



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

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REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Mayor and Members of City Council:

We have audited the accompanying general purpose financial statements of the City of Zanesville, Muskingum County, Ohio, (the City) as of and for the year ended December 31, 1998. These general purpose financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit. We did not audit the financial statements of the Muskingum Authority of Public Transit which represents 100% of the assets and revenues of the component unit column. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the component unit, is based on the report of other auditors.

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

In our opinion, based on our audit and the report of other auditors, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Zanesville, Muskingum County, as of December 31, 1998, and the results of its operations and cash flows of its proprietary fund types and non-expendable trust funds for the year ended in conformity with generally accepted accounting principles.

As Described in Note 3 to the accompanying general purpose financial statements, during the year ended December 31, 1998, the City changed its method of accounting for investments and deferred compensation.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 17, 2000, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements of the City, taken as a whole. The accompanying schedule of federal awards receipts and expenditures is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

Jim Petro
Auditor of State

February 17, 2000

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**COMBINED BALANCE SHEET
ALL FUND TYPES, ACCOUNT GROUPS, AND
DISCRETELY PRESENTED COMPONENT UNIT
DECEMBER 31, 1998**

<u>Governmental Fund Types</u>				
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
Assets and Other Debits:				
Assets:				
Equity with City Treasurer:				
Equity in Pooled Cash and Cash Equivalents	\$4,392,213	\$2,575,831	\$312,351	\$206,577
Investments	0	25,000	0	0
Cash and Cash Equivalents in Segregated Accounts	1,952	29,451	309	0
Receivables:				
Taxes	1,522,719	606,237	325,861	0
Accounts	447,846	5,773	0	0
Special Assessments	0	0	183,519	0
Accrued Interest	0	64,965	0	0
Loans	0	303,877	0	0
Intergovernmental	115,997	113,966	0	8,539
Due from Other Funds	0	0	0	0
Materials and Supplies Inventory	0	29,433	0	0
Prepaid Items	22,597	22,192	0	985
Funds on Deposit with Deferred Compensation Board	0	0	0	0
Restricted Equity in Pooled Cash and Cash Equivalents	0	0	0	0
Fixed Assets (Net, where applicable, of Accumulated Depreciation)	0	0	0	0
Other Debits:				
Amount to be Provided from General Government Resources	0	0	0	0
Amount to be Provided from Special Assessments	0	0	0	0
Amount Available in Debt Service Fund for Retirement of General Obligation Bonds	0	0	0	0
Amount Available in Debt Service Fund for Retirement of Special Assessment Bonds	0	0	0	0
Total Assets and Other Debits	<u>\$6,503,324</u>	<u>\$3,776,725</u>	<u>\$822,040</u>	<u>\$216,101</u>

<u>Proprietary</u>	<u>Fund Types</u>	<u>Fiduciary</u>	<u>Account Groups</u>		<u>Totals</u> <u>Primary</u> <u>Government</u> <u>(Memorandum</u> <u>Only)</u>	<u>Component</u> <u>Unit</u>	<u>Totals</u> <u>Reporting</u> <u>Entity</u> <u>(Memorandum</u> <u>Only)</u>
		<u>Fund Types</u>	<u>General</u> <u>Fixed</u> <u>Assets</u>	<u>General</u> <u>Long-Term</u> <u>Obligations</u>			
<u>Enterprise</u>	<u>Internal</u> <u>Service</u>	<u>Trust</u> <u>and</u> <u>Agency</u>					
\$6,641,931	\$763,127	\$72,247	\$0	\$0	\$14,964,277	\$44,500	\$15,008,777
143,300	0	11,825	0	0	180,125	0	180,125
25,363	0	0	0	0	57,075	0	57,075
0	0	0	0	0	2,454,817	0	2,454,817
914,858	0	0	0	0	1,368,477	30,471	1,398,948
41,271	0	0	0	0	224,790	0	224,790
836	0	145	0	0	65,946	0	65,946
0	0	0	0	0	303,877	0	303,877
284	498	0	0	0	239,284	0	239,284
0	380,173	0	0	0	380,173	0	380,173
892,257	24,151	0	0	0	945,841	39,335	985,176
28,053	788	0	0	0	74,615	8,147	82,762
0	0	0	0	0	0	0	0
205,801	0	0	0	0	205,801	0	205,801
32,105,498	592,893	0	19,082,740	0	51,781,131	744,681	52,525,812
0	0	0	0	6,958,450	6,958,450	0	6,958,450
0	0	0	0	119,028	119,028	0	119,028
0	0	0	0	171,267	171,267	0	171,267
0	0	0	0	135,972	135,972	0	135,972
<u>\$40,999,452</u>	<u>\$1,761,630</u>	<u>\$84,217</u>	<u>\$19,082,740</u>	<u>\$7,384,717</u>	<u>\$80,630,946</u>	<u>\$867,134</u>	<u>\$81,498,080</u>

(continued)

**COMBINED BALANCE SHEET
ALL FUND TYPES, ACCOUNT GROUPS, AND
DISCRETELY PRESENTED COMPONENT UNIT
DECEMBER 31, 1998
(Continued)**

<u>Governmental Fund Types</u>				
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
Liabilities, Fund Equity, and Other Credits:				
Liabilities:				
Accounts Payable	\$116,852	\$161,264	\$0	\$858
Contracts Payable	0	0	0	0
Accrued Wages and Benefits Paya	124,592	139,236	0	0
Compensated Absences Payable	27,455	28,424	0	0
Retainage Payable	1,952	8,923	0	0
Due to Other Funds	165,705	143,355	0	0
Intergovernmental Payable	255,860	261,354	0	0
Deferred Revenue	933,595	170,243	509,380	0
Other Liabilities	0	0	0	0
Due to Others	0	0	0	0
Matured Interest Payable	0	0	0	0
Accrued Interest Payable	0	0	0	0
Notes Payable	0	0	0	9,437
Claims and Judgments Payable	0	0	0	0
Deferred Compensation Payable	0	0	0	0
Payable from Restricted Assets:				
Customer Deposits	0	0	0	0
Police and Fire Pension Liability	0	0	0	0
Capital Leases Payable	0	0	0	0
OWDA Loans Payable	0	0	0	0
Special Assessment Debt with Governmental Commitment	0	0	0	0
General Obligation Bonds Payable	0	0	0	0
Revenue Bonds Payable	0	0	0	0
Total Liabilities	<u>1,626,011</u>	<u>912,799</u>	<u>509,380</u>	<u>10,295</u>
Fund Equity and Other Credits:				
Investment in General Fixed Asset:	0	0	0	0
Contributed Capital	0	0	0	0
Retained Earnings	0	0	0	0
Fund Balance:				
Reserved for Encumbrances	308,784	245,304	0	110,005
Reserved for Endowment	0	0	0	0
Reserved for Inventory	0	29,433	0	0
Reserved for Loans	0	303,877	0	0
Reserved for Claimants	13,510	0	0	0
Reserved for Prepays	22,597	22,192	0	985
Unreserved	4,532,422	2,263,120	312,660	94,816
Total Fund Equity and Other Credit	<u>4,877,313</u>	<u>2,863,926</u>	<u>312,660</u>	<u>205,806</u>
Total Liabilities, Fund Equity, and Other Credits	<u>\$6,503,324</u>	<u>\$3,776,725</u>	<u>\$822,040</u>	<u>\$216,101</u>

See accompanying notes to the general purpose financial statements

Proprietary	Fund Types	Fiduciary Fund Types		Account Groups		Totals Primary Government (Memorandum Only)	Component Unit	Totals Reporting Entity (Memorandum Only)
		Trust and Agency	General Fixed Assets	General Long-Term Obligations	Enterprise			
\$206,944	\$25,639	\$0	\$0	\$0	\$511,557	\$33,419	\$544,976	
58,650	0	0	0	0	58,650	0	58,650	
95,561	8,498	0	0	0	367,887	63,349	431,236	
258,804	24,098	0	0	886,519	1,225,300	0	1,225,300	
25,363	0	0	0	0	36,238	0	36,238	
66,071	5,042	0	0	0	380,173	0	380,173	
143,251	13,545	0	0	0	674,010	0	674,010	
41,271	0	0	0	0	1,654,489	137,869	1,792,358	
0	0	0	0	0	0	6,798	6,798	
0	0	61,086	0	0	61,086	0	61,086	
0	0	0	0	0	0	0	0	
22,272	0	0	0	0	22,272	0	22,272	
17,046	0	0	0	0	26,483	0	26,483	
0	281,314	0	0	0	281,314	0	281,314	
0	0	0	0	0	0	0	0	
205,801	0	0	0	0	205,801	0	205,801	
0	0	0	0	1,779,571	1,779,571	0	1,779,571	
0	0	0	0	24,627	24,627	0	24,627	
7,758,231	0	0	0	0	7,758,231	0	7,758,231	
0	0	0	0	255,000	255,000	0	255,000	
0	0	0	0	4,439,000	4,439,000	0	4,439,000	
3,305,000	0	0	0	0	3,305,000	0	3,305,000	
<u>12,204,265</u>	<u>358,136</u>	<u>61,086</u>	<u>0</u>	<u>7,384,717</u>	<u>23,066,689</u>	<u>241,435</u>	<u>23,308,124</u>	
0	0	0	19,082,740	0	19,082,740	0	19,082,740	
12,375,381	953,364	0	0	0	13,328,745	625,699	13,954,444	
16,419,806	450,130	0	0	0	16,869,936	0	16,869,936	
0	0	0	0	0	664,093	0	664,093	
0	0	22,000	0	0	22,000	0	22,000	
0	0	0	0	0	29,433	0	29,433	
0	0	0	0	0	303,877	0	303,877	
0	0	0	0	0	13,510	0	13,510	
0	0	0	0	0	45,774	0	45,774	
0	0	1,131	0	0	7,204,149	0	7,204,149	
<u>28,795,187</u>	<u>1,403,494</u>	<u>23,131</u>	<u>19,082,740</u>	<u>0</u>	<u>57,564,257</u>	<u>625,699</u>	<u>58,189,956</u>	
<u>\$40,999,452</u>	<u>\$1,761,630</u>	<u>\$84,217</u>	<u>\$19,082,740</u>	<u>\$7,384,717</u>	<u>\$80,630,946</u>	<u>\$867,134</u>	<u>\$81,498,080</u>	

**COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - ALL GOVERNMENTAL FUND
TYPES AND EXPENDABLE TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 1998**

	<u>Governmental</u>	
	<u>General</u>	<u>Special Revenue</u>
Revenues:		
Taxes	\$708,502	\$161,774
Municipal Income Taxes	5,867,303	4,216,030
Charges for Services	430,343	109,296
Fines, Licenses, and Permits	470,605	442,602
Intergovernmental	2,218,816	1,277,639
Special Assessments	0	0
Rent	500	93,836
Interest	689,277	40,576
Other	291,474	64,708
Total Revenues	<u>10,676,820</u>	<u>6,406,461</u>
Expenditures:		
Current:		
Security of Persons and Property	3,064,223	5,062,641
Public Health Services	55,730	55,255
Leisure Time Activities	469,233	60,361
Community Environment	265,858	869,261
Transportation	0	879,617
General Government	3,172,517	131,428
Intergovernmental	413,080	0
Capital Outlay	0	0
Debt Service:		
Principal Retirement	7,834	39,371
Interest and Fiscal Charges	244	78,724
Total Expenditures	<u>7,448,719</u>	<u>7,176,658</u>
Excess of Revenues Over (Under) Expenditures	<u>3,228,101</u>	<u>(770,197)</u>
Other Financing Sources (Uses):		
Sale of Fixed Assets	5,683	2,853
Operating Transfers In	34,501	1,037,662
Operating Transfers Out	(1,907,494)	(309,604)
Total Other Financing Sources (Uses)	<u>(1,867,310)</u>	<u>730,911</u>
Excess of Revenues and Other Financing Sources (Uses) Over (Under) Expenditures and Other Financing Sources (Uses)	1,360,791	(39,286)
Fund Balances at Beginning of Year (Restated)	3,516,522	2,912,799
Decrease in Reserve for Inventory	<u>0</u>	<u>(9,587)</u>
Fund Balances at End of Year	<u>\$4,877,313</u>	<u>\$2,863,926</u>

