

**VILLAGE OF SOUTH ZANESVILLE  
MUSKINGUM COUNTY  
Regular Audit  
For the Years Ended December 31, 2010 and 2009**

***Perry & Associates***  
Certified Public Accountants, A.C.





# Dave Yost • Auditor of State

Members of Village Council  
Village of South Zanesville  
24 East Main Street  
South Zanesville, OH 43701

We have reviewed the *Independent Accountants' Report* of the Village of South Zanesville, Muskingum County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2009 through December 31, 2010. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

June 3, 2011

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**VILLAGE OF SOUTH ZANESVILLE  
MUSKINGUM COUNTY**

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***Perry & Associates***  
**Certified Public Accountants, A.C.**  
www.perrycpas.com

MARIETTA  
428 Second Street  
Marietta, OH 45750  
(740) 373-0056  
(740) 373-2402 Fax

PARKERSBURG  
1035 Murdoch Avenue  
Parkersburg, WV 26101  
(304) 422-2203  
(304) 428-5587 Fax

ST. CLAIRSVILLE  
121 E Main Street  
St. Clairsville, OH 43950  
(740) 695-1569  
(740) 695-5775 Fax

**INDEPENDENT ACCOUNTANTS' REPORT**

April 25, 2011

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

To the Village Council:

We have audited the accompanying financial statements of **Village of South Zanesville**, Muskingum County, Ohio, (the Village) as of and for the years ended December 31, 2010 and 2009. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of the State permits, but does not require Villages to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

Village of South Zanesville  
Muskingum County  
Independent Accountants' Report  
Page 2

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2010 and 2009 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2010 and 2009 or their changes in financial position or cash flows, where applicable for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village of South Zanesville, Muskingum County, Ohio, as of December 31, 2010 and 2009, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 25, 2011, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Respectfully Submitted,



**Perry and Associates**  
Certified Public Accountants, A.C.



**VILLAGE OF SOUTH ZANESVILLE  
MUSKINGUM COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Governmental Fund Types</u>				<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>					
Property and Local Taxes	\$ 58,703	\$ 26,477	\$ -	\$ -	\$ 85,180
Municipal Income Tax	323,696	-	-	-	323,696
Intergovernmental	90,548	74,157	-	-	164,705
Special Assessments	-	19,029	-	-	19,029
Charges for Services	66,324	642	-	-	66,966
Fines, Licenses, and Permits	7,821	775	-	-	8,596
Earnings on Investments	287	126	-	-	413
Miscellaneous	24,536	1,322	-	-	25,858
Total Cash Receipts	<u>571,915</u>	<u>122,528</u>	<u>-</u>	<u>-</u>	<u>694,443</u>
<b>Cash Disbursements:</b>					
Current:					
Security of Persons and Property	154,069	5,640	-	-	159,709
Leisure Time Activities	30,425	-	-	-	30,425
Transportation	2,500	100,572	-	-	103,072
General Government	146,306	700	-	-	147,006
Debt Service:					
Redemption of Principal	-	-	40,000	25,425	65,425
Interest and Fiscal Charges	-	-	32,210	2,719	34,929
Capital Outlay	89,833	23,741	-	-	113,574
Total Cash Disbursements	<u>423,133</u>	<u>130,653</u>	<u>72,210</u>	<u>28,144</u>	<u>654,140</u>
Total Cash Receipts Over/(Under) Disbursements	<u>148,782</u>	<u>(8,125)</u>	<u>(72,210)</u>	<u>(28,144)</u>	<u>40,303</u>
<b>Other Financing Receipts/(Disbursements):</b>					
Transfers-In	-	-	72,210	28,144	100,354
Transfers-Out	(100,354)	-	-	-	(100,354)
Total Other Financing Receipts/(Disbursements)	<u>(100,354)</u>	<u>-</u>	<u>72,210</u>	<u>28,144</u>	<u>-</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	48,428	(8,125)	-	-	40,303
Fund Cash Balances, January 1	<u>36,301</u>	<u>96,916</u>	<u>-</u>	<u>-</u>	<u>133,217</u>
<b>Fund Cash Balances, December 31</b>	<u><b>\$ 84,729</b></u>	<u><b>\$ 88,791</b></u>	<u><b>\$ -</b></u>	<u><b>\$ -</b></u>	<u><b>\$ 173,520</b></u>
Reserve for Encumbrances, December 31	<u>\$ 14,547</u>	<u>\$ 1,408</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,955</u>

