



Dave Yost • Auditor of State



VILLAGE OF SOUTH ZANESVILLE  
MUSKINGUM COUNTY

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

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

To the Village Council:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements and related notes of the Village of South Zanesville, Muskingum County, Ohio (the Village), as of and for the years ended December 31, 2012 and 2011.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fair presenting financial statements free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As described in Note 1 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-02-03, which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2012 and 2011, or changes in financial position or cash flows thereof for the year then ended.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of South Zanesville, Muskingum County, Ohio, as of December 31, 2012 and 2011, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permits, described in Note 1.

***Emphasis of Matter***

As discussed in Note 1 to the financial statements, during 2011 the Village adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Our opinion is not modified with respect to this matter.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated May 29, 2013, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



**Dave Yost**  
Auditor of State

Columbus, Ohio

May 29, 2013

**VILLAGE OF SOUTH ZANESVILLE  
MUSKINGUM COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>					
Property and Other Local Taxes	\$52,742	\$27,761			\$80,503
Municipal Income Tax	320,189				320,189
Intergovernmental	42,809	113,427		\$28,504	184,740
Special Assessments		20,356			20,356
Charges for Services	67,393	816			68,209
Fines, Licenses and Permits	8,365	510			8,875
Earnings on Investments	367	160			527
Miscellaneous	86,386	2,330			88,716
<i>Total Cash Receipts</i>	<u>578,251</u>	<u>165,360</u>	<u>\$0</u>	<u>28,504</u>	<u>772,115</u>
<b>Cash Disbursements</b>					
Current:					
Security of Persons and Property	169,167	42,003			211,170
Leisure Time Activities	29,426				29,426
Transportation	2,500	103,894			106,394
General Government	191,435	501			191,936
Capital Outlay	22,594	26,410		28,504	77,508
Debt Service:					
Principal Retirement	351,071	4,680	623,100		978,851
Interest and Fiscal Charges	15,686	848	18,260		34,794
<i>Total Cash Disbursements</i>	<u>781,879</u>	<u>178,336</u>	<u>641,360</u>	<u>28,504</u>	<u>1,630,079</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(203,628)</u>	<u>(12,976)</u>	<u>(641,360)</u>	<u>0</u>	<u>(857,964)</u>
<b>Other Financing Receipts (Disbursements)</b>					
Sale of Bonds	297,440		571,474		868,914
Transfers In			69,888		69,888
Transfers Out	(69,888)				(69,888)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>227,552</u>	<u>0</u>	<u>641,362</u>	<u>0</u>	<u>868,914</u>
<i>Net Change in Fund Cash Balances</i>	23,924	(12,976)	2	0	10,950
<i>Fund Cash Balances, January 1</i>	<u>88,607</u>	<u>112,074</u>	<u>0</u>	<u>0</u>	<u>200,681</u>
<b>Fund Cash Balances, December 31</b>					
Nonspendable					0
Restricted		98,419			98,419
Committed	16,727	679			17,406
Assigned			2		2
Unassigned (Deficit)	95,804				95,804
<i>Fund Cash Balances, December 31</i>	<u>\$112,531</u>	<u>\$99,098</u>	<u>\$2</u>	<u>\$0</u>	<u>\$211,631</u>