See accompanying notes to the general purpose financial statements

<u>Fund Types</u>		<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
<u>Debt Service</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	
\$310,066	\$0	\$0	\$1,180,342
0	0	0	10,083,333
0	0	0	539,639
0	49,990	0	963,197
37,931	413,943	0	3,948,329
159,435	0	0	159,435
0	0	0	94,336
42	0	2,500	732,395
0	0	0	356,182
<u>507,474</u>	<u>463,933</u>	<u>2,500</u>	<u>18,057,188</u>
0	0	0	8,126,864
0	0	0	110,985
0	0	0	529,594
0	0	2,000	1,137,119
0	0	0	879,617
0	0	0	3,303,945
0	0	0	413,080
0	417,341	0	417,341
282,000	0	0	329,205
325,923	0	0	404,891
<u>607,923</u>	<u>417,341</u>	<u>2,000</u>	<u>15,652,641</u>
<u>(100,449)</u>	<u>46,592</u>	<u>500</u>	<u>2,404,547</u>
0	0	0	8,536
219,160	3,146	0	1,294,469
0	0	0	(2,217,098)
<u>219,160</u>	<u>3,146</u>	<u>0</u>	<u>(914,093)</u>
118,711	49,738	500	1,490,454
193,949	156,068	0	6,779,338
0	0	0	(9,587)
<u>\$312,660</u>	<u>\$205,806</u>	<u>\$500</u>	<u>\$8,260,205</u>

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL (BUDGET BASIS)
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 1998**

	General Fund		Variance Favorable (Unfavorable)
	Revised Budget	Actual	
Revenues:			
Taxes	\$424,042	\$438,343	\$14,301
Municipal Income Taxes	5,624,833	5,780,370	155,537
Charges for Services	531,837	430,940	(100,897)
Fines, Licenses, and Permits	382,450	468,317	85,867
Intergovernmental	2,132,367	2,217,442	85,075
Special Assessments	0	0	0
Rent	500	500	0
Interest	595,000	688,406	93,406
Other	277,401	291,344	13,943
Total Revenues	9,968,430	10,315,662	347,232
Expenditures:			
Current:			
Security of Persons and Property	3,176,485	3,009,971	166,514
Public Health Services	58,030	55,730	2,300
Leisure Time Activities	603,538	474,435	129,103
Community Environment	422,920	274,120	148,800
Transportation	0	0	0
General Government	6,220,889	3,275,513	2,945,376
Intergovernmental	416,947	413,080	3,867
Capital Outlay	0	0	0
Debt Service:			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
Total Expenditures	10,898,809	7,502,849	3,395,960
Excess of Revenues Over (Under) Expenditures	(930,379)	2,812,813	3,743,192
Other Financing Sources (Uses):			
Sale of Fixed Assets	2,000	5,683	3,683
Operating Transfers In	37,519	34,501	(3,018)
Operating Transfers Out	(1,928,014)	(1,907,494)	20,520
Total Other Financing Sources (Uses)	(1,888,495)	(1,867,310)	21,185
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing l	(2,818,874)	945,503	3,764,377
Fund Balances at Beginning of Year	2,819,533	2,819,533	0
Residual Equity Transfers	0	0	0
Prior Year Encumbrances Appropriated	30,544	30,544	0
Fund Balances at End of Year	\$31,203	\$3,795,580	\$3,764,377

See accompanying notes to the general purpose financial statements

Special Revenue Funds			Debt Service Funds		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$157,152	\$161,774	\$4,622	\$301,209	\$310,066	\$8,857
4,155,167	4,155,167	0	0	0	0
95,990	99,769	3,779	0	0	0
451,767	440,704	(11,063)	0	0	0
1,516,376	1,358,539	(157,837)	37,931	37,931	0
0	0	0	159,435	159,435	0
86,700	93,836	7,136	0	0	0
52,500	57,423	4,923	0	0	0
67,557	64,708	(2,849)	0	0	0
<u>6,583,209</u>	<u>6,431,920</u>	<u>(151,289)</u>	<u>498,575</u>	<u>507,432</u>	<u>8,857</u>
6,084,931	5,015,006	1,069,925	0	0	0
56,451	56,154	297	0	0	0
76,821	72,263	4,558	0	0	0
1,686,656	944,179	742,477	0	0	0
1,127,366	931,014	196,352	0	0	0
312,653	131,639	181,014	317,766	0	317,766
0	0	0	0	0	0
0	0	0	0	0	0
20,176	20,176	0	282,000	282,000	0
76,278	76,277	1	325,923	325,923	0
<u>9,441,332</u>	<u>7,246,708</u>	<u>2,194,624</u>	<u>925,689</u>	<u>607,923</u>	<u>317,766</u>
<u>(2,858,123)</u>	<u>(814,788)</u>	<u>2,043,335</u>	<u>(427,114)</u>	<u>(100,491)</u>	<u>326,623</u>
5,600	3,556	(2,044)	0	0	0
1,206,505	1,037,662	(168,843)	233,433	219,160	(14,273)
(475,218)	(309,604)	165,614	0	0	0
<u>736,887</u>	<u>731,614</u>	<u>(5,273)</u>	<u>233,433</u>	<u>219,160</u>	<u>(14,273)</u>
(2,121,236)	(83,174)	2,038,062	(193,681)	118,669	312,350
2,121,248	2,121,248	0	193,682	193,682	0
0	0	0	0	0	0
94,495	94,495	0	0	0	0
<u>\$94,507</u>	<u>\$2,132,569</u>	<u>\$2,038,062</u>	<u>\$1</u>	<u>\$312,351</u>	<u>\$312,350</u>

(continued)

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL (BUDGET BASIS)
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 1998
(Continued)**

	Capital Projects Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Taxes	\$3,000	\$0	(\$3,000)
Municipal Income Taxes	0	0	0
Charges for Services	0	0	0
Fines, Licenses, and Permits	50,000	49,546	(454)
Intergovernmental	793,190	413,538	(379,652)
Special Assessments	0	0	0
Rent	0	0	0
Interest	0	0	0
Other	0	0	0
Total Revenues	846,190	463,084	(383,106)
Expenditures:			
Current:			
Security of Persons and Property	0	0	0
Public Health Services	0	0	0
Leisure Time Activities	0	0	0
Community Environment	0	0	0
Transportation	129,692	110,000	19,692
General Government	46,321	17,623	28,698
Intergovernmental	0	0	0
Capital Outlay	855,616	429,138	426,478
Debt Service:			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
Total Expenditures	1,031,629	556,761	474,868
Excess of Revenues Over (Under) Expenditures	(185,439)	(93,677)	91,762
Other Financing Sources (Uses):			
Sale of Fixed Assets	0	0	0
Operating Transfers In	3,146	3,146	0
Operating Transfers Out	0	0	0
Total Other Financing Sources (Uses)	3,146	3,146	0
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing l	(182,293)	(90,531)	91,762
Fund Balances at Beginning of Year	49,784	49,784	0
Residual Equity Transfers	0	0	0
Prior Year Encumbrances Appropriated	132,516	132,516	0
Fund Balances at End of Year	\$7	\$91,769	\$91,762

Expendable Trust Fund			Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$0	\$0	\$0	\$885,403	\$910,183	\$24,780
0	0	0	9,780,000	9,935,537	155,537
0	0	0	627,827	530,709	(97,118)
0	0	0	884,217	958,567	74,350
0	0	0	4,479,864	4,027,450	(452,414)
0	0	0	159,435	159,435	0
0	0	0	87,200	94,336	7,136
2,500	2,500	0	650,000	748,329	98,329
0	0	0	344,958	356,052	11,094
<u>2,500</u>	<u>2,500</u>	<u>0</u>	<u>17,898,904</u>	<u>17,720,598</u>	<u>(178,306)</u>
0	0	0	9,261,416	8,024,977	1,236,439
0	0	0	114,481	111,884	2,597
2,500	2,000	500	682,859	548,698	134,161
0	0	0	2,109,576	1,218,299	891,277
0	0	0	1,257,058	1,041,014	216,044
0	0	0	6,897,629	3,424,775	3,472,854
0	0	0	416,947	413,080	3,867
0	0	0	855,616	429,138	426,478
0	0	0	302,176	302,176	0
0	0	0	402,201	402,200	1
<u>2,500</u>	<u>2,000</u>	<u>500</u>	<u>22,299,959</u>	<u>15,916,241</u>	<u>6,383,718</u>
0	500	500	(4,401,055)	1,804,357	6,205,412
0	0	0	7,600	9,239	1,639
0	0	0	1,480,603	1,294,469	(186,134)
0	0	0	(2,403,232)	(2,217,098)	186,134
<u>0</u>	<u>0</u>	<u>0</u>	<u>(915,029)</u>	<u>(913,390)</u>	<u>1,639</u>
0	500	500	(5,316,084)	890,967	6,207,051
0	0	0	5,184,247	5,184,247	0
0	0	0	0	0	0
0	0	0	257,555	257,555	0
<u>\$0</u>	<u>\$500</u>	<u>\$500</u>	<u>\$125,718</u>	<u>\$6,332,769</u>	<u>\$6,207,051</u>

**COMBINED STATEMENT OF REVENUES
EXPENSES AND CHANGES IN RETAINED EARNINGS/FUND BALANCES
ALL PROPRIETARY FUND TYPES, NON-EXPENDABLE TRUST FUNDS, AND
DISCRETELY PRESENTED COMPONENT UNIT
FOR THE YEAR ENDED DECEMBER 31, 1998**

	<u>Proprietary Fund Type</u>	
	<u>Enterprise</u>	<u>Internal Service</u>
Revenues:		
Charges for Services	\$8,295,886	\$2,408,007
Tap-In Fees	18,612	0
Intergovernmental Revenue	0	0
Interest	0	0
Rental	13,156	0
Other	26,537	323
Total Revenues	<u>8,354,191</u>	<u>2,408,330</u>
Expenses:		
Salaries and Wages	2,289,440	201,455
Fringe Benefits	939,376	66,935
Contractual Services	2,733,883	141,843
Materials and Supplies	633,364	280,382
Claims and Judgments	0	1,601,121
Administrative	0	0
Vehicle Maintenance	0	0
Building Maintenance	0	0
Depreciation	1,331,157	19,923
Other	0	0
Total Expenses	<u>7,927,220</u>	<u>2,311,659</u>
Operating Income	<u>426,971</u>	<u>96,671</u>
Non-Operating Revenues (Expenses):		
Interest	46,014	0
Gain on Disposal of Fixed Assets	4,702	58
Loss on Disposal of Fixed Assets	(334)	0
Interest and Fiscal Charges	(840,616)	0
Total Non-Operating Revenues (Expenses)	<u>(790,234)</u>	<u>58</u>
Income Before Operating Transfers	<u>(363,263)</u>	<u>96,729</u>
Operating Transfers In	<u>844,302</u>	<u>78,327</u>
Net Income (Loss)	481,039	175,056
Retained Earnings/Fund Balance at Beginning of Year (Restated)	<u>15,938,767</u>	<u>275,074</u>
Retained Earnings/Fund Balance at End of Year	<u>\$16,419,806</u>	<u>\$450,130</u>