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

**VILLAGE OF SOUTH ZANESVILLE  
MUSKINGUM COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL PROPRIETARY FUND TYPES AND FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
<b>Operating Cash Receipts:</b>			
Charges for Services	\$ 801,430	\$ -	\$ 801,430
Total Operating Cash Receipts	<u>801,430</u>	<u>-</u>	<u>801,430</u>
<b>Operating Cash Disbursements:</b>			
Personal Services	115,503	-	115,503
Fringe Benefits	81,065	-	81,065
Contractual Services	353,430	-	353,430
Supplies and Materials	22,672	-	22,672
Other	12,447	-	12,447
Total Operating Cash Disbursements	<u>585,117</u>	<u>-</u>	<u>585,117</u>
Operating Income/(Loss)	<u>216,313</u>	<u>-</u>	<u>216,313</u>
<b>Non-Operating Cash Receipts:</b>			
Note Proceeds	168,525	-	168,525
Earnings on Investments	305	-	305
Other Non-Operating Cash Receipts	752	10,484	11,236
Total Non-Operating Cash Receipts	<u>169,582</u>	<u>10,484</u>	<u>180,066</u>
<b>Non-Operating Cash Disbursements:</b>			
Capital Outlay	(239,367)	-	(239,367)
Debt Service:			
Redemption of Principal	(11,719)	-	(11,719)
Interest and Fiscal Charges	(2,906)	-	(2,906)
Other Non-Operating Cash Disbursements	-	(11,440)	(11,440)
Total Nonoperating Cash Disbursements	<u>(253,992)</u>	<u>(11,440)</u>	<u>(265,432)</u>
Excess of Cash Receipts Over/(Under) Cash Disbursements	131,903	(956)	130,947
Fund Cash Balances, January 1	<u>252,043</u>	<u>1,265</u>	<u>253,308</u>
<b>Fund Cash Balances, December 31</b>	<u><b>\$ 383,946</b></u>	<u><b>\$ 309</b></u>	<u><b>\$ 384,255</b></u>
Reserve for Encumbrances, December 31	<u><u>\$ 10,571</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 10,571</u></u>

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

**VILLAGE OF SOUTH ZANESVILLE  
MUSKINGUM COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Governmental Fund Types</u>				<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>					
Property and Local Taxes	\$ 60,661	\$ 25,414	\$ -	\$ -	\$ 86,075
Municipal Income Tax	305,719	-	-	-	305,719
Intergovernmental	50,900	79,086	-	-	129,986
Special Assessments	-	20,690	-	-	20,690
Charges for Services	49,664	779	-	-	50,443
Fines, Licenses, and Permits	9,869	1,420	-	-	11,289
Earnings on Investments	542	237	-	-	779
Miscellaneous	21,889	5,741	-	-	27,630
Total Cash Receipts	<u>499,244</u>	<u>133,367</u>	<u>-</u>	<u>-</u>	<u>632,611</u>
<b>Cash Disbursements:</b>					
Current:					
Security of Persons and Property	156,584	100	-	-	156,684
Leisure Time Activities	1,865	-	-	-	1,865
Transportation	2,500	103,929	-	-	106,429
General Government	144,460	1,000	-	-	145,460
Debt Service:					
Redemption of Principal	-	-	35,000	24,115	59,115
Interest and Fiscal Charges	-	-	33,890	4,029	37,919
Capital Outlay	74,836	20,802	-	-	95,638
Total Cash Disbursements	<u>380,245</u>	<u>125,831</u>	<u>68,890</u>	<u>28,144</u>	<u>603,110</u>
Total Cash Receipts Over/(Under) Disbursements	<u>118,999</u>	<u>7,536</u>	<u>(68,890)</u>	<u>(28,144)</u>	<u>29,501</u>
<b>Other Financing Receipts/(Disbursements):</b>					
Transfers-In	-	-	68,838	28,103	96,941
Transfers-Out	(96,941)	-	-	-	(96,941)
Total Other Financing Receipts/(Disbursements)	<u>(96,941)</u>	<u>-</u>	<u>68,838</u>	<u>28,103</u>	<u>-</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	22,058	7,536	(52)	(41)	29,501
Fund Cash Balances, January 1	<u>14,243</u>	<u>89,380</u>	<u>52</u>	<u>41</u>	<u>103,716</u>
<b>Fund Cash Balances, December 31</b>	<u><b>\$ 36,301</b></u>	<u><b>\$ 96,916</b></u>	<u><b>\$ -</b></u>	<u><b>\$ -</b></u>	<u><b>\$ 133,217</b></u>
Reserve for Encumbrances, December 31	<u>\$ 7,684</u>	<u>\$ 1,792</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,476</u>