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

**VILLAGE OF SOUTH ZANESVILLE  
MUSKINGUM COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL PROPRIETARY AND FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	Proprietary Fund Types	Fiduciary Fund Types	Totals
	Enterprise	Agency	(Memorandum Only)
<b>Operating Cash Receipts</b>			
Charges for Services	\$823,524		\$823,524
<i>Total Operating Cash Receipts</i>	<u>823,524</u>	<u>\$0</u>	<u>823,524</u>
<b>Operating Cash Disbursements</b>			
Personal Services	119,418		119,418
Employee Fringe Benefits	89,893		89,893
Contractual Services	398,491		398,491
Supplies and Materials	77,961		77,961
Other	27,462		27,462
<i>Total Operating Cash Disbursements</i>	<u>713,225</u>	<u>0</u>	<u>713,225</u>
<i>Operating Income (Loss)</i>	<u>110,299</u>	<u>0</u>	<u>110,299</u>
<b>Non-Operating Receipts (Disbursements)</b>			
Intergovernmental	53,483		53,483
Special Assessments	1,779		1,779
Earnings on Investments (proprietary funds only)	390		390
Sale of Bonds			0
Other Non-Operating Cash Receipts	14,067	10,652	24,719
Capital Outlay	(113,727)		(113,727)
Principal Retirement	(35,224)		(35,224)
Interest and Other Fiscal Charges	(4,158)		(4,158)
Other Non-Operating Cash Disbursements		(10,815)	(10,815)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(83,390)</u>	<u>(163)</u>	<u>(83,553)</u>
<i>Income (Loss) before Capital Contributions, Special Item, Extraordinary Item, Transfers and Advances</i>	26,909	(163)	26,746
Transfers In	12	75	87
Transfers Out	(75)	(12)	(87)
<i>Net Change in Fund Cash Balances</i>	26,846	(100)	26,746
<i>Fund Cash Balances, January 1</i>	<u>463,017</u>	<u>175</u>	<u>463,192</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$489,863</u></u>	<u><u>\$75</u></u>	<u><u>\$489,938</u></u>

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

**VILLAGE OF SOUTH ZANESVILLE  
MUSKINGUM COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>					
Property and Other Local Taxes	\$57,419	\$25,257			\$82,676
Municipal Income Tax	309,152				309,152
Intergovernmental	52,281	128,035		\$16,680	196,996
Special Assessments		18,898			18,898
Charges for Services	68,590	587			69,177
Fines, Licenses and Permits	5,485	215			5,700
Earnings on Investments	331	145			476
Miscellaneous	37,648	2,308			39,956
<i>Total Cash Receipts</i>	<u>530,906</u>	<u>175,445</u>	<u>\$0</u>	<u>16,680</u>	<u>723,031</u>
<b>Cash Disbursements</b>					
Current:					
Security of Persons and Property	168,687	34,369			203,056
Leisure Time Activities	31,675				31,675
Transportation	2,500	134,889			137,389
General Government	154,780	487			155,267
Capital Outlay	14,169	20,155		16,680	51,004
Debt Service:					
Principal Retirement	54,533	2,383	40,000	13,185	110,101
Interest and Fiscal Charges	16,322	379	30,290	887	47,878
<i>Total Cash Disbursements</i>	<u>442,666</u>	<u>192,662</u>	<u>70,290</u>	<u>30,752</u>	<u>736,370</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>88,240</u>	<u>(17,217)</u>	<u>(70,290)</u>	<u>(14,072)</u>	<u>(13,339)</u>
<b>Other Financing Receipts (Disbursements)</b>					
Sale of Bonds		25,000			25,000
Sale of Capital Assets		15,500			15,500
Transfers In			70,290	14,072	84,362
Transfers Out	(84,362)				(84,362)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(84,362)</u>	<u>40,500</u>	<u>70,290</u>	<u>14,072</u>	<u>40,500</u>
<i>Net Change in Fund Cash Balances</i>	3,878	23,283	0	0	27,161
<i>Fund Cash Balances, January 1</i>	<u>84,729</u>	<u>88,791</u>	<u>0</u>	<u>0</u>	<u>173,520</u>
<b>Fund Cash Balances, December 31</b>					
Nonspendable					0
Restricted		112,074			112,074
Committed	14,547				14,547
Assigned					0
Unassigned (Deficit)	74,060				74,060
<i>Fund Cash Balances, December 31</i>	<u>\$88,607</u>	<u>\$112,074</u>	<u>\$0</u>	<u>\$0</u>	<u>\$200,681</u>