See accompanying notes to the general purpose financial statements

Fiduciary Fund Type Non- Expendable Trusts	Totals Primary Government (Memorandum Only)	Component Unit	Totals Reporting Entity (Memorandum Only)
\$0	\$10,703,893	\$356,458	\$11,060,351
0	18,612	0	18,612
0	0	702,708	702,708
549	549	2,195	2,744
0	13,156	0	13,156
0	26,860	18,711	45,571
<u>549</u>	<u>10,763,070</u>	<u>1,080,072</u>	<u>11,843,142</u>
0	2,490,895	520,082	3,010,977
0	1,006,311	175,503	1,181,814
0	2,875,726	128,749	3,004,475
6,981	920,727	0	920,727
0	1,601,121	0	1,601,121
0	0	76,750	76,750
0	0	161,713	161,713
0	0	12,764	12,764
0	1,351,080	182,625	1,533,705
0	0	21,786	21,786
<u>6,981</u>	<u>10,245,860</u>	<u>1,279,972</u>	<u>11,525,832</u>
<u>(6,432)</u>	<u>517,210</u>	<u>(199,900)</u>	<u>317,310</u>
0	46,014	0	46,014
0	4,760	0	4,760
0	(334)	0	(334)
0	(840,616)	0	(840,616)
<u>0</u>	<u>(790,176)</u>	<u>0</u>	<u>(790,176)</u>
<u>(6,432)</u>	<u>(272,966)</u>	<u>(199,900)</u>	<u>(472,866)</u>
<u>0</u>	<u>922,629</u>	<u>0</u>	<u>922,629</u>
(6,432)	649,663	(199,900)	449,763
29,063	16,242,904	0	16,242,904
<u>\$22,631</u>	<u>\$16,892,567</u>	<u>(\$199,900)</u>	<u>\$16,692,667</u>

**COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES, NON-EXPENDABLE TRUST FUNDS,
AND DISCRETELY PRESENTED COMPONENT UNIT
FOR THE YEAR ENDED DECEMBER 31, 1998**

	<u>Proprietary Fund Types</u>	
	<u>Enterprise</u>	<u>Internal Service</u>
Increase (Decrease) in Cash and Cash Equivalents		
Cash Flows from Operating Activities:		
Cash Received from Customers	\$8,707,835	\$0
Cash Received from Quasi External Transactions	0	2,303,644
Cash Payments for Employee Services and Benefits	(3,165,088)	(271,436)
Cash Payments to Suppliers for Goods and Services	(3,559,352)	(428,616)
Cash Payments for Claims	0	(1,627,993)
Cash Payments for Operating and Administrative Expenses	0	0
Other Operating Revenues	27,495	323
Customer Deposits Received	110,314	0
Customer Deposits Returned	(102,545)	0
Net Cash Provided by (Used In) Operating Activities	<u>2,018,659</u>	<u>(24,078)</u>
Cash Flows from Noncapital Financing Activities:		
Operating Transfers In	844,302	78,327
Cash Flows from Capital and Related Financing Activities:		
Acquisition of Capital Assets	(768,698)	(5,716)
Principal Paid on Debt	(652,031)	0
Interest Paid on Debt	(841,371)	0
Grants	233,313	0
Proceeds from Sale of Capital Assets	5,974	58
Net Cash Used for Capital and Related Financing Activities	<u>(2,022,813)</u>	<u>(5,658)</u>
Cash Flows from Investing Activities:		
Interest on Investments	46,969	0
Sale of Investments	22,000	0
Net Cash Provided by Investing Activities	<u>68,969</u>	<u>0</u>
Net Increase (Decrease) in Cash and Cash Equivalents	909,117	48,591
Cash and Cash Equivalents Beginning of Year	5,967,503	714,536
Cash and Cash Equivalents End of Year	<u><u>\$6,876,620</u></u>	<u><u>\$763,127</u></u>

<u>Fiduciary Fund Type</u> Non- Expendable Trusts	<u>Totals Primary Government (Memorandum Only)</u>	<u>Component Unit</u>	<u>Totals Reporting Entity (Memorandum Only)</u>
\$0	\$8,707,835	\$329,512	\$9,037,347
0	2,303,644	0	2,303,644
0	(3,436,524)	0	(3,436,524)
(6,981)	(3,994,949)	0	(3,994,949)
0	(1,627,993)	0	(1,627,993)
0	0	(905,770)	(905,770)
0	27,818	750,560	778,378
0	110,314	0	110,314
0	(102,545)	0	(102,545)
<u>(6,981)</u>	<u>1,987,600</u>	<u>174,302</u>	<u>2,161,902</u>
0	922,629	0	922,629
0	(774,414)	(372,119)	(1,146,533)
0	(652,031)	0	(652,031)
0	(841,371)	0	(841,371)
0	233,313	181,961	415,274
0	6,032	0	6,032
<u>0</u>	<u>(2,028,471)</u>	<u>(190,158)</u>	<u>(2,218,629)</u>
758	47,727	0	47,727
0	22,000	0	22,000
<u>758</u>	<u>69,727</u>	<u>0</u>	<u>69,727</u>
(6,223)	951,485	(15,856)	935,629
16,884	6,698,923	60,356	6,759,279
<u>\$10,661</u>	<u>\$7,650,408</u>	<u>\$44,500</u>	<u>\$7,694,908</u>

(continued)

COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES, NON-EXPENDABLE TRUST FUNDS,
AND DISCRETELY PRESENTED COMPONENT UNIT
FOR THE YEAR ENDED DECEMBER 31, 1998
(Continued)

	Proprietary Fund Types	
	Enterprise	Internal Service
Reconciliation of Operating Income (Loss) to Net Cash Provided by Provided by (Used in) Operating Activities:		
Operating Income (Loss)	\$426,971	\$96,671
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:		
Interest Income	0	0
Other Non-Operating Revenues	0	0
Depreciation Expense	1,331,157	19,923
Changes in Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable	379,712	0
Increase in Intergovernmental Receivable	6,731	565
(Increase) Decrease in Inventory	0	0
(Increase) Decrease in Prepays	(216,632)	2,065
Decrease in Due from Other Funds	548	(55)
Increase (Decrease) in Accounts Payable	0	(104,502)
Decrease in Contracts Payable	(208)	(8,392)
Increase in Accrued Salaries	11,635	1,026
Decrease in Other Accrued Liabilities	0	0
Increase in Deferred Revenue	0	0
Decrease in Retainage Payable	25,363	0
Increase (Decrease) in Compensated Absences	2,209	(7,498)
Increase in Customer Deposits	7,769	0
Decrease in Claims Payable	0	(26,872)
Decrease in Due to Other Funds	(1,808)	(1,902)
Increase (Decrease) in Intergovernmental Payables	45,212	4,893
Net Cash Provided by (Used in) Operating Activities	\$2,018,659	(\$24,078)
Combined Balance Sheet, Cash and Cash Equivalents All Trust and Agency Funds:		\$72,247
Agency Fund Cash and Cash Equivalents:		(61,086)
Expendable Trust Fund Cash and Cash Equivalents:		(500)
Non-Expendable Trust Funds Cash and Cash Equivalents:		\$10,661

See accompanying notes to the general purpose financial statements

<u>Fiduciary Fund Type</u> Non- Expendable Trusts	<u>Totals Primary Government (Memorandum Only)</u>	<u>Component Unit</u>	<u>Totals Reporting Entity (Memorandum Only)</u>
(\$6,432)	\$517,210	(\$17,275)	\$499,935
(549)	(549)	0	(549)
0	0	0	0
0	1,351,080	165,649	1,516,729
0	379,712	13,768	393,480
0	7,296	0	7,296
0	0	(8,073)	(8,073)
0	(214,567)	(6,759)	(221,326)
0	493	0	493
0	(104,502)	(32,473)	(136,975)
0	(8,600)	0	(8,600)
0	12,661	0	12,661
0	0	22,159	22,159
0	0	37,306	37,306
0	25,363	0	25,363
0	(5,289)	0	(5,289)
0	7,769	0	7,769
0	(26,872)	0	(26,872)
0	(3,710)	0	(3,710)
0	50,105	0	50,105
<u>(\$6,981)</u>	<u>\$1,987,600</u>	<u>\$174,302</u>	<u>\$2,161,902</u>

**COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
FUND EQUITY - BUDGET AND ACTUAL (BUDGET BASIS)
ALL PROPRIETARY FUND TYPES AND NON-EXPENDABLE TRUST FUNDS
FOR THE YEAR ENDED DECEMBER 31, 1998**

	Enterprise Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Charges for Services	\$8,502,441	\$8,657,469	\$155,028
Tap-In Fees	18,612	18,612	0
Security Deposits	112,900	110,314	(2,586)
Rental Income	17,910	13,736	(4,174)
Interest Income	38,455	52,172	13,717
Grants	245,240	233,313	(11,927)
Other Operating Revenues	18,483	27,495	9,012
Sales of Fixed Assets	0	6,018	6,018
Total Revenues	<u>8,954,041</u>	<u>9,119,129</u>	<u>165,088</u>
Expenses:			
Current:			
Salaries and Wages	2,426,558	2,275,596	150,962
Fringe Benefits	1,121,458	890,567	230,891
Contractual Services	3,951,289	2,780,054	1,171,235
Materials and Supplies	1,138,303	820,199	318,104
Claims Expense	0	0	0
Security Deposits	109,869	106,531	3,338
Operating Costs	0	0	0
Other Non-operating Expenses	476,358	0	476,358
Capital Outlay	4,111,147	1,559,612	2,551,535
Debt Service:			
Principal Retirement	652,035	652,034	1
Interest and Fiscal Charges	841,373	841,371	2
Total Expenses	<u>14,828,390</u>	<u>9,925,964</u>	<u>4,902,426</u>
Excess of Revenues Over (Under) Expenses	<u>(5,874,349)</u>	<u>(806,835)</u>	<u>5,067,514</u>
Operating Transfers In	<u>844,302</u>	<u>844,302</u>	<u>0</u>
Excess of Revenues Over (Under) Expenses and Operating Transfers	(5,030,047)	37,467	5,067,514
Fund Equity at Beginning of Year	5,030,055	5,030,055	0
Prior Year Encumbrances Appropriated	300,861	300,861	0
Fund Equity at End of Year	<u><u>\$300,869</u></u>	<u><u>\$5,368,383</u></u>	<u><u>\$5,067,514</u></u>

See accompanying notes to the general purpose financial statements

Internal Service Funds			Non-Expendable Trust Funds		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$2,648,626	\$2,303,644	(\$344,982)	\$0	\$0	\$0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	800	2,229	1,429
0	0	0	0	0	0
100	323	223	0	0	0
0	58	58	0	0	0
<u>2,648,726</u>	<u>2,304,025</u>	<u>(344,701)</u>	<u>800</u>	<u>2,229</u>	<u>1,429</u>
223,143	207,927	15,216	0	0	0
100,326	63,913	36,413	0	0	0
215,026	141,663	73,363	0	0	0
389,107	303,067	86,040	0	0	0
2,475,846	1,627,993	847,853	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
21,216	21,184	32	28,206	6,981	21,225
0	0	0	0	0	0
0	0	0	0	0	0
<u>3,424,664</u>	<u>2,365,747</u>	<u>1,058,917</u>	<u>28,206</u>	<u>6,981</u>	<u>21,225</u>
<u>(775,938)</u>	<u>(61,722)</u>	<u>714,216</u>	<u>(27,406)</u>	<u>(4,752)</u>	<u>22,654</u>
<u>78,327</u>	<u>78,327</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
(697,611)	16,605	714,216	(27,406)	(4,752)	22,654
697,612	697,612	0	20,407	20,407	0
4,723	4,723	0	7,000	7,000	0
<u>\$4,724</u>	<u>\$718,940</u>	<u>\$714,216</u>	<u>\$1</u>	<u>\$22,655</u>	<u>\$22,654</u>

(continued)

**COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
FUND EQUITY - BUDGET AND ACTUAL (BUDGET BASIS)
ALL PROPRIETARY FUND TYPES AND NON EXPENDABLE TRUST FUNDS
FOR THE YEAR ENDED DECEMBER 31, 1998
(Continued)**

