



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**CITY OF ZANESVILLE
MUSKINGUM COUNTY**

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STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

743 East State Street
Athens Mall Suite B
Athens, Ohio 45701
Telephone 740-594-3300
800-441-1389
Facsimile 740-594-2110
www.auditor.state.oh.us

REPORT OF INDEPENDENT ACCOUNTANTS

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

To the City Council:

We have audited the accompanying general purpose financial statements of the City of Zanesville, Muskingum County, Ohio (the City), as of and for the year ended December 31, 2001, as listed in the table of contents. 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 South East Area Transit Authority, which represents 100% of the assets and revenues of the component unit column. Those financial statements were audited by other 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 auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the report of the other auditors, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Zanesville, Muskingum County, as of December 31, 2001, and the results of its operations and the cash flows of its proprietary fund types, non-expendable trust funds and component unit for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the year ended December 31, 2001, the City adopted Governmental Accounting Standards Board Statements 33 and 36.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2002, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

A handwritten signature in black ink, appearing to read "Jim Petro", with a stylized, cursive script.

Jim Petro
Auditor of State

December 17, 2002

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**CITY OF ZANESVILLE
MUSKINGUM COUNTY**

**COMBINED BALANCE SHEET
ALL FUND TYPES, ACCOUNT GROUPS AND
DISCRETELY PRESENTED COMPONENT UNIT
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Governmental Fund Types</u>				<u>Proprietary</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Enterprise</u>
<u>Assets and Other Debits:</u>					
<u>Assets:</u>					
Equity with City Treasurer:					
Equity in Pooled Cash and Cash Equivalents	\$4,949,409	\$2,045,535	\$378,989	\$276,173	\$6,283,916
Investments	0	52,000	0	0	69,204
Cash and Cash Equivalents in Segregated Accounts	0	41,147	0	0	6,738
Receivables:					
Taxes	520,066	199,089	380,423	0	0
Municipal Income Taxes	1,569,006	1,098,304	0	0	0
Accounts	599,567	418	0	0	1,093,428
Special Assessments	4,786	0	12,435	0	42,943
Interfund Receivable	93,576	0	0	0	0
Accrued Interest	0	413	0	0	548
Loans	0	318,300	0	0	0
Intergovernmental	1,113,870	887,046	20,029	246,176	89,158
Due from Other Funds	8,017	0	0	0	0
Materials and Supplies Inventory	0	28,364	0	0	769,746
Prepaid Items	20,756	17,241	0	2,227	38,816
Restricted Equity in Pooled Cash and Cash Equivalents	0	0	0	0	193,430
Fixed Assets (Net, where applicable, of Accumulated Depreciation)	0	0	0	0	31,310,893
<u>Other Debits:</u>					
Amount to be Provided from General Government Resources	0	0	0	0	0
Amount Available in Debt Service Fund for Retirement of General Obligation Bonds	0	0	0	0	0
Total Assets and Other Debits	<u>\$8,879,053</u>	<u>\$4,687,857</u>	<u>\$791,876</u>	<u>\$524,576</u>	<u>\$39,898,820</u>

<u>Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Account Groups</u>		<u>Totals Primary Government (Memorandum Only)</u>	<u>Component Unit</u>	<u>Totals Reporting Entity (Memorandum Only)</u>
<u>Internal Service</u>	<u>Trust and Agency</u>	<u>General Fixed Assets</u>	<u>General Long-Term Obligations</u>			
\$695,153	\$228,819	\$0	\$0	\$14,857,994	\$0	\$14,857,994
0	12,301	0	0	133,505	0	133,505
0	0	0	0	47,885	330,141	378,026
0	0	0	0	1,099,578	0	1,099,578
0	0	0	0	2,667,310	0	2,667,310
0	0	0	0	1,693,413	89,648	1,783,061
0	0	0	0	60,164	0	60,164
0	0	0	0	93,576	0	93,576
0	109	0	0	1,070	0	1,070
0	0	0	0	318,300	0	318,300
14,891	0	0	0	2,371,170	77,871	2,449,041
71,835	0	0	0	79,852	0	79,852
38,831	0	0	0	836,941	24,403	861,344
1,039	0	0	0	80,079	3,529	83,608
0	0	0	0	193,430	0	193,430
574,626	0	18,076,813	0	49,962,332	1,799,402	51,761,734
0	0	0	4,511,556	4,511,556	0	4,511,556
0	0	0	378,989	378,989	0	378,989
<u>\$1,396,375</u>	<u>\$241,229</u>	<u>\$18,076,813</u>	<u>\$4,890,545</u>	<u>\$79,387,144</u>	<u>\$2,324,994</u>	<u>\$81,712,138</u>