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

**VILLAGE OF SOUTH ZANESVILLE  
MUSKINGUM COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL PROPRIETARY AND FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Proprietary Fund Types	Fiduciary Fund Types	Totals
	Enterprise	Agency	(Memorandum Only)
<b>Operating Cash Receipts</b>			
Charges for Services	\$823,590		\$823,590
<i>Total Operating Cash Receipts</i>	<u>823,590</u>	<u>\$0</u>	<u>823,590</u>
<b>Operating Cash Disbursements</b>			
Personal Services	118,698		118,698
Employee Fringe Benefits	88,485		88,485
Contractual Services	458,642		458,642
Supplies and Materials	196,489		196,489
Other	13,289		13,289
<i>Total Operating Cash Disbursements</i>	<u>875,603</u>	<u>0</u>	<u>875,603</u>
<i>Operating Income (Loss)</i>	<u>(52,013)</u>	<u>0</u>	<u>(52,013)</u>
<b>Non-Operating Receipts (Disbursements)</b>			
Intergovernmental	139,431		139,431
Special Assessments	2,258		2,258
Earnings on Investments (proprietary funds only)	352		352
Sale of Bonds	60,000		60,000
Other Non-Operating Cash Receipts	10,701	7,872	18,573
Capital Outlay	(52,657)		(52,657)
Principal Retirement	(25,804)		(25,804)
Interest and Other Fiscal Charges	(3,421)		(3,421)
Other Non-Operating Cash Disbursements		(7,782)	(7,782)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>130,860</u>	<u>90</u>	<u>130,950</u>
<i>Income (Loss) before Capital Contributions, Special Item, Extraordinary Item, Transfers and Advances</i>	<u>78,847</u>	<u>90</u>	<u>78,937</u>
Transfers In	236	12	248
Transfers Out	(12)	(236)	(248)
<i>Net Change in Fund Cash Balances</i>	<u>79,071</u>	<u>(134)</u>	<u>78,937</u>
<i>Fund Cash Balances, January 1</i>	<u>383,946</u>	<u>309</u>	<u>384,255</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$463,017</u></u>	<u><u>\$175</u></u>	<u><u>\$463,192</u></u>

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

**VILLAGE OF SOUTH ZANESVILLE  
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011**

**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 directs 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. This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

**C. Deposits and Investments**

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

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

**D. Fund Accounting**

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

**1. General Fund**

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

**2. Special Revenue Funds**

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

**VILLAGE OF SOUTH ZANESVILLE  
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**D. Fund Accounting (Continued)**

**2. Special Revenue Funds (Continued)**

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

COPS Fast Grant Fund - This fund was established in 2011 for a grant authorized by the U.S. Department of Justice (USDJ). This is a 3 year grant and the funds are provided by the USDJ as requested. These funds pay for one police officer's wages and benefits.

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

**3. Debt Service Funds**

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. 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 the municipal building.

**4. Capital Project Funds**

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant Capital Project Fund:

Community Development Block Grant (CDBG) Fund - This fund records CDBG grant funds spent by Muskingum County on behalf of the Village.

**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 water service costs.

Sewer Fund - This fund receives charges for services from residents to cover sewer service costs.

**VILLAGE OF SOUTH ZANESVILLE  
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(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's agency fund accounts for activity of the Mayor's Court. This fund receives fines and forfeitures from police department citations. These monies are divided between the Village 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 function level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

**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 individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Village did not encumber all commitments required by Ohio law.

A summary of 2012 and 2011 budgetary activity appears in Note 3.

**F. Fund Balance**

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

**VILLAGE OF SOUTH ZANESVILLE  
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**F. Fund Balance (Continued)**

**1. Nonspendable**

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

**2. Restricted**

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

**3. Committed**

Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

**4. Assigned**

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

**5. Unassigned**

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**G. 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.

**H. Accumulated Leave**

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

**VILLAGE OF SOUTH ZANESVILLE  
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)**

**2. Equity in Pooled Deposits and Investments**

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

	2012	2011
Demand deposits	\$539,934	\$502,361
Total deposits	539,934	502,361
STAR Ohio	161,635	161,512
Total investments	161,635	161,512
Total deposits and investments	\$701,569	\$663,873

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

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

**3. Budgetary Activity**

Budgetary activity for the years ending December 31, 2012 and 2011 follows:

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$878,565	\$875,691	(\$2,874)
Special Revenue	162,715	165,360	2,645
Debt Service	642,377	641,362	(1,015)
Capital Projects		28,504	28,504
Enterprise	846,505	893,255	46,750
Total	\$2,530,162	\$2,604,172	\$74,010