	Total (Memorandum Only)		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Charges for Services	\$11,151,067	\$10,961,113	(\$189,954)
Tap-In Fees	18,612	18,612	0
Security Deposits	112,900	110,314	(2,586)
Rental Income	17,910	13,736	(4,174)
Interest Income	39,255	54,401	15,146
Grants	245,240	233,313	(11,927)
Other Operating Revenues	18,583	27,818	9,235
Sales of Fixed Assets	0	6,076	6,076
Total Revenues	11,603,567	11,425,383	(178,184)
Expenses:			
Current:			
Salaries and Wages	2,649,701	2,483,523	166,178
Fringe Benefits	1,221,784	954,480	267,304
Contractual Services	4,166,315	2,921,717	1,244,598
Materials and Supplies	1,527,410	1,123,266	404,144
Claims Expense	2,475,846	1,627,993	847,853
Security Deposits	109,869	106,531	3,338
Operating Costs	0	0	0
Other Non-operating Expenses	476,358	0	476,358
Capital Outlay	4,160,569	1,587,777	2,572,792
Debt Service:			
Principal Retirement	652,035	652,034	1
Interest and Fiscal Charges	841,373	841,371	2
Total Expenses	18,281,260	12,298,692	5,982,568
Excess of Revenues Over (Under) Expenses	(6,677,693)	(873,309)	5,804,384
Operating Transfers In	922,629	922,629	0
Excess of Revenues Over (Under) Expenses and Operating Transfers	(5,755,064)	49,320	5,804,384
Fund Equity at Beginning of Year	5,748,074	5,748,074	0
Prior Year Encumbrances Appropriated	312,584	312,584	0
Fund Equity at End of Year	\$305,594	\$6,109,978	\$5,804,384

NOTE 1 - REPORTING ENTITY AND BASIS OF PRESENTATION

The City of Zanesville (the "City") is a body politic, incorporated and established for the purpose of exercising the rights and privileges conveyed to it by the laws of the State of Ohio. The City is organized as a Mayor/Council form of government. Located in Muskingum County, the City was established in 1814. The City is located 55 miles east of Columbus, once served as the state capital, and currently serves as the county seat. The City employs approximately 340 people. The Mayor, Council, Auditor, Treasurer, and Law Director are elected officials. Department directors and public members of various boards and commissions are appointed by the Mayor.

A. Reporting Entity

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

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

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

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

The Muskingum Authority of Public Transit is a legally separate entity, organized under the laws of the State of Ohio, which is governed by a nine member board of directors. The board consists of six members appointed by the City, two members appointed by Muskingum County, and one member appointed by the Village of South Zanesville. The Authority provides bus service within the City of Zanesville, the Village of South Zanesville, and portions of Muskingum County. The Authority derives its revenues from bus fares, Federal Transit Authority grants administered by the State of Ohio, local matching funds, and other miscellaneous revenue sources. The City currently provides approximately 86 percent of the Authority's local matching funds. The remaining 14 percent is provided by the County and Village. The Authority operates on a fiscal year ending December 31. The operating statement of the Authority is presented at operating and non-operating category levels. Separately issued financial statements can be obtained from the Muskingum Authority of Public Transit, Zanesville, Ohio.

City of Zanesville, Ohio
Notes to the General Purpose Financial Statements
December 31, 1998

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

A. Reporting Entity (continued)

The following have been excluded from the financial reporting entity:

Muskingum County Public Library

Zanesville City School District

Muskingum Community Action Group, Inc.

Muskingum College

Muskingum Area Technical College

Zanesville/Muskingum Convention and Visitors Bureau

Zanesville City Chamber of Commerce

East Muskingum Water Authority

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

Ohio Mid-Eastern Governments Association (OMEGA)

Zanesville/Muskingum County Port Authority

Zanesville/Muskingum Conventions Facility Authority

Zanesville Metropolitan Housing Authority

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

B. Basis of Presentation - Fund Accounting

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

City of Zanesville, Ohio
Notes to the General Purpose Financial Statements
December 31, 1998

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

B. Basis of Presentation- Fund Accounting (continued)

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

An account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

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

Governmental Fund Types:

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

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

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

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

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

Proprietary Fund Types:

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

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

B. Basis of Presentation - Fund Accounting (continued)

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

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

Fiduciary Fund Types:

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

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

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

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

Account Groups:

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

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Measurement Focus and Basis of Accounting

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

All proprietary and non-expendable trust funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is typically segregated into contributed capital and retained earnings components. Proprietary fund types and non-expendable trust fund operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

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

All governmental fund types, the expendable trust fund, and agency funds are accounted for using the modified accrual basis of accounting. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. Measurable means the amount of the transaction can be determined and available means collectible within the current year or soon enough thereafter to be used to pay liabilities of the current year. The available period for the City is sixty days after year end.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: investment earnings, state-levied locally shared taxes (including gasoline tax), fines and forfeitures and income tax (the employer withheld amounts measurable at December 31, 1998).

City of Zanesville, Ohio
Notes to the General Purpose Financial Statements
December 31, 1998

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. Measurement Focus and Basis of Accounting (continued)

The City reports deferred revenues on its Combined Balance Sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the Combined Balance Sheet and revenue is recognized. Special assessments and current and delinquent property taxes measurable as of December 31, 1998, whose availability is indeterminate and which are not intended to finance current period obligations, have been recorded as a receivable and deferred revenue.

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

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

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

B. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation ordinance, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations ordinance are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control is at the object level within each department.

City of Zanesville, Ohio
Notes to the General Purpose Financial Statements
December 31, 1998

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Budgetary Process (continued)

Any budgetary modifications at this level may only be made by resolution of the City Council. Advances between funds are not required to be budgeted.

Tax Budget:

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

Estimated Resources:

The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the City by October 1. As part of this certification, the City receives the official certificate of estimated resources, which states the projected revenue of each fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation ordinance. On or about January 1, the certificate of estimated resources is amended to include unencumbered fund balances at December 31 of the preceding year. The certificate may be further amended during the year if revenue fluctuations are anticipated. The amounts reported on the budgetary statement reflect the amounts included in the final amended official certificate of estimated resources issued during 1998.

Appropriations:

A temporary appropriation ordinance to control expenditures may be passed on or about January 1 of each year for the period January 1 to March 31. An annual appropriation ordinance must be passed by April 1 of each year for the period January 1 to December 31. The appropriation ordinance fixes spending authority at the fund, department, and object level. The appropriation ordinance may be amended during the year as new information becomes available, provided that total fund appropriations do not exceed current estimated resources, as certified. The allocation of appropriations among departments and objects within a fund may be modified during the year by an ordinance of Council. During the year, several supplemental appropriation measures were passed. None of these supplemental appropriations had any significant effect on the original appropriations. The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all amendments and modifications.

City of Zanesville, Ohio
Notes to the General Purpose Financial Statements
December 31, 1998

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Budgetary Process (continued)

Encumbrances:

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

Lapsing of Appropriations:

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

Budgetary Basis of Accounting:

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

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

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures/expenses are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Outstanding year end encumbrances are treated as expenditures/expenses (budget) rather than as a reservation of fund balance for governmental fund types and the expendable trust fund and as note disclosure for the proprietary and non-expendable trust funds (GAAP).

City of Zanesville, Ohio
Notes to the General Purpose Financial Statements
December 31, 1998

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Budgetary Process (continued)

4. Proceeds from and principal payment on short-term note obligations are reported on the operating statement (budget) rather than on the balance sheet (GAAP).

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

C. Cash and Cash Equivalents

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

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

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

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

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

The City has invested funds in the State Asset Reserve of Ohio (STAROhio) and U.S. Treasury Notes during 1998. STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on December 31, 1998.

City of Zanesville, Ohio
Notes to the General Purpose Financial Statements
December 31, 1998

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Cash and Cash Equivalents (continued)

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest income received directly by the Muskingum Authority of Public Transit during 1998 was \$2,195. Interest revenue credited to the general fund during fiscal year 1998 amounted to \$689,277, which includes \$169,907 assigned from other City funds.

D. Inventory

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

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

E. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 1998, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed.

F. Restricted Assets

Restricted assets in the enterprise funds represent monies legally restricted for customer deposits.

G. Fixed Assets and Depreciation

A. Primary Government

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fund fixed assets (assets used to provide services accounted for in proprietary funds) are capitalized in the fund that uses them.

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

City of Zanesville, Ohio
Notes to the General Purpose Financial Statements
December 31, 1998

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Fixed Assets and Depreciation (continued)

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

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

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

Buildings and Building Improvements	20 - 50 years
Improvements other than Buildings	50 years
Machinery, Equipment, Furniture, and Fixtures	6 - 15 years
Vehicles	5 - 10 years

B. Component Unit

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

H. Short-term Receivables and Payables

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

I. Compensated Absences

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

City of Zanesville, Ohio
Notes to the General Purpose Financial Statements
December 31, 1998

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. Compensated Absences (continued)

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

J. Contributed Capital

A. Primary Government

Contributed capital represents federal and state grants and other financial resources supplied to the City's proprietary funds which are not subject to repayment.

Because the City had not prepared financial statements in accordance with generally accepted accounting principles prior to 1993, the exact amount of contributed capital pertaining to prior years cannot be determined. Consequently, only those amounts that have been able to be identified have been classified as contributed capital in the accompanying Combined Financial Statements. All other fund equity amounts pertaining to the proprietary funds have been classified as retained earnings.

B. Component Unit

The Component Unit recognizes resources provided to finance capital expenditures as contributed capital.

K. Intergovernmental Revenues

A. Primary Government

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

City of Zanesville, Ohio
Notes to the General Purpose Financial Statements
December 31, 1998

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

K. Intergovernmental Revenues (continued)

B. Component Unit

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

L. Fund Equity

Reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use. Fund balances are reserved for encumbrances, endowments, inventories of supplies and materials, loans (Community Development Block Grant monies loaned to local businesses and individuals), and claimants. By law, unclaimed monies are not available for appropriation until five years have elapsed.

M. Interfund Transactions

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

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

N. Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless whether they will be liquidated with current resources. However, claims and judgements, compensated absences, and special termination benefits are reported as a liability in the general long-term obligation account group to the extent that they will not be paid with current expendable available financial resources.

City of Zanesville, Ohio
Notes to the General Purpose Financial Statements
December 31, 1998

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

N. Long Term Obligations (continued)

Payments made more than sixty days after year end are generally considered not to have been paid with current available financial resources. Bonds, capital leases and long-term loans are recognized as a liability of the general long-term obligations account group until due.

Long-term obligations expected to be financed from proprietary fund operations are accounted for in those funds.

O. Total Columns on General Purpose Financial Statements

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

P. Estimates

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

NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND EQUITY

A. Primary Government

For 1998, the City implemented GASB Statement No. 31 "Accounting and Financial Reporting for Certain Investments and for External Investment Pools." This Statement established accounting and reporting guidelines for government investments and investment pools. Certain investments which were reported at cost in previous years are now reported at fair value.

City of Zanesville, Ohio
Notes to the General Purpose Financial Statements
December 31, 1998

NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND EQUITY
(Continued)

A. Primary Government (continued)

The implementation of GASB 31 had the following effect on the fund balance for the Cemetery Fund, an enterprise fund and for the Dr. Spring Legacy Fund, a non-expendable trust fund, as they were previously reported as of December 31, 1997.

	Cemetery	Dr. Spring
Fund Balance at		
December 31, 1997	\$652,283	\$23,767
GASB 31	16	4
Fund Balance at		
January 1, 1998	\$652,299	\$23,771

The City has also implemented GASB Statement No. 32, "Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans" for its deferred compensation plan through the Ohio Public Employees Deferred Compensation Plan (OPEDCP). On September 1, 1998, the OPEDCP created a trust for the assets of the plan for which the City has no fiduciary responsibility. Therefore, the balance of the OPEDCP of \$2,834,124 was shown as a reduction in the deferred compensation agency fund.