(continued)

**CITY OF ZANESVILLE
MUSKINGUM COUNTY**

**COMBINED BALANCE SHEET
ALL FUND TYPES, ACCOUNT GROUPS AND
DISCRETELY PRESENTED COMPONENT UNIT
FOR THE YEAR ENDED DECEMBER 31, 2001
(Continued)**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<u>Liabilities, Fund Equity, and Other Credits:</u>				
<u>Liabilities:</u>				
Accounts Payable	\$146,047	\$39,916	\$0	\$6,166
Contracts Payable	0	53,609	0	0
Accrued Wages and Benefits Payable	158,228	191,349	0	0
Compensated Absences Payable	62,716	73,018	0	0
Retainage Payable	0	12,013	0	0
Interfund Payable	0	0	0	93,576
Due to Other Funds	17,156	19,333	0	0
Intergovernmental Payable	291,531	283,163	0	0
Deferred Revenue	2,004,727	1,095,090	412,887	238,434
Other Liabilities	0	0	0	0
Due to Others	0	0	0	0
Accrued Interest Payable	0	0	0	0
Claims and Judgments Payable	0	0	0	0
Payable from Restricted Assets:				
Customer Deposits	0	0	0	0
Capital Leases Payable	0	0	0	0
OWDA Loans Payable	0	0	0	0
Long Term Contracts Payable	0	0	0	0
General Obligation Bonds Payable	0	0	0	0
Revenue Bonds Payable	0	0	0	0
Total Liabilities	2,680,405	1,767,491	412,887	338,176
<u>Fund Equity and Other Credits:</u>				
Investment in General Fixed Assets	0	0	0	0
Contributed Capital	0	0	0	0
Retained Earnings	0	0	0	0
Fund Balance:				
Reserved for Encumbrances	735,985	231,329	0	113,637
Reserved for Endowment	0	0	0	0
Reserved for Inventory	0	28,364	0	0
Reserved for Loans	0	318,300	0	0
Reserved for Claimants	12,435	0	0	0
Unreserved	5,450,228	2,342,373	378,989	72,763
Total Fund Equity and Other Credits	6,198,648	2,920,366	378,989	186,400
Total Liabilities, Fund Equity, and Other Credits	\$8,879,053	\$4,687,857	\$791,876	\$524,576