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$948,322	\$851,767	\$96,555
Special Revenue	204,875	178,336	26,539
Debt Service	641,362	641,360	2
Capital Projects		28,504	(28,504)
Enterprise	1,076,130	866,409	209,721
Total	\$2,870,689	\$2,566,376	\$304,313

**VILLAGE OF SOUTH ZANESVILLE  
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)**

**3. Budgetary Activity (Continued)**

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$556,101	\$530,906	(\$25,195)
Special Revenue	212,783	215,945	3,162
Debt Service	85,435	70,290	(15,145)
Capital Projects	35,180	30,752	(4,428)
Enterprise	1,054,639	1,036,568	(18,071)
Total	\$1,944,138	\$1,884,461	(\$59,677)

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$593,932	\$527,028	\$66,904
Special Revenue	239,368	192,662	46,706
Debt Service	70,290	70,290	0
Capital Projects	14,072	30,752	(16,680)
Enterprise	1,220,468	957,497	262,971
Total	\$2,138,130	\$1,778,229	\$359,901

Contrary to Ohio Revised Code 5705.41(D), the Village did not properly certify the availability of funds prior to a purchase commitment being made.

**4. Property Tax**

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

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

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

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

**5. Local Income Tax**

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

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

**VILLAGE OF SOUTH ZANESVILLE  
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)**

**6. Debt**

Debt outstanding at December 31, 2012 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
OPWC - Water Meter Upgrade	\$135,500	0.00%
Construction Bonds	61,002	4.00%
OWDA - Sewer Line Upgrade	45,619	4.11%
Municipal Building Refunding Bonds	517,500	2.45%
Fire Truck Bonds	257,440	2.64%
Total	<u>\$1,017,061</u>	

The Ohio Public Works Commission (OPWC) loan relating to a water meter project will be repaid in semiannual installments of \$7,971 over ten years. The loan was originally issued in 2010 and was finalized in 2011 in the amount of \$159,412. The loan is collateralized by water receipts. The Village has agreed to set utility rates sufficient to cover OPWC debt service requirements.

The Construction Bonds relate to the improvement project including paving and repairs of water lines and will be repaid in quarterly installments of \$4,696 including interest, over five years. The loan was originally issued in July 2011 and the last payment is scheduled for June 2016. The faith, revenue and credit of the Village have been pledged for these bonds.

The Ohio Water Development Authority (OWDA) Loan #4815 was for sewer replacement. The loan will be repaid through the Sewer Fund in semi-annual installments of \$5,093, including interest, over ten years. This loan was issued in December 2007 in the amount of \$85,731. The loan is collateralized by sewer receipts. The Village had agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Municipal Building Bonds were issued in January 2012 as a refunding of the 2000 Municipal Building Bonds to refinance the construction of the 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 \$575,000 bonds were issued for the village hall construction and the bonds are being retired from the Bond Retirement Fund in quarterly installment of \$14,375, plus interest.

The Village refinanced the acquisition of a new fire truck in December 2012. These bonds are general obligations of the Village and are intended to be repaid with the Village's Fire Levy passed in November 2012. The \$257,440 bonds will be retired from the Special Revenue Fire Department Fund in quarterly installments of \$13,793, including interest.

**VILLAGE OF SOUTH ZANESVILLE  
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)**

**6. Debt (Continued)**

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

Year ending December 31:	OPWC Water Meter Loan	Construction Bonds	OWDA Loan 4815	Municipal Building Bonds	Fire Truck Bonds
2013	\$15,941	\$18,783	\$10,186	\$69,650	\$55,182
2014	15,941	18,783	10,186	68,242	55,182
2015	15,941	18,783	10,186	66,833	55,182
2016	15,941	9,391	10,186	65,424	55,182
2017	15,941		10,186	64,015	55,182
2018-2021	63,764		5,093	241,974	
Total	<u>\$143,469</u>	<u>\$65,740</u>	<u>\$56,023</u>	<u>\$576,138</u>	<u>\$275,910</u>

**7. Retirement Systems**

The Village's full-time Police 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 2012 and 2011, OP&F participants contributed 10% of their wages. For 2012 and 2011, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. For 2012 and 2011, 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, 2012.

