to management of the City in a separate letter dated December 19, 2003.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City'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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of the City in a separate letter dated December 19, 2003.

743 E. State St. / Athens Mall Suite B / Athens, OH 45701
Telephone: (740) 594-3300 (800) 441-1389 Fax: (740) 594-2110
www.auditor.state.oh.us

This report is intended solely for the information and use of the audit committee, management, the City Council and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

December 19, 2003



**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

City of Zanesville
Muskingum County
401 Market Street
Zanesville, Ohio 43701

To the City Council:

Compliance

We have audited the compliance of the City of Zanesville, Muskingum County, Ohio (the "City"), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal programs for the year ended December 31, 2002. The City's major federal programs are identified in the Summary of Auditor's Results Section of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2002. We noted an instance of noncompliance that does not require inclusion in this report that we have reported to the management of the City in a separate letter dated December 19, 2003.

Internal Control Over Financial Reporting

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. 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 noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, the City Council and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

December 19, 2003

**CITY OF ZANESVILLE
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 §.505
FOR THE YEAR ENDED DECEMBER 31, 2002**

1. SUMMARY OF AUDITOR'S RESULTS
--

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified.
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No.
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No.
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes.
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No.
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No.
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified.
(d)(1)(vi)	Are there any reportable findings under § .510?	No.
(d)(1)(vii)	Major Programs (list):	Community Development Block Grants/State's Program (CFDA #14.228) Airport Improvement Program (CFDA #20.106)
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No.

CITY OF ZANESVILLE
MUSKINGUM COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 §.505
FOR THE YEAR ENDED DECEMBER 31, 2002
(Continued)

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

Finding Number	2002-001
-----------------------	-----------------

Noncompliance Citation – Deficit Fund (Cash) Balance

Ohio Rev. Code § 5705.10 requires all revenue derived from a specific source to be credited to a special fund for the purpose for which the money was received. A deficit cash fund balance indicates that monies from other funds have been used to pay obligations of the fund(s) with the deficit balance.

Payments totaling more than \$1,000,000 were made from the Airport Capital Equipment Fund in October of 2002. These payments were made to contractors for improvements at the Zanesville Municipal Airport. Sufficient funds were not available and, as a result, a deficit cash fund balance of \$902,743 existed at October 31, 2002 in the Airport Capital Equipment Fund. In addition to the Airport Capital Equipment Fund, the following funds had deficit cash fund balances at various times throughout 2002:

- Fund**
-
- Police Expenditure (#201)
 - Transit Improvement (#207)
 - Jail Reduction (#260)
 - Riverside Park Improvement (#301)
 - Community Development Admin (#304)
 - Vehicle Maintenance (#700)
 - Fire Pension (#801)
 - Summer Lunch (#208)
 - OHPO-CLG Grant (#316)
 - New Horizons Grant (#318)
 - Sewer System Construction (#612)

We recommend the City monitor fund balances to ensure that moneys from one fund are not used to pay the obligations of another fund. We recommend the City consider an advance to cover these obligations and prevent this noncompliance. Management should refer to Auditor of State Bulletin 97-003 when considering inter-fund cash advances.

3. FINDINGS FOR FEDERAL AWARDS

No items to report.

**CITY OF ZANESVILLE
MUSKINGUM COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 §.315 (b)
FOR THE YEAR ENDED DECEMBER 31, 2002**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2001-21060-001	Significant weaknesses were noted in the City's financial reporting and accounting of capital assets.	No.	Partially corrected. Improvement has been made in this area and now there are only items included within the management letter that would enhance the City's reporting of capital assets.
2001-21060-002	Noncompliance with Fifteen Day Rule for CDBG funds.	Yes.	

This Page is Intentionally Left Blank.



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

CITY OF 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
JANUARY 20, 2004**