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

**VILLAGE OF SOUTH ZANESVILLE  
MUSKINGUM COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL PROPRIETARY FUND TYPES AND FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
<b>Operating Cash Receipts:</b>			
Charges for Services	\$ 723,037	\$ -	\$ 723,037
Total Operating Cash Receipts	<u>723,037</u>	<u>-</u>	<u>723,037</u>
<b>Operating Cash Disbursements:</b>			
Personal Services	126,085	-	126,085
Fringe Benefits	80,182	-	80,182
Contractual Services	395,592	-	395,592
Supplies and Materials	24,459	-	24,459
Other	12,594	-	12,594
Total Operating Cash Disbursements	<u>638,912</u>	<u>-</u>	<u>638,912</u>
Operating Income/(Loss)	<u>84,125</u>	<u>-</u>	<u>84,125</u>
<b>Non-Operating Cash Receipts:</b>			
Earnings on Investments	576	-	576
Other Non-Operating Cash Receipts	20,313	13,126	33,439
Total Non-Operating Cash Receipts	<u>20,889</u>	<u>13,126</u>	<u>34,015</u>
<b>Non-Operating Cash Disbursements:</b>			
Capital Outlay	(12,803)	-	(12,803)
Debt Service:			
Redemption of Principal	(11,098)	-	(11,098)
Interest and Fiscal Charges	(3,171)	-	(3,171)
Other Non-Operating Cash Disbursements	-	(13,905)	(13,905)
Total Nonoperating Cash Disbursements	<u>(27,072)</u>	<u>(13,905)</u>	<u>(40,977)</u>
Excess of Cash Receipts Over/(Under) Cash Disbursements	77,942	(779)	77,163
Fund Cash Balances, January 1	<u>174,101</u>	<u>2,044</u>	<u>176,145</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$ 252,043</u></b>	<b><u>\$ 1,265</u></b>	<b><u>\$ 253,308</u></b>
Reserve for Encumbrances, December 31	<u>\$ 3,528</u>	<u>\$ -</u>	<u>\$ 3,528</u>

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

**VILLAGE OF SOUTH ZANESVILLE  
MUSKINGUM COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

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

The Village's management believes these financial statements present all activities for which the Village is financially accountable.

**B. Accounting Basis**

These financial statements follow the accounting basis the Auditor of State prescribes or permits. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matter, as the Auditor of State prescribes or permits.

**C. Deposits and Investments**

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

Money market mutual funds (including STAR Ohio) are recorded at share values the mutual fund reports.

**D. Fund Accounting**

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

**1. General Fund**

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

**VILLAGE OF SOUTH ZANESVILLE  
MUSKINGUM COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Fund Accounting (Continued)**

**2. Special Revenue Funds**

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

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

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

**3. Debt Service Funds**

These funds account for resources the Village accumulates to pay bond and note debt. The Village had the following significant Debt Service Fund:

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

**4. Capital Project Funds**

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Village had the following significant capital project fund:

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

**5. Enterprise Funds**

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

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

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

**VILLAGE OF SOUTH ZANESVILLE  
MUSKINGUM COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Fund Accounting (Continued)**

**5. Enterprise Funds (Continued)**

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

**6. Fiduciary Funds (Agency Funds)**

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village had the following significant Fiduciary Fund:

Mayor's Court Fund – This Agency Fund receives fines and forfeitures from police department citations. These monies are divided between the Village and the State, as prescribed by law.

**E. Budgetary Process**

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

**1. Appropriations**

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

**2. Estimated Resources**

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must also approve estimated resources.

**3. Encumbrances**

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

A summary of 2010 and 2009 budgetary activity appears in Note 3.