See accompanying notes to the general purpose financial statements

Fund Types	Fiduciary	Account Groups		Totals Primary Government (Memorandum Only)	Component Unit	Totals Reporting Entity (Memorandum Only)
	Fund Types	General Fixed Assets	General Long-Term Obligations			
Internal Service	Trust and Agency					
\$14,615	\$0	\$0	\$0	\$357,414	\$53,677	\$411,091
0	0	0	0	53,609	0	53,609
11,438	0	0	0	490,146	51,876	542,022
29,105	0	0	881,197	1,352,268	31,894	1,384,162
0	0	0	0	18,751	0	18,751
0	0	0	0	93,576	0	93,576
103	0	0	0	79,852	0	79,852
12,290	0	0	0	729,926	0	729,926
6,818	0	0	0	3,863,012	0	3,863,012
0	0	0	0	0	3,887	3,887
0	215,822	0	0	215,822	0	215,822
0	0	0	0	11,880	0	11,880
360,300	0	0	0	360,300	0	360,300
0	0	0	0	193,431	0	193,431
0	0	0	17,704	17,704	0	17,704
0	0	0	0	6,238,865	0	6,238,865
0	0	0	203,644	595,418	0	595,418
0	0	0	3,788,000	3,788,000	0	3,788,000
0	0	0	0	2,760,000	0	2,760,000
<u>434,669</u>	<u>215,822</u>	<u>0</u>	<u>4,890,545</u>	<u>21,219,974</u>	<u>141,334</u>	<u>21,361,308</u>
0	0	18,076,813	0	18,076,813	0	18,076,813
953,364	0	0	0	13,651,245	1,779,364	15,430,609
8,342	0	0	0	16,729,302	404,296	17,133,598
0	0	0	0	1,080,951	0	1,080,951
0	22,000	0	0	22,000	0	22,000
0	0	0	0	28,364	0	28,364
0	0	0	0	318,300	0	318,300
0	0	0	0	12,435	0	12,435
0	3,407	0	0	8,247,760	0	8,247,760
<u>961,706</u>	<u>25,407</u>	<u>18,076,813</u>	<u>0</u>	<u>58,167,170</u>	<u>2,183,660</u>	<u>60,350,830</u>
<u>\$1,396,375</u>	<u>\$241,229</u>	<u>\$18,076,813</u>	<u>\$4,890,545</u>	<u>\$79,387,144</u>	<u>\$2,324,994</u>	<u>\$81,712,138</u>

**CITY OF ZANESVILLE
MUSKINGUM COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2001**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<u>Revenues:</u>				
Taxes	\$522,366	\$186,778	\$357,989	\$0
Municipal Income Taxes	6,721,972	4,933,324	0	0
Charges for Services	413,407	131,436	0	0
Fines, Licenses, and Permits	480,673	256,060	0	58,674
Intergovernmental	2,381,494	2,276,287	45,128	1,450,629
Special Assessments	0	0	115,661	0
Rent	6,953	67,951	0	0
Interest	533,017	10,453	0	0
Other	167,474	89,525	0	0
Total Revenues	11,227,356	7,951,814	518,778	1,509,303
<u>Expenditures:</u>				
Current:				
Security of Persons and Property	3,084,208	6,127,911	0	0
Public Health Services	55,730	73,495	0	0
Leisure Time Activities	529,240	81,100	0	0
Community Environment	252,760	1,628,970	0	0
Transportation	0	1,001,779	0	0
General Government	4,178,671	146,779	358	0
Intergovernmental	584,799	0	0	0
Capital Outlay	0	0	0	1,040,320
Debt Service:				
Principal Retirement	0	4,323	312,000	0
Interest and Fiscal Charges	0	2,625	256,546	0
Total Expenditures	8,685,408	9,066,982	568,904	1,040,320
Excess of Revenues Over (Under) Expenditures	2,541,948	(1,115,168)	(50,126)	468,983
<u>Other Financing Sources (Uses):</u>				
Sale of Fixed Assets	3,986	35,352	0	0
Operating Transfers In	0	1,481,196	69,591	3,146
Operating Transfers Out	(2,477,642)	(115,851)	0	0
Total Other Financing Sources (Uses)	(2,473,656)	1,400,697	69,591	3,146
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	68,292	285,529	19,465	472,129
Fund Balances at Beginning of Year (Restated - Note 3)	6,130,356	2,619,610	359,524	(285,729)
Decrease in Reserve for Inventory	0	15,227	0	0
Fund Balances at End of Year	\$6,198,648	\$2,920,366	\$378,989	\$186,400