For the year ended December 31, 1998, certain adjustments have resulted in fund equity restatements. The following provides details of these adjustments and the resultant effect on the excess of revenues and other financing sources over (under) expenditures and other uses/net income and the resultant effect on retained earnings and the fund balances:

	Capital Projects	Enterprise Funds	Internal Service Funds
Excess as previously reported	\$154,495	\$15,820,067	\$266,834
Restatement for:			
Investments	0	16	0
Inventory	0	117,690	8,240
Notes Payable	1,573	0	0
Restated Amounts for the year ended December 31, 1997	\$156,068	\$15,937,773	\$275,074

City of Zanesville, Ohio
Notes to the General Purpose Financial Statements
December 31, 1998

NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND EQUITY
(Continued)

A. Primary Government (continued)

	<u>Non-Expendable Trusts</u>	<u>General Fixed Asset Account Group</u>
Excess as previously reported	\$29,059	\$18,349,649
Restatement for:		
Investments	4	0
Fixed Assets	<u>0</u>	<u>135,000</u>
Restated Amounts for the year ended December 31, 1997	<u>\$29,063</u>	<u>\$18,484,649</u>

The change in the Capital Projects Fund was due to an early payment of note principal being made. The change in the Enterprise Fund was the result of GASB statement #31 and more accurate inventory information. The change in the Internal Service Funds was the result of more accurate inventory information. The change in the Non-Expendable Trust Funds was due to GASB #31. The change in the GFAAG was due to more accurate fixed asset information.

NOTE 4 - CONVERSION OF OPERATIONS FROM BUDGET TO GAAP BASIS

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

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

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>
GAAP Basis	\$1,360,791	\$(39,286)	\$118,711	\$49,738	\$500
Net Adjustment for Revenue Accruals	(361,158)	26,162	(42)	(849)	0
Net Adjustment for Expenditure Accruals	213,308	158,372	0	(6,495)	0
Transfers-Out	0	0	0	0	0
Encumbrances	<u>(267,438)</u>	<u>(228,422)</u>	<u>0</u>	<u>(132,925)</u>	<u>0</u>
Budget Basis	<u>\$945,503</u>	<u>(\$83,174)</u>	<u>\$118,669</u>	<u>(\$90,531)</u>	<u>\$500</u>

City of Zanesville, Ohio
Notes to the General Purpose Financial Statements
December 31, 1998

NOTE 4 - CONVERSION OF OPERATIONS FROM BUDGET TO GAAP BASIS (continued)

Net Income(Loss)/Excess of Revenues and Operating
Transfers In Over (Under) Expenses
Proprietary Fund Types, Non-Expendable Trust Funds

	<u>Enterprise</u>	<u>Internal Service</u>	<u>Non- Expendable Trust</u>
GAAP BASIS	\$481,039	\$175,056	(\$6,432)
Net Adjustment for Revenue Accruals	602,592	(104,363)	1,680
Sale of Fixed Asset	6,018	0	0
Utility Deposits	3,783	0	0
Gain on Disposal of Fixed Assets	4,702	0	0
Net Adjustment for Expense Accruals	569,424	(15,980)	0
Debt Principal Retirement	(652,034)	0	0
Interest	840,616	0	0
Depreciation	1,331,157	0	0
Capital Outlay	(1,559,612)	(21,184)	0
Loss on Disposal of Fixed Assets	334	0	0
Encumbrances	<u>(1,590,552)</u>	<u>(16,924)</u>	<u>0</u>
Budget Basis	<u><u>\$37,467</u></u>	<u><u>\$16,605</u></u>	<u><u>(\$4,752)</u></u>

NOTE 5 - ACCOUNTABILITY AND COMPLIANCE

A. Primary Government

Fund Deficits

The following funds had deficit retained earnings at December 31, 1998:

Enterprise Funds:

Airport Fund	(\$951,562)
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City of Zanesville, Ohio
Notes to the General Purpose Financial Statements
December 31, 1998

NOTE 5 - ACCOUNTABILITY AND COMPLIANCE (continued)

A. Primary Government (continued)

Internal Service Fund:

Vehicle and Equipment Maintenance Fund	(\$257,869)
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The deficits in the enterprise and internal service funds are due to the recognition of contributed capital and depreciation expense in accordance with generally accepted accounting principles. In addition, these funds are not charging sufficient amounts to recover costs. Management is reviewing and analyzing their operations to determine appropriate measures necessary to eliminate the deficits.

B. Component Unit

A deficit occurs in the Component Unit due to the Authority not charging sufficient fares for services.

Statutory Compliance

The Mandatory Drug Fine Special Revenue Fund had appropriations in excess of estimated resources plus available balances in the amount of \$1,357, contrary to Ohio Revised Code.

The following accounts had expenditures plus encumbrances in excess of appropriations contrary to Section 5705.41, Ohio Revised Code:

<u>Fund Type/Fund</u>	<u>Excess</u>
Special Revenue Funds:	
Fire Pension	
Transfers-Out	\$1,982
Police Pension	
Transfers-Out	2,267

City of Zanesville, Ohio
Notes to the General Purpose Financial Statements
December 31, 1998

NOTE 6 - DEPOSITS AND INVESTMENTS

A. Primary Government

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

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

City of Zanesville, Ohio
Notes to the General Purpose Financial Statements
December 31, 1998

NOTE 6 - DEPOSITS AND INVESTMENTS (continued)

A. Primary Government (continued)

4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
6. The State Treasurer's investment pool (STAROhio).

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

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

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

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

Deposits. At year-end, the carrying amount of the City's deposits was \$573,144 and the bank balance was \$815,271. Of the bank balance:

1. \$141,877 was covered by federal depository insurance;
2. \$673,394 was uninsured and uncollateralized. Although the securities were held by the pledging financial institutions' trust department in the City's name and all State statutory requirements for the investment of money had been followed, noncompliance with federal requirements would potentially subject the City to a successful claim by the FDIC.

City of Zanesville, Ohio
Notes to the General Purpose Financial Statements
December 31, 1998

NOTE 6 - DEPOSITS AND INVESTMENTS (continued)

A. Primary Government (continued)

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

	<u>1</u>	Category <u>2</u>	<u>3</u>	Carrying Value	Market Value
Bonds	\$104,000			\$104,000	\$104,000
United States					
Treasury Notes	50,000			49,125	49,125
Repurchase Agreement			\$9,634,571	9,634,571	9,634,571
Star Ohio				<u>5,046,438</u>	<u>5,046,438</u>
Total Investments				<u>\$14,834,134</u>	<u>\$14,834,134</u>

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

	Cash and Cash <u>Equivalents/Deposits</u>	<u>Investments</u>
GASB Statement 9	\$15,227,153	\$180,125
Investments:		
Certificates of Deposit	27,000	(27,000)
Repurchase		
Agreements	(9,634,571)	9,634,571
Star Ohio	<u>(5,046,438)</u>	<u>5,046,438</u>
GASB Statement 3	<u>\$573,144</u>	<u>\$14,834,134</u>

B. Component Unit

The component unit is subject to the same legal requirements for the classification of cash as discussed in part A of this note. At year-end, the carrying amount of the component unit's deposits was \$44,500 and the bank balance was \$38,444. The entire bank balance was covered by federal depository insurance.

City of Zanesville, Ohio
Notes to the General Purpose Financial Statements
December 31, 1998

NOTE 7 - PROPERTY TAXES

Property taxes include amounts levied against all real and public utility property, and tangible personal (used in business) property located in the City. Taxes collected on real property (other than public utility) in one calendar year are levied in the preceding calendar year on assessed values as of January 1 of that preceding year, the lien date. Assessed values are established by State law at 35 percent of appraised market value. All property is required to be revalued every six years. Real and public utility property taxes are payable annually and semi-annually. If paid annually, payment is due December 31. If paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, state statute permits earlier or later payment dates to be established. Taxes collected from tangible personal property (other than public utility) in one calendar year are levied in the prior calendar year on assessed values as of December 31 of that calendar year, and at the rates determined in the preceding year. Tangible personal property used in business (except public utilities) is currently assessed for ad valorem taxation purposes at 25 percent of its true value. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the year preceding the tax collection year, the lien date. Certain public utility tangible personal property currently is assessed at 88 percent of its true value. Public utility taxes are payable on the same dates as real property taxes described previously. The assessed value upon which the 1998 taxes were collected was \$307,192,445. Real estate represented 73.3 percent (\$225,241,720) of this total and general tangible personal property represented 26.7 percent (\$81,950,725). The full tax rate for all City operations applied to taxable property for the year ended December 31, 1998, was \$3.40 per \$1,000 of assessed valuation.

The County Treasurer collects property tax on behalf of all taxing districts within the County. The County Auditor periodically remits to the taxing districts their portions of the taxes collected.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, public utility, and tangible personal property taxes which became measurable as of December 31, 1998. Total property tax collections for the next fiscal year are measurable. However, since these tax collections will not be received during the available period nor are they intended to finance 1998 operations, the receivable is offset by a credit to deferred revenue.

NOTE 8 - RECEIVABLES

A. Primary Government

Receivables at December 31, 1998, consisted of taxes, accounts (billings for user charged services including unbilled utility services), interfund, special assessments, loans, interest, and intergovernmental receivables arising from grants, entitlements, and shared revenues. All receivables are collectible in full. Delinquent accounts receivable are certified and collected as a special assessment, subject to foreclosure for nonpayment.

City of Zanesville, Ohio
Notes to the General Purpose Financial Statements
December 31, 1998

NOTE 8 - RECEIVABLES (continued)

A. Primary Government (continued)

The special revenue funds reflect loans receivable of \$303,877. This amount is for the principal owed to the City for Federal Community Development Block Grant Program monies loaned to local businesses for capital improvements, the Zanesville/Muskingum County Port Authority for the purchase of land, or to individuals for the demolition of condemned buildings. The loans bear interest at annual rates between four and twelve percent.

A summary of the principal items of intergovernmental receivables follows:

Intergovernmental Receivables	<u>Amount</u>
General Fund:	
Local Government Tax	\$113,850
Miscellaneous	<u>2,147</u>
Total General Fund	<u>115,997</u>
Special Revenue Funds:	
Motor Vehicle License Tax	47,210
COPS Grant	16,388
Gasoline Tax	14,733
Miscellaneous	6,521
State Highway Tax	<u>29,114</u>
Total Special Revenue Funds	<u>113,966</u>
Capital Projects Fund:	
Motor Vehicle License	<u>8,539</u>
Enterprise Funds:	
Miscellaneous	<u>284</u>
Total Enterprise Funds	<u>284</u>
Internal Service Fund:	
Intergovernmental	<u>498</u>
Total Internal Service Funds	<u>498</u>
Total All Funds	<u><u>\$239,284</u></u>

B. Component Unit

Accounts receivable at December 31, 1998, consisted of the following amounts:

Operating Grants Receivable	\$ 584
Operating Accounts Receivable	23,189
Capital Grant Receivable	<u>6,698</u>
Total	<u><u>\$30,471</u></u>

City of Zanesville, Ohio
Notes to the General Purpose Financial Statements
December 31, 1998

NOTE 8 - RECEIVABLES (continued)

B. Component Unit (continued)

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

NOTE 9 - INCOME TAX

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

Employers within the City are required to withhold income tax on employee compensation and remit the tax to the City either monthly or quarterly, as required. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually. Income tax proceeds are distributed to funds in the following manner: 1% to General Fund, .5% to Police Expenditure Special Revenue Fund, and .2% to Jail Operating Special Revenue Fund. Income tax revenue for 1998 was \$10,083,333.