**VILLAGE OF SOUTH ZANESVILLE  
MUSKINGUM COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**F. Property, Plant and Equipment**

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

**G. Accumulated Leave**

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

**2. EQUITY IN POOLED DEPOSITS AND INVESTMENTS**

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

	<u>2010</u>	<u>2009</u>
Demand deposits	\$ 396,354	\$ 225,279
Total deposits	396,354	225,279
STAR Ohio	161,421	161,246
Total investments	<u>161,421</u>	<u>161,246</u>
Total deposits and investments	<u>\$ 557,775</u>	<u>\$ 386,525</u>

**Deposits:** Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by securities specifically pledged by the financial institution to the Village; or collateralized by the financial institution's public entity deposit pool.

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



**VILLAGE OF SOUTH ZANESVILLE  
MUSKINGUM COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ended December 31, 2010 and 2009 follows:

**2010 Budgeted vs. Actual Receipts**

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 570,030	\$ 571,915	\$ 1,885
Special Revenue	129,855	122,528	(7,327)
Debt Service	144,420	72,210	(72,210)
Capital Projects	56,288	28,144	(28,144)
Enterprise	979,828	971,012	(8,816)
Total	<u>\$ 1,880,421</u>	<u>\$ 1,765,809</u>	<u>\$ (114,612)</u>

**2010 Budgeted vs. Actual Budgetary Basis Expenditures**

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 606,331	\$ 538,034	\$ 68,297
Special Revenue	148,500	132,061	16,439
Debt Service	72,210	72,210	-
Capital Projects	28,144	28,144	-
Enterprise	1,083,270	849,680	233,590
Total	<u>\$ 1,938,455</u>	<u>\$ 1,620,129</u>	<u>\$ 318,326</u>

**2009 Budgeted vs. Actual Receipts**

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 602,547	\$ 499,244	\$ (103,303)
Special Revenue	133,033	133,367	334
Debt Service	137,688	68,838	(68,850)
Capital Projects	56,253	28,103	(28,150)
Enterprise	793,498	743,926	(49,572)
Total	<u>\$ 1,723,019</u>	<u>\$ 1,473,478</u>	<u>\$ (249,541)</u>

**2009 Budgeted vs. Actual Budgetary Basis Expenditures**

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 581,834	\$ 484,870	\$ 96,964
Special Revenue	151,557	127,623	23,934
Debt Service	68,890	68,890	-
Capital Projects	28,144	28,144	-
Enterprise	854,261	669,512	184,749
Total	<u>\$ 1,684,686</u>	<u>\$ 1,379,039</u>	<u>\$ 305,647</u>

**VILLAGE OF SOUTH ZANESVILLE  
MUSKINGUM COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**4. DEBT**

Debt outstanding at December 31, 2010 was as follows:

	<b>Principal</b>	<b>Interest Rate</b>
Ohio Public Works Commission - Water Main Loan	4,373	2.00%
Ohio Public Works Commission - Water Meter Loan	168,525	0.00%
Construction Loan – Paving and Building	40,494	4.75%
Ohio Water Development Authority - 4815	61,422	4.11%
Municipal Building Bonds	597,739	5.15%
Total	\$ 872,553	

The Ohio Public Works Commission (OPWC)- Water Main loan relating to the waterline replacement and west side water main projects will be repaid in semiannual installments of \$206 for the waterline replacement and \$2,219 for the west side water main, including interest, over 10 years. The loan was originally issued in 2001 in the amount of \$3,714 and \$40,046. The loan is collateralized by water receipts. The Village has agreed to set utility rates sufficient to cover OPWC debt service requirements. The waterline replacement loan was paid off during the audit period. The west side water main loan is scheduled to be paid off in 2011.

The Ohio Public Works Commission (OPWC) loan relating to the water meter project will be repaid in semiannual installments of \$8,426, over 10 years. The loan was originally issued in 2010 in the amount \$168,525. The loan is collateralized by water receipts. The Village has agreed to set utility rates sufficient to cover OPWC debt service requirements.

The Construction Loan – Paving and Building loan relates to the improvement projects including paving alleys and construction of building will be repaid in quarterly installments of \$7,063, including interest, over 5 years. The loan was originally issued on August 8, 2007 and last payment is scheduled June 30, 2012.