**8. Risk Management**

Prior to 2009, 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. The Board of Trustees consists of eleven (11) 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.

**VILLAGE OF SOUTH ZANESVILLE  
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)**

**8. Risk Management (Continued)**

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 retains 40% (17.5% through October 31, 2010 and 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 761 and 725 members as of December 31, 2010 and 2009 respectively. 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 65 and 60 members as of December 31, 2010 and 2009 respectively. 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.

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: 2010 and 2009 (the latest information available), and include amounts for both OPRM and OPHC:

	<b>2010</b>		<b>2009</b>	
	<b>OPRM</b>	<b>OPHC</b>	<b>OPRM</b>	<b>OPHC</b>
Assets	\$12,036,541	\$1,355,131	\$11,176,186	\$1,358,802
Liabilities	(4,845,056)	(1,055,096)	(4,852,485)	(1,253,617)
Members’ Equity	<u>\$7,191,485</u>	<u>\$300,035</u>	<u>\$6,323,701</u>	<u>\$105,185</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).

**9. Contingent Liabilities**

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

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# Dave Yost • Auditor of State

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

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

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Village of South Zanesville, Muskingum County, Ohio (the Village), as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements, and have issued our report thereon dated May 29, 2013, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permits and adopted GASB Statement No. 54.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying Schedule of 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 internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. We consider finding 2012-02 described in the accompanying Schedule of 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, opining on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards*, which is described in the accompanying Schedule of Findings as item 2012-01.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under Government Auditing Standards in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**Dave Yost**  
Auditor of State

Columbus, Ohio

May 29, 2013

**VILLAGE OF SOUTH ZANESVILLE  
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2012 AND 2011**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
--

**FINDING NUMBER 2012-01**

**Noncompliance**

Ohio Rev. Code Section 5705.41(D) prohibits a subdivision or taxing authority from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Further, contracts and orders for expenditures lacking prior certification shall be null and void.

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

1. "Then and Now" Certificate - If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Village can authorize the drawing of a warrant for the payment of the amount due. The Village has thirty days from receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminated any otherwise applicable requirements for approval of expenditures by the Village.

2. Blanket Certificate - Fiscal officers may prepare "blanket" certificates for a certain sum of money not exceeding an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account and cannot extend beyond the end of the fiscal year. The blanket certificate may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation. Blanket certificates cannot be issued unless there has been an amount approved by the legislative authority for the blanket.

3. Super Blanket Certificate - The Village may also make expenditures and contracts for any amount from a specific line item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

The Village did not properly certify the availability of funds prior to purchase commitment for ten percent of vouchers tested in 2011 and 15 percent of vouchers tested in 2012, and there was no evidence that the Village followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

**VILLAGE OF SOUTH ZANESVILLE  
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2012 AND 2011  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2012-01 (Continued)**

**Noncompliance - Ohio Rev. Code Section 5705.41(D) (Continued)**

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

We recommend the Village certify purchases to which Section 5705.41(D) applies. The Fiscal Officer should sign the certification at the time the Village incurs a commitment, and only when the requirements of Section 5705.41(D) are satisfied.

**FINDING NUMBER 2012-02**

**Material Weakness**

All local public offices shall maintain an accounting system and accounting records sufficient to enable the public officer to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements.

During both 2012 and 2011, receipts and disbursements were posted to improper accounts, and receipts and disbursements for OPWC and CDBG projects were not posted to the accounting system of the Village.

As a result, several entries with which the Village management agrees were made and reflected in the accompanying financial statements, and, where applicable, the accounting records in order to accurately reflect the Village's financial activity.

The errors for the year ended December 31, 2012 were as follows:

- Sewer receipts in the amount of \$66,527 were posted as Special Assessments instead of Charges for Service Receipts in the Sewer Enterprise Fund.
- Receipts in the amount of \$40,000 and \$257,440 received from the issuance of bonds to be used for tree removal due to storm damages and for refinancing of the Village's Fire Truck were posted as Miscellaneous Receipts instead Sale of Bonds in the General Fund.
- Debt payments in the amount of \$40,130 were posted to General Government instead of Principal (\$40,000) and Interest (\$130).
- An adjustment for Intergovernmental Receipts and Capital Outlay Expenditures in the amount of \$28,504 was made for the Muskingum County CDBG Projects completed during the year in the Capital Projects Fund.