NOTE 10 - FIXED ASSETS AND DEPRECIATION

A summary of the proprietary funds' property, plant, and equipment at December 31, 1998 follows:

	<u>Enterprise</u>	<u>Internal Service</u>	<u>Component Unit</u>
Land	\$676,106	\$397,639	\$ 35,000
Buildings and Building Improvements	4,170,436	376,437	670,697
Improvements other than Buildings	47,604,364	0	0
Machinery, Equipment, Furniture, and Fixtures	1,477,519	187,282	206,967
Vehicles	<u>1,538,402</u>	<u>30,869</u>	<u>764,560</u>
Total	55,466,827	992,227	1,677,224
Less:			
Accumulated Depreciation	<u>(23,361,329)</u>	<u>(399,334)</u>	<u>(932,543)</u>
Net Fixed Assets	<u>\$ 32,105,498</u>	<u>\$ 592,893</u>	<u>\$744,681</u>

City of Zanesville, Ohio
Notes to the General Purpose Financial Statements
December 31, 1998

NOTE 10 - FIXED ASSETS AND DEPRECIATION (Continued)

A summary of changes in general fixed assets follows:

	Balance January 1, 1998	Additions	Deductions	Balance December 31, 1998
Land	\$4,646,921	\$0	\$0	\$4,646,921
Buildings and Building Improvements	8,699,833	40,869	0	8,740,702
Improvements Other Than Buildings	830,651	0	0	830,651
Machinery, Equipment, Furniture, and Fixtures	2,152,181	587,859	8,867	2,731,173
Vehicles	<u>2,155,063</u>	<u>0</u>	<u>21,770</u>	<u>2,133,293</u>
Total	<u>\$18,484,649</u>	<u>\$628,728</u>	<u>\$ 30,637</u>	<u>\$19,082,740</u>

NOTE 11 - RISK MANAGEMENT

A. Primary Government

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. Effective June 1, 1997, the City contracted with Hartford for general liability insurance including police professional liability, EMT liability, and fire errors and omissions. Bodily injury and property damage are covered for a combined single limit of \$2,000,000 for each occurrence with a \$3,000,000 aggregate. The City has a \$5,000 deductible per occurrence for general liability insurance. Personal injury and advertising injury are covered up to \$2,000,000 for each occurrence, premises medical payments and fire legal liability are covered up to \$10,000 and \$500,000, respectively. Ohio Stop Gap insurance of \$1,000,000, and \$2,000,000 per occurrence and \$2,000,000 aggregate employee benefit liability is also maintained. Property and contents coverage per summary of values and cost of reproduction new, less exclusions, plus leased and rented items with a \$1,000 deductible. Earthquake coverage is maintained with a \$10,000,000 limit with a 5% deductible each occurrence.

Public officials liability is maintained in the amount of \$2,000,000 per occurrence, \$2,000,000 aggregate, with a \$10,000 deductible.

Vehicle fleet insurance: \$2,000,000 CSL bodily injury, property damage, and uninsured motorist are covered up to \$1,000,000 CSL with a \$1,000 deductible for collision and comprehensive on certain vehicles. Non-owned and hired vehicles are covered for bodily injury and property damage in the amount of \$2,000,000 per occurrence.

City of Zanesville, Ohio
Notes to the General Purpose Financial Statements
December 31, 1998

NOTE 11 - RISK MANAGEMENT (continued)

A. Primary Government (continued)

Boiler and machinery insurance is contracted with Cincinnati Insurance Company in the amount of \$1,000,000 per accident with broad coverage; \$2,500 deductible on solid state rectifiers; and \$1,000 deductible on all other objects.

Excess umbrella insurance for general liability, auto liability, EMT, ambulance, malpractice, police professional, and public officials errors and omissions is maintained in an aggregate amount of \$5,000,000.

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

For fiscal year 1998, the City participated in the Ohio Rural Water Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 23). The intent of the GRP is to achieve the benefit of a reduced premium for the City by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participant is calculated as one experience and a common premium rate is applied to all members in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to members that can meet the GRP's selection criteria. The firm of Comp Management provides administrative, cost control and actuarial services to the GRP.

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

The claims liability of the Health Self-Insurance internal service fund of \$281,314 reported at December 31, 1998, is based on the requirements of Governmental Accounting Standards Board Statement No. 10 which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. Changes in the fund's claims liability for 1997 and 1998 were:

	<u>Beginning of Year</u>	<u>Current Year Claims</u>	<u>Claim Payments</u>	<u>Balance at End of Year</u>
1997	\$247,371	\$1,526,015	\$1,465,200	\$308,186
1998	308,186	1,601,121	1,627,993	281,314

City of Zanesville, Ohio
Notes to the General Purpose Financial Statements
December 31, 1998

NOTE 11 - RISK MANAGEMENT (continued)

B. Component Unit

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

NOTE 12 - DEFINED BENEFIT PENSION PLANS

A. Primary Government

1. Public Employees Retirement System:

All City employees participate in the Public Employees Retirement System of Ohio (PERS), a cost-sharing multiple-employer public employee retirement system administered by the Public Employees Retirement Board.

PERS provides basic retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by Chapter 145 of the Ohio Revised Code. PERS issues a stand-alone financial report which may be obtained by writing to the Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642.

Plan members are required to contribute 8.5 percent of their annual covered salary to fund pension obligations and the City is required to contribute 9.35 percent. Contributions are authorized by State statute. The contribution rates are determined actuarially.

The contribution rates are determined actuarially. The City's required contributions to PERS for the years ended December 31, 1998, 1997, and 1996 were \$768,533, \$694,908, and \$665,464 respectively. The full amount has been contributed for 1998.

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

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

City of Zanesville, Ohio
Notes to the General Purpose Financial Statements
December 31, 1998

NOTE 12 - DEFINED BENEFIT PENSION PLANS (continued)

A. Primary Government (continued)

Police and firefighters are required to contribute 10 percent of their annual covered salary to fund pension obligations and the City is required to contribute 13 percent for police and 17.5 percent for firefighters. Contributions are authorized by State statute. The City's contributions to the Fund for police and firefighters were \$398,067 and \$387,519, for the year ended December 31, 1998, \$367,679 and \$381,706 for the year ended December 31, 1997, and \$336,582 and \$353,765 for 1996. The full amount has been contributed for 1998, 1997 and 1996.

In addition to the current contribution, the City pays installments on the accrued liability incurred when the State of Ohio established the statewide pension system for police and firefighters in 1967. As of December 31, 1998, the unfunded liability of the City was \$1,779,571, payable in semiannual payment through the year 2035. This is an accounting liability of the City which will not vary. The liability is reported in the general long-term obligations account group.

B. Component Unit:

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

The retirement contribution requirement for the year ended December 31, 1998 was \$70,470.

NOTE 13 - POSTEMPLOYMENT BENEFITS

A. Primary Government

1. Public Employees Retirement System

The Public Employees Retirement System of Ohio (PERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit and to primary survivor recipients of such retirees. Health care coverage for disability recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to PERS is set aside for the funding of postretirement health care based on authority granted by State statute. The 1998 employer contribution rate was 13.55 percent of covered payroll; 4.2 percent was the portion that was used to fund health care. For 1998, the percent used to fund health care was 5.11 percent.

City of Zanesville, Ohio
Notes to the General Purpose Financial Statements
December 31, 1998

NOTE 13 - POSTEMPLOYMENT BENEFITS (continued)

A. Primary Government (continued)

Benefits are funded on an actuarial basis. OPEB are financed through employer contributions and investment earnings. The contributions allocated to retiree health care and Medicare, along with investment income on allocated assets and periodic adjustments in health care provisions, are expected to be sufficient to sustain the program indefinitely. During 1998, OPEB expenditures made by PERS were \$440,596,663. As of December 31, 1998, the unaudited estimated net assets available for future OPEB payments were \$9,447,325,318. At December 31, 1998, the total number of benefit recipients eligible for OPEB through PERS was 113,906. The City's actual contributions for 1998 which were used to fund OPEB were \$289,834.

During 1997, PERS adopted a new calculation method for determining employer contributions applied to OPEB. Under the new method, effective January 1, 1998, employer contributions, equaled 4.2 percent of member covered payroll, are used to fund health care expenses. Under the prior method, accrued liabilities and normal cost rates were determined for retirees health coverage.

2. Police and Firemen's Disability and Pension Fund

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

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. The Ohio Revised Code provides the authority allowing the Police and Firemen's Disability and Pension Fund's board of trustees to provide health care coverage and states that health care cost paid from the Police and Firemen's Disability and Pension Fund shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis. The total police employer contribution is 19.5 percent of covered payroll and the total firefighter employer contribution rate is 24 percent of covered payroll, of which 6.5 percent of covered payroll is applied to the postemployment health care program. In addition, since July 1, 1992, most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment.

The City's actual contributions for 1998 that were used to fund postemployment benefits were \$124,585 for police and \$106,585 for fire. PFDPF's total health care expenses for the year ended December 31, 1997, (the latest information available) were \$76,459,832. The number of PFDPF participants eligible to receive health care benefits as of December 31, 1998, was 7,493 for police and 14,120 for firefighters.

City of Zanesville, Ohio
Notes to the General Purpose Financial Statements
December 31, 1998

NOTE 13 - POSTEMPLOYMENT BENEFITS (continued)

B. Component Unit

The Component Unit retirants are provided postemployment health coverage by the Public Employees Retirement System of Ohio. Complete information regarding postemployment benefits is discussed in Section A1 of this note. The Authority's actual contributions for 1998 which were used to fund postemployment benefits were \$26,576.

NOTE 14 - OTHER EMPLOYEE BENEFITS

A. Other Insurance Benefits

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

The City provides a self-funded comprehensive health insurance plan administered by Central Benefits. Deductibles vary according to employee group: non-union - \$100 family, \$50 single; police/correction officer/AFSCME unions - \$350 family, \$150 single; and firefighters' union - \$400 family, \$125 single. After deductibles, employees are responsible for a 20 percent copayment per claim (major medical). There is no premium cost to employees.

B. Compensated Absences

A. Primary Government

The criteria for determining vested vacation and sick leave components are derived from negotiated agreements and State laws. Upon retirement, AFSCME union employees and policemen are paid 33% of their sick leave balance, up to a maximum of 960 hours. Assistant Fire Chiefs whose work week consists of 56 hours when averaged over a three-week period shall receive, upon retirement, 25% of accrued sick leave, up to 540 hours. Upon retirement, a maximum payment of 33% of accrued sick leave, up to a maximum of 540 hours, shall be made to firefighters. Police sergeants and lieutenants shall receive, upon retirement, 33% of sick leave balances, up to a maximum of 960 hours. All other uniformed police officers shall receive, upon retirement, 33% of sick leave balances, up to a maximum 960 hours. Correction officers shall receive 25% of sick leave balances, up to a maximum of 960 hours. Unaffiliated employees shall receive 25% of sick leave balances, up to a maximum of 385 hours. All employees are required to have ten or more years of service before any compensation for accumulated sick leave is paid upon retirement. Upon voluntary termination, death, or retirement, all employees will receive 100% of vacation earned and not previously taken. As of December 31, 1998 the liability for unpaid compensated absences was \$1,225,300 .

City of Zanesville, Ohio
Notes to the General Purpose Financial Statements
December 31, 1998

NOTE 14 - OTHER EMPLOYEE BENEFITS (Continued)

B. Compensated Absences (Continued)

B. Component Unit

The Authority accounts for compensated absences in accordance with generally accepted accounting principles; however, since accrued vacation is not carried forward and accrued sick leave is not paid upon termination, the Authority determined that any liability would be immaterial to the financial statements.