The Ohio Water Development Authority (OWDA) loan #4815 was to make improvements to the water systems. The loan will be repaid through the Water Fund in semi-annual installments of \$5,271, including interest, over 10 years. This loan was issued on December 31, 2007 in the amount of \$85,731, no monies were disbursed in 2007 and \$82,841 in 2008. The loan is collateralized by water receipts. The Village had agreed to set utility rates sufficient to cover OWDA debt service requirements.

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

**VILLAGE OF SOUTH ZANESVILLE  
MUSKINGUM COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**4. DEBT (Continued)**

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

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

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

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

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

Year ending December 31:	OPWC Line Replace Loans	OPWC Water Meter Loan	Construction Loan	OWDA Loan 4815	Municipal Buildings Bonds
2011	4,438	16,852	28,144	10,186	74,500
2012	-	16,852	14,072	10,186	77,200
2013	-	16,852	-	10,186	74,613
2014	-	16,852	-	10,186	77,025
2015	-	16,852	-	10,186	74,150
2016-2020	-	84,265	-	40,744	373,601
2021-2025	-	-	-	-	74,025
Total	<u>\$ 4,438</u>	<u>\$ 168,525</u>	<u>\$ 42,216</u>	<u>\$ 91,674</u>	<u>\$ 825,114</u>

**5. LEASE OBLIGATION**

The Village entered into a ten year lease for the acquisition of a new fire truck during 2008 with Oshkosh Capital, Inc. This lease required the Village to make payments of \$28,392 semi-annually beginning September 2008 until paid in full in 2017. The Village made payments totaling \$56,783 during the audit period.

**VILLAGE OF SOUTH ZANESVILLE  
MUSKINGUM COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**6. PROPERTY TAX**

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

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

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30. The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Village.

**7. LOCAL INCOME TAX**

In November of 2004, residents of the Village authorized an additional .5 percent municipal income tax. The Village now levies a municipal income tax of 1.5 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

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

**8. RETIREMENT SYSTEMS**

The Village's law enforcement officers belong to the Police and Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2010 and 2009, OP&F participants contributed 10% of their wages. For 2010 and 2009, the Village contributed to OP&F an amount equal to 19.5% of police participant wages. For 2010 and 2009, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2010.

**VILLAGE OF SOUTH ZANESVILLE  
MUSKINGUM COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**9. RISK MANAGEMENT**

**Risk Pool Membership**

Through December 31, 2008, the Village belonged to the Ohio Government Risk Management Plan (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan was legally separate from its member governments.

On January 1, 2009, through an internal reorganization, the Plan created three separate non-profit corporations including:

- Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Risk Management Plan;
- Ohio Plan Healthcare Consortium, Inc. (OPHC) - formerly known as the Ohio Healthcare Consortium; and
- Ohio Plan, Inc. - mirrors the oversight function previously performed by the Board of Directors. Council consists of six (6) members that include appointed and elected officials from member organizations.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio. These coverage programs, referred to as Ohio Plan Risk management ("OPRM"), are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss, except OPRM retain 17.5% (15% through October 31, 2009) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 725 members as of December 31, 2009. The Village participates in this coverage.

The Plan formed the Ohio Plan Healthcare Consortium ("OPHC"), as authorized by Section 9.833 of the Ohio Revised Code. The OPHC was established to provide cost effective employee benefit programs for Ohio political sub-divisions and is a self-funded, group purchasing consortium that offers medical, dental, vision and prescription drug coverage as well as life insurance for its members. The OPHC is sold through seventeen appointed independent agents in the State of Ohio. Coverage programs are developed specific to each member's healthcare needs and the related premiums for coverage are determined through the application of uniform underwriting criteria. Variable plan options are available to members. These plans vary primarily by deductibles, coinsurance levels, office visit co-pays and out-of pocket maximums. OPHC had 60 members as of December 31, 2009. The Village participates in this coverage.

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

**VILLAGE OF SOUTH ZANESVILLE  
MUSKINGUM COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**9. RISK MANAGEMENT (Continued)**

**Risk Pool Membership (Continued)**

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

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2009 and 2008 (the latest information available), and include amounts for both OPRM and OPHC:

	<u>2009 OPRM</u>	<u>2009 OPHC</u>	<u>2009</u>	<u>2008</u>
Assets	\$11,176,186	\$1,358,802	\$12,534,988	\$10,471,114
Liabilities	<u>(4,852,485)</u>	<u>(1,253,617)</u>	<u>(6,106,102)</u>	<u>(5,286,781)</u>
Members' Equity	<u>\$6,323,701</u>	<u>\$105,185</u>	<u>\$6,428,886</u>	<u>\$5,184,333</u>

You can read the complete audited financial statements for OPRM and OPHC at the Plan's website, [www.ohioplan.org](http://www.ohioplan.org).