See accompanying notes to the general purpose financial statements

Fiduciary Fund Type	Totals (Memorandum Only)
Expendable Trust	
\$0	\$1,067,133
0	11,655,296
0	544,843
0	795,407
0	6,153,538
0	115,661
0	74,904
2,500	545,970
0	256,999
<u>2,500</u>	<u>21,209,751</u>
0	9,212,119
0	129,225
0	610,340
2,500	1,884,230
0	1,001,779
0	4,325,808
0	584,799
0	1,040,320
0	316,323
0	259,171
<u>2,500</u>	<u>19,364,114</u>
<u>0</u>	<u>1,845,637</u>
0	39,338
0	1,553,933
0	(2,593,493)
<u>0</u>	<u>(1,000,222)</u>
0	845,415
500	8,824,261
0	15,227
<u>\$500</u>	<u>\$9,684,903</u>

**CITY OF ZANESVILLE
MUSKINGUM COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL (BUDGET BASIS)
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2001**

	General Fund		Variance Favorable (Unfavorable)
	Revised Budget	Actual	
<u>Revenues:</u>			
Taxes	\$475,446	\$522,366	\$46,920
Municipal Income Taxes	6,238,224	6,209,677	(28,547)
Charges for Services	415,349	412,673	(2,676)
Fines, Licenses, and Permits	444,748	471,518	26,770
Intergovernmental	1,972,033	2,158,824	186,791
Special Assessments	0	0	0
Rent	7,003	6,953	(50)
Interest	747,000	578,976	(168,024)
Other	161,720	169,979	8,259
Total Revenues	10,461,523	10,530,966	69,443
<u>Expenditures:</u>			
Current:			
Security of Persons and Property	3,291,562	3,107,489	184,073
Public Health Services	58,030	55,730	2,300
Leisure Time Activities	674,027	559,078	114,949
Community Environment	438,004	256,652	181,352
Transportation	0	0	0
General Government	7,281,332	4,297,211	2,984,121
Intergovernmental	647,807	584,799	63,008
Capital Outlay	0	0	0
Debt Service:			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
Total Expenditures	12,390,762	8,860,959	3,529,803
Excess of Revenues Over (Under) Expenditures	(1,929,239)	1,670,007	3,599,246
<u>Other Financing Sources (Uses):</u>			
Proceeds of Notes	0	0	0
Sale of Fixed Assets	5,000	3,986	(1,014)
Advances In	71,424	71,424	0
Advances Out	0	0	0
Operating Transfers In	0	0	0
Operating Transfers Out	(2,699,856)	(2,477,641)	222,215
Total Other Financing Sources (Uses)	(2,623,432)	(2,402,231)	221,201
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(4,552,671)	(732,224)	3,820,447
Fund Balances at Beginning of Year	4,430,446	4,430,446	0
Prior Year Encumbrances Appropriated	242,656	242,656	0
Fund Balances at End of Year	\$120,431	\$3,940,878	\$3,820,447

Special Revenue Funds			Debt Service Funds		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$180,892	\$186,778	\$5,886	\$346,708	\$357,989	\$11,281
4,624,550	4,575,074	(49,476)	0	0	0
118,061	117,827	(234)	0	0	0
272,600	256,653	(15,947)	0	0	0
2,240,734	2,179,226	(61,508)	45,128	45,128	0
0	0	0	106,600	115,661	9,061
71,844	68,788	(3,056)	0	0	0
23,616	21,090	(2,526)	0	0	0
228,238	85,736	(142,502)	0	0	0
<u>7,760,535</u>	<u>7,491,172</u>	<u>(269,363)</u>	<u>498,436</u>	<u>518,778</u>	<u>20,342</u>
7,165,391	6,133,103	1,032,288	0	0	0
62,083	60,227	1,856	0	0	0
86,281	79,560	6,721	0	0	0
2,185,931	1,635,338	550,593	0	0	0
1,201,429	1,039,716	161,713	0	0	0
440,059	177,105	262,954	452,121	358	451,763
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	312,000	312,000	0
0	0	0	256,546	256,546	0
<u>11,141,174</u>	<u>9,125,049</u>	<u>2,016,125</u>	<u>1,020,667</u>	<u>568,904</u>	<u>451,763</u>
<u>(3,380,639)</u>	<u>(1,633,877)</u>	<u>1,746,762</u>	<u>(522,231)</u>	<u>(50,126)</u>	<u>472,105</u>
0	0	0	0	0	0
31,275	35,353	4,078	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
1,673,410	1,481,195	(192,215)	162,708	69,591	(93,117)
(208,968)	(115,851)	93,117	0	0	0
<u>1,495,717</u>	<u>1,400,697</u>	<u>(95,020)</u>	<u>162,708</u>	<u>69,591</u>	<u>(93,117)</u>
(1,884,922)	(233,180)	1,651,742	(359,523)	19,465	378,988
1,884,935	1,884,935	0	359,524	359,524	0
99,757	99,757	0	0	0	0
<u>\$99,770</u>	<u>\$1,751,512</u>	<u>\$1,651,742</u>	<u>\$1</u>	<u>\$378,989</u>	<u>\$378,988</u>