NOTE 15 - CAPITAL LEASES - LESSEE DISCLOSURE

A. Primary Government

In the current and prior years, the City has entered into capitalized leases for copying equipment, computer equipment, 911 equipment, and other miscellaneous items. Each lease meets the criteria of a capital lease set forth in the Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease as one which transfers benefits and risks of ownership to the lessee. Capital lease payments are reflected as debt service expenditures in the General Purpose Financial Statements for the governmental. Equipment acquired by lease has been capitalized in the General Fixed Assets Account Group in the amount of \$168,015 which is the present value of the future minimum lease payments at the time of acquisition. A corresponding liability was recorded in the General Long-Term Obligations Account Group. Governmental fund principal payments during 1998 totaled \$27,029. Future minimum lease payments through 2000 are as follows:

A. Primary Government

<u>Year</u>	<u>General Long-Term Obligations Account Group</u>
1999	\$18,546
2000	<u>7,679</u>
Total	26,225
Less Amount	
Representing Interest	<u>(1,598)</u>
Present Value of Net	
Minimum Lease Payments	<u><u>\$24,627</u></u>

City of Zanesville, Ohio
Notes to the General Purpose Financial Statements
December 31, 1998

NOTE 16 - CONTRACTUAL COMMITMENTS

As of December 31, 1998, the City had contractual purchase commitments for projects in the MVL Permissive Tax Fund, a Capital Projects Fund. Purchase commitments for equipment repairs and purchases in the General Fund, Police Special Revenue Fund, Auto Gas Special Revenue Fund, Vehicle Maintenance Internal Service fund, Airport Enterprise Fund, and Sanitation Enterprise Fund. Sewer line improvements in the Sewer Enterprise Fund, water main replacement, water plant improvements, and equipment purchases in the Water Enterprise Fund, and street and building improvements in the Community Development Special Revenue Fund. The amount for each project is as follows:

<u>Projects</u>	<u>Purchase Commitments</u>	<u>Amount Expended</u>	<u>Amount Remaining on Contracts</u>
MVL Permissive Tax Capital Projects Fund:			
Street Resurfacing	\$110,000	\$ 0	\$110,000
General Fund:			
Equipment Purchases	222,856	12,750	210,106
Equipment Repairs	38,899	35,200	3,699
Police Special Revenue Fund:			
Equipment Purchases	81,424	0	81,424
Auto Gas Special Revenue Fund:			
Equipment Purchases	30,590	0	30,590
Vehicle Maintenance Internal Service Fund:			
Equipment Purchases	15,468	0	15,468
Airport Enterprise Fund:			
Equipment Purchases	44,650	0	44,650
Sanitation Enterprise Fund:			
Equipment Purchases	76,190	5,000	71,190
Sewer Enterprise Fund:			
Sewer Line Improvements	330,440	273,219	57,221
Water Enterprise Fund:			
Water Main Improvements	637,150	0	637,150
Water Plant Improvements	294,000	209,985	84,015

City of Zanesville, Ohio
Notes to the General Purpose Financial Statements
December 31, 1998

NOTE 16 - CONTRACTUAL COMMITMENTS (Continued)

Water Enterprise Fund:			
Equipment Purchases	59,944	0	59,944
Community Development Special Revenue Fund:			
Street Improvements	52,000	0	52,000
Building Improvements	110,471	73,014	37,457
Total All Funds	<u>\$2,104,082</u>	<u>\$609,168</u>	<u>\$1,494,914</u>

NOTE 17 - LONG-TERM OBLIGATIONS

A. Primary Government

Changes in long-term obligations of the City for the year ending December 31, 1998 were as follows:

	<u>Outstanding 12-31-97</u>	<u>Additions</u>	<u>Reductions</u>	<u>Outstanding 12-31-98</u>
<u>ENTERPRISE FUND OBLIGATIONS</u>				
REVENUE BONDS:				
Water Improvements - 1989 Series A, Variable	\$560,000	\$0	\$31,250	\$528,750
Water System Improvement 1993 - Variable Interest	1,225,000	0	35,000	1,190,000
Sewer 1989 Series A - Variable Interest	604,800	0	33,750	571,050
Storm Sewer - 1989 Series A Variable Interest	<u>1,075,200</u>	<u>0</u>	<u>60,000</u>	<u>1,015,200</u>
TOTAL REVENUE BONDS	<u>3,465,000</u>	<u>0</u>	<u>160,000</u>	<u>3,305,000</u>

City of Zanesville, Ohio
Notes to the General Purpose Financial Statements
December 31, 1998

NOTE 17 - LONG-TERM OBLIGATIONS (Continued)

A. Primary Government (Continued)

OWDA - Water Variable Interest	2,519,764	0	130,469	2,389,295
OWDA - Sewer Variable Interest	<u>5,730,498</u>	<u>0</u>	<u>361,562</u>	<u>5,368,936</u>
TOTAL OWDA TOTAL ENTERPRISE FUND OBLIGATIONS	<u>8,250,262</u>	<u>0</u>	<u>492,031</u>	<u>7,758,231</u>
	<u>11,715,262</u>	<u>0</u>	<u>652,031</u>	<u>11,063,231</u>

GENERAL LONG-TERM
OBLIGATIONS

	<u>Outstanding 12-31-97</u>	<u>Additions</u>	<u>Reductions</u>	<u>Outstanding 12-31-98</u>
GENERAL OBLIGATION BONDS:				
Capital Improvements 1989 Bond, Variable Interest	\$1,045,000	\$0	\$60,000	\$985,000
Fire Truck Acquisition 1991 - 6.5%	126,000	0	22,000	104,000
Ohio Government Building 1986 - 7.38%	600,000	0	40,000	560,000
Jail Facility 1993 - 5.61%	<u>2,865,000</u>	<u>0</u>	<u>75,000</u>	<u>2,790,000</u>
TOTAL GENERAL OBLIGATION BONDS	<u>4,636,000</u>	<u>0</u>	<u>197,000</u>	<u>4,439,000</u>
SPECIAL ASSESSMENT BONDS:				
Brandywine - 1981 12.0%	<u>340,000</u>	<u>0</u>	<u>85,000</u>	<u>255,000</u>
TOTAL SPECIAL ASSESSMENT DEBT	<u>340,000</u>	<u>0</u>	<u>85,000</u>	<u>255,000</u>
Police and Fire Pension Liability	1,799,747	0	20,176	1,779,571
Compensated Absences	838,483	48,036	0	886,519
Capital Leases	<u>51,656</u>	<u>0</u>	<u>27,029</u>	<u>24,627</u>
TOTAL GENERAL LONG- TERM OBLIGATIONS	<u>7,665,886</u>	<u>48,036</u>	<u>329,205</u>	<u>7,384,717</u>
GRAND TOTAL	<u>\$19,381,148</u>	<u>\$ 48,036</u>	<u>\$ 981,236</u>	<u>\$18,447,948</u>

City of Zanesville, Ohio
Notes to the General Purpose Financial Statements
December 31, 1998

NOTE 17 - LONG-TERM OBLIGATIONS (Continued)

A. Primary Government (Continued)

Water and Sewer System revenue bonds will be paid from revenue derived from charges for services in the enterprise funds. The Water and Sewer OWDA loans will be paid from revenue derived from charges for services in the water and sewer enterprise funds. The Capital Improvements, Fire Truck Acquisition, Ohio Government Building and Jail Facility general obligation bonds are paid from property tax receipts of the debt service fund. The police and fire pension liability will be paid from general property tax revenues. Special assessment bonds will be repaid from the proceeds of special assessments levied against benefitted property owners. In the event the property owners do not pay their assessments, the City would be responsible for the debt service payment. Compensated absences reported in the "Compensated Absences Payable" account will be paid from the fund which the employee's salaries are paid. Principal and interest requirements to retire long-term obligations outstanding at December 31, 1998, including interest of \$9,065,060, are as follows:

<u>Year</u>	<u>Police and Fire Pension</u>	<u>General Obligation Bonds</u>	<u>Enterprise Revenue Bonds</u>	<u>Special Assessments</u>	<u>OWDA Loans</u>	<u>Total</u>
1999	\$96,453	480,038	381,725	117,513	1,053,089	2,128,818
2000	96,453	473,678	381,258	106,673	1,053,089	2,111,151
2001	96,453	472,708	384,643	95,839	1,053,089	2,102,732
2002	96,453	469,943	382,068	0	1,053,089	2,001,553
2003	96,453	437,390	378,743	0	1,053,089	1,965,675
2004-2035	<u>3,033,895</u>	<u>4,837,096</u>	<u>2,374,194</u>	<u>0</u>	<u>6,957,894</u>	<u>17,203,079</u>
Totals	<u>\$3,516,160</u>	<u>\$7,170,853</u>	<u>\$4,282,631</u>	<u>\$320,025</u>	<u>\$12,223,339</u>	<u>\$27,513,008</u>

As of December 31, 1998, the City's overall legal debt margin (the ability to issue additional amounts of general obligation bonded debt) was \$27,732,474.

NOTE 18 - NOTE DEBT

The City's note activity, including the amount outstanding, interest rate, and the purpose for which the note was issued is as follows:

	<u>Outstanding 12-31-97</u>	<u>Additions</u>	<u>Reductions</u>	<u>Outstanding 12-31-98</u>
<u>Special Revenue Funds:</u>				
Ohio Public Works				
Commission 1996- 0%	\$12,583	\$0	\$3,146	\$9,437

City of Zanesville, Ohio
Notes to the General Purpose Financial Statements
December 31, 1998

NOTE 18 - NOTE DEBT (Continued)

The Ohio Public Works Commission Note is backed by the full faith and credit of the City of Zanesville. The note will be repaid from license fees and will be reflected as a liability of the State and Federal Infrastructure Capital Projects Fund, the fund that received the note proceeds. The Ohio Public Works Commission Note will be repaid over a five year period. Annual debt service requirements to maturity for the Ohio Public Works Commission revenue anticipation notes are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
1999	\$3,146
2000	3,146
2001	3,146
2002	1,573

NOTE 19 - INTERFUND TRANSACTIONS

<u>Interfund Receivable/Payable</u>	<u>Receivable</u>	<u>Payable</u>
Due From/To Other Funds		
General	<u>0</u>	<u>165,705</u>

Special Revenue Funds:

Police Expenditure	0	82,446
Auto Gas	0	23,563
Jail Operating	0	34,129
Jail Reduction	0	517
Community Development	0	2,279
Litter	<u>0</u>	<u>421</u>
Total Special Revenue Funds	<u>0</u>	<u>143,355</u>

Enterprise Funds:

Airport	0	219
Auditorium	0	770
Cemetery	0	1,467
Sanitation	0	9,349
Sewer	0	17,003
Water	<u>0</u>	<u>37,263</u>
Total Enterprise Funds	<u>0</u>	<u>66,071</u>

Internal Service Funds:

Vehicle and Equipment Maintenance	22,710	5,042
Health Self-Insurance	<u>357,463</u>	<u>0</u>
Total Internal Service Funds	<u>380,173</u>	<u>5,042</u>

Grand Total Interfund Activity	<u>\$380,173</u>	<u>\$380,173</u>
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City of Zanesville, Ohio
Notes to the General Purpose Financial Statements
December 31, 1998

NOTE 20 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The City's enterprise funds account for the provision of airport, water, sewer, sanitation, cemetery, and auditorium services. The table below reflects, in a summarized format, the more significant financial data relating to the enterprise funds of the City of Zanesville as of and for the year ended December 31, 1998:

	<u>Airport</u>	<u>Water</u>	<u>Sewer</u>
Operating Revenues	\$13,580	\$3,203,438	\$4,226,734
Depreciation	57,323	405,637	761,786
Operating Expenses (excluding Depreciation)	85,954	2,026,433	2,938,878
Operating Income (Loss)	(129,697)	771,368	526,070
Net Non-Operating Revenue (Expenses)	3,772	(287,267)	(520,360)
Operating Transfers In	101,194	0	0
Net Income (Loss)	(24,731)	484,101	5,710
Additions to Fixed Assets	98,383	308,395	440,246
Current Capital Contributions	200,000	0	33,313
Net Working Capital	351,067	2,466,565	3,713,031
Total Assets	1,982,707	11,785,889	24,907,389
Long-term Liabilities to be paid from fund revenues (including current portion)	0	4,697,605	6,955,186
Total Equity	1,919,578	7,157,034	17,567,933
Encumbrances Outstanding at December 31, 1998	93,709	998,072	373,040

City of Zanesville, Ohio
Notes to the General Purpose Financial Statements
December 31, 1998

