



**VILLAGE OF ZANESFIELD
LOGAN COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2001 and 2000



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

VILLAGE OF ZANESFIELD
LOGAN COUNTY

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REPORT OF INDEPENDENT ACCOUNTANTS

Village of Zanesfield
Logan County
P.O. Box 62
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To the Village Council:

We have audited the accompanying financial statements of the Village of Zanesfield (the Village), Logan County, as of and for the years ended December 31, 2001 and 2000. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 provides a reasonable basis for our opinion.

As discussed in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than accounting principle generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the fund cash balances and reserves for encumbrances of the Village as of December 31, 2001 and 2000, and its cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2002 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Village of Zanesfield
Logan County
Report of Independent Accountants
Page 2

This report is intended solely for the information and use of the audit committee, management, and Village Council and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

March 31, 2002

**VILLAGE OF ZANESFIELD
LOGAN COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	Governmental Fund Types		Totals (Memorandum Only)
	General	Special Revenue	
Cash Receipts:			
Property Tax and Other Local Taxes	\$5,280		\$5,280
Intergovernmental Receipts	12,342	8,870	21,212
Miscellaneous	3,333		3,333
 Total Cash Receipts	 20,955	 8,870	 29,825
Cash Disbursements:			
Current:			
Security of Persons and Property	800		800
Leisure Time Activities	2,000		2,000
Community Environment	1,920		1,920
Basic Utility Services	692		692
Transportation		4,461	4,461
General Government	17,795		17,795
Capital Outlay	1,275	1,275	2,550
 Total Cash Disbursements	 24,482	 5,736	 30,218
 Total Receipts Over/(Under) Disbursements	 (3,527)	 3,134	 (393)
Other Financing Receipts:			
Sale of Fixed Assets	9,266		9,266
 Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements	 5,739	 3,134	 8,873
 Fund Cash Balances, January 1	 13,273	 12,684	 25,957
 Fund Cash Balances, December 31	 \$19,012	 \$15,818	 \$34,830

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

**VILLAGE OF ZANESFIELD
LOGAN COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCE - FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2001**

	Fiduciary Fund Type
	Nonexpendable Trust
Operating Cash Receipts:	
Miscellaneous	\$3,027
Operating Cash Disbursements:	
Supplies and Materials	910
Capital Outlay	700
Total Operating Cash Disbursements	1,610
Operating Income	1,417
Fund Cash Balance, January 1	46,135
Fund Cash Balance, December 31	\$47,552

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

**VILLAGE OF ZANESFIELD
LOGAN COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2000**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Tax and Other Local Taxes	\$5,215		\$5,215
Intergovernmental Receipts	12,296	8,611	20,907
Miscellaneous	9,249		9,249
Total Cash Receipts	<u>26,760</u>	<u>8,611</u>	<u>35,371</u>
Cash Disbursements:			
Current:			
Security of Persons and Property	1,188		1,188
Leisure Time Activities	2,000		2,000
Community Environment	1,395		1,395
Basic Utility Services	697		697
Transportation	11,490	10,063	21,553
General Government	22,694		22,694
Capital Outlay	72,000	20,000	92,000
Total Cash Disbursements	<u>111,464</u>	<u>30,063</u>	<u>141,527</u>
Total Receipts (Under) Disbursements	(84,704)	(21,452)	(106,156)
Fund Cash Balances January 1	<u>97,977</u>	<u>34,136</u>	<u>132,113</u>
Fund Cash Balances, December 31	<u><u>\$13,273</u></u>	<u><u>\$12,684</u></u>	<u><u>\$25,957</u></u>
Reserves for Encumbrances, December 31	<u><u>\$1,275</u></u>	<u><u>\$1,275</u></u>	<u><u>\$2,550</u></u>

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

VILLAGE OF ZANESFIELD
LOGAN COUNTY

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCE - FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2000

	<u>Fiduciary Fund Type</u>
	<u>Nonexpendable Trust</u>
Operating Cash Receipts:	
Miscellaneous	\$2,717
Operating Cash Disbursements:	
Capital Outlay	<u>850</u>
Operating Income	1,867
Fund Cash Balance, January 1	<u>44,268</u>
Fund Cash Balance, December 31	<u><u>\$46,135</u></u>

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

**VILLAGE OF ZANESFIELD
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Zanesfield, Logan County, (the "Village") is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides general governmental services and park operations. The Village contracts with the Logan County Sheriff's department to provide security of persons and property. The Village contracts with the Tri-Valley Fire District for fire and emergency services.

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

B. Basis of Accounting

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

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash and Investments

Certificates of deposit are valued at cost.

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Fund

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Fund:

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

**VILLAGE OF ZANESFIELD
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Fiduciary Funds (Trust Funds)

Trust funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the Village to maintain the corpus of the trust, the fund is classified as a nonexpendable trust fund. The Village had the following nonexpendable trust fund:

Sloan Fund - This fund receives interest income to be used for the youth of the Village.

E. Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2001 and 2000 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

**VILLAGE OF ZANESFIELD
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	<u>2001</u>	<u>2000</u>
Demand deposits	\$ 43,625	\$ 33,768
Certificates of deposit	<u>38,758</u>	<u>38,324</u>
Total deposits	<u>82,382</u>	<u>72,092</u>

Deposits: Deposits are insured by the Federal Depository Insurance Corporation.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2001 and 2000 follows:

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 24,000	\$ 30,221	\$ 6,221
Special Revenue	8,500	8,870	370
Nonexpendable Trust	<u>2,500</u>	<u>3,027</u>	<u>527</u>
Total	<u>\$ 35,000</u>	<u>\$ 42,118</u>	<u>\$ 7,118</u>

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 35,098	\$ 24,482	\$ 10,616
Special Revenue	18,125	5,736	12,389
Nonexpendable Trust	<u>7,500</u>	<u>1,610</u>	<u>5,890</u>
Total	<u>\$60, 723</u>	<u>\$ 31,828</u>	<u>\$ 28,895</u>

**VILLAGE OF ZANESFIELD
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2000 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 22,400	\$ 26,760	\$ 4,360
Special Revenue	7,500	8,611	1,111
Nonexpendable Trust	2,000	2,717	717
Total	\$ 31,900	\$ 38,088	\$ 6,188

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 113,313	\$ 112,739	\$ 574
Special Revenue	32,850	31,338	1,512
Nonexpendable Trust	7,500	850	6,650
Total	\$ 153,663	\$ 144,927	\$ 8,736

4. PROPERTY TAX

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

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

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

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

**VILLAGE OF ZANESFIELD
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

5. RETIREMENT SYSTEM

The Village's officials belong to the Public Employees Retirement System (PERS) of Ohio. PERS is cost-sharing, multiple-employer plan. This plan provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2001 and 2000, members of PERS contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.55% of participants' gross salaries for 2001 and from January 1, 2000 through June 30, 2000. PERS temporarily reduced the employer contribution rate to 8.13% effective July 1, 2000 through December 31, 2000. The Village has paid all contributions required through December 31, 2001.

6. RISK MANAGEMENT

The Village has obtained commercial insurance for the following risks:

- General Liability
- Auto liability & Auto physical damage
- Property coverage
- Inland marine coverage
- Law enforcement liability
- Public officials liability

7. SUBSEQUENT EVENTS

During May of 2001, the Village Fire Department moved to a new location. As a result, the Village decided to have the old building appraised and to advertise that it would be put up for auction. On November 5, 2001, the old building was sold for \$92,000. However, a problem was found with the septic system in the building, which postponed the closing of the sale. To date, the County Health Department has approved the system and made a recommendation to the EPA to approve the current system. The Village is still awaiting a decision from the EPA. On January 11, 2001, Council approved the Village to spend up to \$10,000 to bring the system up to code in order to finalize the sale.

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

Village of Zanesfield
Logan County
P.O. Box 62
Zanesfield, Ohio 43360

To the Village Council:

We have audited the accompanying financial statements of the Village of Zanesfield (the Village), Logan County, as of and for the years ended December 31, 2001 and 2000, and have issued our report thereon dated March 31, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village'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 an immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated March 31, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village'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. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in the accompanying schedule of findings as item 2001-30246-001.

**Internal Control Over Financial Reporting
(Continued)**

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness. We also 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 Village in a separate letter dated March 31, 2002.

This report is intended for the information and use of the audit committee, management, and Village Council, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

March 31, 2002

**VILLAGE OF ZANESFIELD
LOGAN COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2001 AND 2000**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2001-30246-001

Reportable Condition

Non-Expendable Trust Fund Balance and Activity

The fund balance in a non-expendable trust fund should be equal to the original principal plus interest earnings minus expenditures. At December 31, 2001 and 2000, the Village's financial records report ending Nonexpendable Trust Fund balances in the amount of \$47,552 and \$46,135, respectively. The Village has a designated Nonexpendable Trust Fund certificate of deposit and a money market account with balances at December 31, 2001 and 2000 in the amounts of \$58,735 and \$57,130, respectively. The excess bank balances appear to be the result of the Village's practice of rolling interest back into the certificates of deposit rather than placing it into a separate account to be used according to the Trust requirements. In addition, some interest earnings have been deposited into the money market account. However, rather than spending the earnings in this account, the Village has been using General Fund money to make allowable expenditures from the Nonexpendable Trust Fund. As a result of these practices: 1) the Village can no longer identify the original principal amount of the Nonexpendable Trust Fund; 2) do not have accounting records that reconcile to the designated deposits; and 3) may have unnecessarily obligated Village General Fund money that could have been utilized for other purposes.

The Village Council and/or Audit Committee should identify the original principal of the Trust. If necessary, the Village should contact their legal representative to determine the appropriate corrective action to resolve the differences between the fund balance and deposit balances and to help identify the original principal of the Trust. Once identified, the principal amount of the trust fund should be maintained in an account separate from interest earnings. All expenditures related to the Nonexpendable Trust Fund should be posted to the Nonexpendable Trust Fund and be paid from the bank account that has Nonexpendable Trust Fund interest earnings.

VILLAGE OF ZANESFIELD
LOGAN COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2001 AND 2000

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	<u>Not Corrected; Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid: Explain</u>
1999-30246-001	Ohio Rev. Code Section 5705.41(D)	Yes	



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VILLAGE OF ZANESFIELD

LOGAN 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
MAY 9, 2002**