**10. CONTINGENT LIABILITIES**

**Grants**

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor. Grantors may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

***Perry & Associates***  
**Certified Public Accountants, A.C.**

www.perrycpas.com

MARIETTA  
428 Second Street  
Marietta, OH 45750  
(740) 373-0056  
(740) 373-2402 Fax

PARKERSBURG  
1035 Murdoch Avenue  
Parkersburg, WV 26101  
(304) 422-2203  
(304) 428-5587 Fax

ST. CLAIRSVILLE  
121 E Main Street  
St. Clairsville, OH 43950  
(740) 695-1569  
(740) 695-5775 Fax

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

April 25, 2011

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

To the Village Council:

We have audited the financial statements of **Village of South Zanesville**, Muskingum County, Ohio (the Village) as of and for the years ended December 31, 2010 and 2009, and have issued our report thereon dated April 25, 2011, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

**Internal Control over Financial Reporting**

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be considered significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of audit findings, we identified a certain deficiency in internal control over financial reporting that we consider a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Village's financial statements will not be prevented, or detected and timely corrected. We consider finding 2010-001 described in the accompanying schedule of audit findings to be a material weakness.

### **Compliance and Other Matters**

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters that we must report under *Government Auditing Standards*.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated April 25, 2011.

We intend this report solely for the information and use of management, Village Council and others within the Village. We intend it for no one other than these specified parties.

Respectfully Submitted,

A handwritten signature in cursive script that reads "Perry & Associates CPAs A.C.".

**Perry and Associates**  
Certified Public Accountants, A.C.



**VILLAGE OF SOUTH ZANESVILLE  
MUSKINGUM COUNTY**

**SCHEDULE OF AUDIT FINDINGS  
December 31, 2010 and 2009**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2010-001**

**Material Weakness**

**Posting Receipts and Expenditures**

Receipts and expenditures should be posted to the fund and line item accounts as established by Ohio Administrative Code.

During 2010 and 2009, several receipts and expenditures were not posted into accurate classifications based on the source of the receipt or expenditure. The following posting errors were noted:

- Principal payments were recorded as Interest and Fiscal Charges and Capital Outlay instead of Redemption of Principal
- Lease payments were recorded as Principal and Interest and Fiscal Charges instead of Capital Outlay
- Loan proceeds and corresponding capital outlay from Ohio Public Works Commission were not recorded in the Village's accounting system
- Homestead, rollback and personal property tax reimbursement receipts were posted as Property and Local Taxes instead of Intergovernmental
- Mayor's Court activity was not properly recorded in the Agency Fund
- Utility receipts were recorded as Special Assessments instead of Charges for Services in the Enterprise fund type.

Not posting revenues and disbursements accurately resulted in the financial statements requiring several reclassifications. The accompanying financial statements reflect all reclassifications.

To help ensure accuracy and reliability in the financial reporting process, we recommend management perform a detailed review of its draft financial statements. Such review should include procedures to ensure that all sources of revenues and expenditures are properly identified and classified on the financial statements.

We also recommend the Fiscal Officer refer to the Ohio Village Handbook and Ohio Administration Code for guidance to determine the proper establishment of receipt and expenditure accounts and posting of receipts and expenditures.

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

**VILLAGE OF SOUTH ZANESVILLE  
MUSKINGUM COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2010 AND 2009**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2008-001	ORC Section 5705.41(D) – Expenditures were made without the fiscal officer’s prior certification.	Yes	N/A
2008-002	Posting of Receipts and Expenditures	No	Not Corrected; Repeated as Finding 2010-001
2008-003	Posting Estimated Revenues and Expenditures	No	Partially Corrected; Moved to the Management Letter



# Dave Yost • Auditor of State

VILLAGE OF SOUTH ZANESVILLE

MUSKINGUM COUNTY

## CLERK'S CERTIFICATION

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
JUNE 16, 2011