NOTE 20 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS (continued)

<u>Sanitation</u>	<u>Cemetery</u>	<u>Auditorium</u>	<u>Total Enterprise</u>
\$557,767	\$113,438	\$239,234	\$8,354,191
55,131	24,563	26,717	1,331,157
992,973	233,084	318,741	6,596,063
(490,337)	(144,209)	(106,224)	426,971
2,303	11,318	0	(790,234)
479,453	149,415	114,240	844,302
(8,581)	16,524	8,016	481,039
2,187	1,766	986	851,963
0	0	0	233,313
384,904	566,019	101,334	7,752,920
652,895	706,584	963,988	40,999,452
0	0	0	11,652,791
523,591	674,614	952,437	28,795,187
119,046	3,946	2,739	1,590,552

City of Zanesville, Ohio
Notes to the General Purpose Financial Statements
December 31, 1998

NOTE 21 - CONTRIBUTED CAPITAL

A: Primary Government

Changes in contributed capital for the year ended December 31, 1998:

	<u>Airport</u>	<u>Sewer</u>	<u>Water</u>	<u>Auditorium</u>	<u>Total Enterprise</u>	<u>Internal Service</u>
Contributed Capital at December 31, 1997	\$2,671,140	\$7,173,293	\$1,387,409	\$910,226	\$12,142,068	\$953,364
Current Contributions:						
Grants	<u>200,000</u>	<u>33,313</u>	<u>0</u>	<u>0</u>	<u>233,313</u>	<u>0</u>
Contributed Capital at December 31, 1998	<u>\$2,871,140</u>	<u>\$7,206,606</u>	<u>\$1,387,409</u>	<u>\$910,226</u>	<u>\$12,375,381</u>	<u>\$953,364</u>

B: Component Unit

Changes in the Component Unit's contributed capital for the year ended December 31, 1998:

Contributed Capital December 31, 1997	\$643,638
Current Contributions:	
Intergovernmental	164,686
Depreciation of Assets Acquired with Capital Grants	<u>(182,625)</u>
Contributed Capital December 31, 1998	<u>\$625,699</u>

NOTE 22 - JOINTLY GOVERNED ORGANIZATIONS

- A. The Ohio Mid-Eastern Governments Association (OMEGA) is a ten-county regional council of governments comprised of Belmont, Carroll, Coshocton, Columbiana, Guernsey, Harrison, Holmes, Jefferson, Muskingum, and Tuscarawas Counties. OMEGA was formed to aid and assist the participating counties in the application for Appalachian Regional Commission and Economic Development grant monies. OMEGA is governed by a sixteen member executive board comprised of members appointed from each participating county and cities within each county. City membership is voluntary. The mayor of the City of Zanesville serves as the City's representative on the board. The board has total control over budgeting, personnel, and financial matters. Each member currently pays an eight cent per capita membership fee based upon the most recent U.S. census. During 1998, OMEGA received \$2,410 from the City of Zanesville. The continued existence of OMEGA is not dependent on the City's continued participation and no equity interest exists. OMEGA has no outstanding debt. Financial information can be obtained from the Ohio Mid-Eastern Governments Association, Cambridge.

City of Zanesville, Ohio
Notes to the General Purpose Financial Statements
December 31, 1998

NOTE 22 - JOINTLY GOVERNED ORGANIZATIONS (continued)

- B. The Zanesville/Muskingum County Port Authority is a separate legal entity. The Authority is governed by a five member board and was created by a resolution of the City of Zanesville and Muskingum County. The Authority is incorporated as a non-profit corporation under the laws of the State of Ohio. The City appoints two members to the Authority board and Muskingum County appoints three members. The Authority board adopts its own budget, is its own contracting authority, hires and fires its own staff, authorizes all expenditures and does not rely on the City or the County to finance deficits. The Authority derives its revenues from lease/rental income, interest income, contributions from the City and County, and other miscellaneous revenue sources. The City and County currently lease the Anchor Glass Facilities from the Authority, and sublet the facilities to the Anchor Glass Corporation. The lease is a twenty year lease which is in effect until 2008. The City and the County, by the terms of the lease agreement, make lease payments directly to National City Bank in conjunction with Anchor Glass which is used for the payment of Authority debt. The City and the County also provide operating subsidies to the Authority. During 1998, the City provided \$100,000 and the County provided \$1,700,073 in operating subsidies to the Authority. In addition, the City paid \$56,374 to the Authority for the purchase of land, and \$40,000 to the Authority for construction of a road. The Authority has self-supporting revenue debt. The Authority is a component unit of Muskingum County and financial information is available from the Zanesville/Muskingum County Port Authority, Zanesville, Ohio.
- C. The Zanesville/Muskingum County Convention Facilities Authority was created pursuant to State Statutes for the purpose of acquiring, constructing, equipping, and operating a convention facility in Muskingum County. The Authority operates under the direction of an eleven member appointed board of directors. The board consists of three members appointed by the Mayor of the City of Zanesville, six members appointed by Muskingum County, and two members appointed by remaining municipal corporations located in the County. The board exercises total control over the operation of the Authority including budgeting, appropriating, contracting, and designating management. The Authority receives funding in the form of a four percent hotel and motel excise tax for each transaction occurring in the boundaries of Muskingum County. The tax is levied and collected by the Authority directly. The City is prohibited from contributing to the operations of the Authority by State Law. During 1998, the Authority received \$369,218 from excise taxes and miscellaneous revenue sources. The Authority has no outstanding debt. Complete financial information can be obtained from the Zanesville/Muskingum County Convention Facilities Authority, Zanesville, Ohio.
- D. The Zanesville Metropolitan Housing Authority was created in 1938, and currently operates pursuant of Revised Code Section 3735.27. The Authority is operated by a five member board. The City appoints two members and the County appoints three members. The board adopts their own appropriations, is their own contracting authority, hires and fires their own staff, authorizes all expenditures, and does not rely on the City or the County to finance deficits. The Authority receives funding from the federal government in the form of grants. All monies are received directly by the Authority in the Authority's name. Although the City appoints members to the board, the City is not financially accountable for the Authority, nor is the Authority fiscally dependent on the City. The Authority has no outstanding debt. Complete financial information can be obtained from the Zanesville Metropolitan Housing Authority, Zanesville, Ohio.

City of Zanesville, Ohio
Notes to the General Purpose Financial Statements
December 31, 1998

NOTE 23 - INSURANCE PURCHASING POOL

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

NOTE 24 - RELATED PARTY TRANSACTIONS

The Muskingum Authority of Public Transit, a discretely presented component unit of the City of Zanesville, received contributions from the City for facilities, certain equipment, transportation and salaries for administrative implementation and supervision of its programs. These contributions are reflected as "Contributions from Local Governments" and "Operating Expenses" in the general purpose financial statements. In 1998, these contributions were \$212,924, and \$57,924 was contributed by Muskingum County and the Village of South Zanesville.

NOTE 25 - CONTINGENCIES

A. Grants

The City received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the City at December 31, 1998.

B. Litigation

The City of Zanesville is currently not party to any pending litigation that could have a material adverse effect on the financial statements.

C. Component Unit - Contingencies

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

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 1998**

<u>Federal Grantor/ Pass Through Grantor/ Program Title</u>	<u>Pass Through Number</u>	<u>Federal CFDA Number</u>	<u>Receipts</u>	<u>Disbursements</u>
<u>U. S. Department of Agriculture</u> <i>Passed through State Department of Education:</i>				
Child and Adult Care Food Program	4420/542	10.558	\$ <u>56,450</u>	\$ <u>55,208</u>
Total U.S. Department of Agriculture			56,540	55,208
<u>U.S. Department of Justice</u> <i>Passed through Ohio Department of Rehabilitation and Corrections:</i>				
Local Law Enforcement Block Grant	96-LB-VX-3296	16.592	1,048	48,461
Office of Community Oriented Policing Services (COPS Fast)	95-CF-WX-2981	16.710	<u>30,368</u>	<u>30,368</u>
Total U.S. Department of Justice			31,416	78,829
<u>U. S. Department of Housing and Urban Development</u> <i>Passed Through State Department of Development:</i>				
Community Development Block Grant (A) (B)	A-C-97-204-1 A-F-97-204-1 A-F-98-204-1 A-L-98-204-1 A-T-97-204-1	14.228	297,200 221,500 5,000 56,750 <u>15,800</u>	277,419 135,648 5,000 56,750 <u>15,451</u>
Total Community Development Block Grant			<u>596,250</u>	<u>490,268</u>
Total U.S. Department of Housing and Urban Development			596,250	490,268
<u>Federal Emergency Management Agency</u> <i>Passed Through State Emergency Management Agency:</i>				
Public Assistance	DR-1227	83.544	<u>70,009</u>	<u>70,009</u>
Total Federal Emergency Management Agency			<u>70,009</u>	<u>70,009</u>
Total Federal Awards Receipts and Expenditures			\$ <u>754,125</u>	\$ <u>694,314</u>

The accompanying notes to this schedule are an integral part of this schedule.

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 1998**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Receipts and Expenditures summarizes activity of the City's federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B - COMMUNITY DEVELOPMENT BLOCK GRANT REVOLVING LOAN PROGRAMS

The City has established a revolving loan program to provide low-interest loans to businesses to create jobs for persons from low-moderate income households and to eligible persons and to rehabilitate homes. The initial loan of this money would be recorded as a disbursement on the accompanying Schedule of Federal Awards Receipts and Expenditures; however, no loans have been initiated since 1994. Loans repaid, including interest, are used to make additional loans.

These loans are collateralized by mortgages on the property. At December 31, 1998, the gross amount of loans outstanding under the program was \$303,877.

NOTE C - MATCHING REQUIREMENTS

Certain federal programs require that the City contribute non-federal matching funds to support the federally funded programs. The City has complied with the matching requirements. The expenditure of non-federal matching funds is not included on the schedule.

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STATE OF OHIO
OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

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Facsimile 740-594-2110

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

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

To the Mayor and Members of City Council:

We have audited the financial statements of the City of Zanesville, Muskingum County, Ohio (the City), as of and for the year ended December 31, 1998, in which we indicated that the City had changed its method of accounting for deferred compensation and investments, and have issued our report thereon dated February 17, 2000. We did not audit the financial statements of the Muskingum Authority of Public Transit which represents all assets and revenues of the component unit column. Those financial statements were audited by other auditors, following *Government Auditing Standards*, and their report thereon has been furnished to us. Our opinion, insofar as it relates to the amounts included for the component unit, is based on the report of other auditors. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the City in a separate letter dated February 17, 2000.

The other auditors did not report noncompliance requiring disclosure under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the City in a separate letter dated February 17, 2000.

The other auditors noted reportable conditions in internal control, which were not deemed material weaknesses. See their report dated June 14, 1999 for a description of those conditions.

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

Jim Petro
Auditor of State

February 17, 2000



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

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

To the Mayor and Members of City Council:

Compliance

We have audited the compliance of the City of Zanesville, Muskingum County, Ohio (the City) with types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended December 31, 1998. The City's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City complied, in all material respects, with these requirements referred to above that are applicable to its major federal program for the year ended December 31, 1998.

Internal Control Over Compliance

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. However, we noted certain instances of noncompliance that do not require inclusion in this report that we have reported to the management of the City in a separate letter dated February 17, 2000.

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

Jim Petro
Auditor of State

February 17, 2000

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133, SECTION .505
DECEMBER 31, 1998**

1. SUMMARY OF AUDITOR'S RESULTS

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

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

The audit of the City of Zanesville, Muskingum County, for the year ended December 31, 1998, contained no findings related to the financial statements required to be reported in accordance with GAGAS.

3. FINDINGS FOR FEDERAL AWARDS

The audit of the City of Zanesville, Muskingum County, for the year ended December 31, 1998, contained no findings for federal awards.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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CITY OF ZANESVILLE

MUSKINGUM COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
APRIL 4, 2000**