**VILLAGE OF SOUTH ZANESVILLE  
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2012 AND 2011  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2012-02 (Continued)**

**Material Weakness (Continued)**

- An adjustment for Intergovernmental Receipts and Capital Outlay Expenditures in the amount of \$53,483 was made for the OPWC Project completed during the year in the Sewer Enterprise Fund.
- An adjustment was made to record the Mayor's Court Agency fund activity of \$163 to the beginning balance, \$10,652 in other non-operating receipts and \$10,815 in other non-operating disbursements.

The errors for the year ended December 31, 2011 were as follows:

- Sewer receipts in the amount of \$65,784 were posted as Special Assessments instead of Charges for Service Receipts in the Sewer Enterprise Fund.
- A receipt in the amount of \$15,500 for the sale of a property owned by the Village was posted as Charges for Services instead of Sale of Capital Assets in the Street, Construction, Maintenance and Repair Fund.
- A receipt in the amount of \$139,432 received from Ohio Public Works Commission (OPWC) was posted as Miscellaneous Receipts instead of Intergovernmental Receipts in the Water Enterprise Fund.
- An adjustment for Intergovernmental Receipts and Capital Outlay Expenditures in the amount of \$16,680 was added for the Muskingum County CDBG Projects completed during the year in the Capital Projects Fund.
- An adjustment was made to record the Mayor's Court Agency fund activity of \$73 to the beginning balance, \$7,872 in other non-operating receipts and \$7,782 in other non-operating disbursements.

We also had several insignificant reclassifications not made to the financial statements as follows:

- A reclassification in the amount of \$16,727 and \$14,547 from Committed Fund Balance to Assigned Fund Balance in the General Fund at December 31, 2012 and 2011, respectively, for outstanding encumbrances.
- A reclassification in the amount of \$679 from Committed Fund Balance to Restricted Fund Balance in the Street Construction, Maintenance, and Repair Special Revenue Fund at December 31, 2012 for outstanding encumbrances.
- A reclassification of \$816 and 587 for 2012 and 2011, respectively, in the Mayor's Court Computer Special Revenue Fund from Charges for Services to Fines, Licenses and Permits.
- A reclassification in the amount of \$1,400 from Miscellaneous Receipts to Intergovernmental Receipts for an Ohio Fire Training Grant in the General Fund for 2011.
- A reclassification in the amount of \$10,316 from Miscellaneous Receipts to Special Assessments for a demolition special assessment in the General Fund for 2011.

The Village should follow guidelines for posting on-behalf-of grants in AOS Bulletin 2000-008 and guidelines for posting daily transactions in the Ohio Village Officer's Handbook available on the Auditor of State's website at the following link:

<http://www.ohioauditor.gov/services/lgs/publications/LocalGovernmentManualsHandbooks/Village%20Officers%20Handbook%202013.pdf>.

VILLAGE OF SOUTH ZANESVILLE  
MUSKINGUM COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2012 AND 2011  
(Continued)

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

FINDING NUMBER 2012-02 (Continued)

**Material Weakness (Continued)**

We recommend that any project funded through OPWC or from other governments be recorded as intergovernmental receipts and capital outlay disbursements and related increases to estimated receipts and appropriations be approved. We recommend receipts be posted to the proper classification. We also recommend that debt payments be recorded as debt service principal and interest payments.

**Officials' Response:** We did not receive a response from Officials to the findings reported above.

**VILLAGE OF SOUTH ZANESVILLE  
MUSKINGUM COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2012 AND 2011**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2010-001	Material Weakness - Posting receipts and expenditures	No	Not Corrected. Re-issued in the Schedule of Findings as finding number 2012-02.

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**VILLAGE OF SOUTH ZANESVILLE**

**MUSKINGUM COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JUNE 11, 2013**