(continued)

**CITY OF ZANESVILLE
MUSKINGUM COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL (BUDGET BASIS)
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2001
(Continued)**

	Capital Projects Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>			
Taxes	\$3,000	\$0	(\$3,000)
Municipal Income Taxes	0	0	0
Charges for Services	0	0	0
Fines, Licenses, and Permits	48,200	56,439	8,239
Intergovernmental	1,940,520	1,450,718	(489,802)
Special Assessments	0	0	0
Rent	0	0	0
Interest	0	0	0
Other	0	0	0
Total Revenues	1,991,720	1,507,157	(484,563)
<u>Expenditures:</u>			
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	526,077	244,311	281,766
General Government	38,998	23,510	15,488
Intergovernmental	0	0	0
Capital Outlay	1,975,514	1,151,037	824,477
Debt Service:			
Principal Retirement	3,146	3,146	0
Interest and Fiscal Charges	0	0	0
Total Expenditures	2,543,735	1,422,004	1,121,731
Excess of Revenues Over (Under) Expenditures	(552,015)	85,153	637,168
<u>Other Financing Sources (Uses):</u>			
Proceeds of Notes	450,000	0	(450,000)
Sale of Fixed Assets	0	0	0
Advances In	0	0	0
Advances Out	(71,424)	(71,424)	0
Operating Transfers In	33,146	3,146	(30,000)
Operating Transfers Out	0	0	0
Total Other Financing Sources (Uses)	411,722	(68,278)	(480,000)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(140,293)	16,875	157,168
Fund Balances at Beginning of Year	140,294	140,294	0
Prior Year Encumbrances Appropriated	16	16	0
Fund Balances at End of Year	\$17	\$157,185	\$157,168

See accompanying notes to the general purpose financial statements

Expendable Trust Fund			Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$0	\$0	\$0	\$1,006,046	\$1,067,133	\$61,087
0	0	0	10,862,774	10,784,751	(78,023)
0	0	0	533,410	530,500	(2,910)
0	0	0	765,548	784,610	19,062
0	0	0	6,198,415	5,833,896	(364,519)
0	0	0	106,600	115,661	9,061
0	0	0	78,847	75,741	(3,106)
2,000	2,500	500	772,616	602,566	(170,050)
0	0	0	389,958	255,715	(134,243)
<u>2,000</u>	<u>2,500</u>	<u>500</u>	<u>20,714,214</u>	<u>20,050,573</u>	<u>(663,641)</u>
0	0	0	10,456,953	9,240,592	1,216,361
0	0	0	120,113	115,957	4,156
2,500	2,500	0	762,808	641,138	121,670
0	0	0	2,623,935	1,891,990	731,945
0	0	0	1,727,506	1,284,027	443,479
0	0	0	8,212,510	4,498,184	3,714,326
0	0	0	647,807	584,799	63,008
0	0	0	1,975,514	1,151,037	824,477
0	0	0	315,146	315,146	0
0	0	0	256,546	256,546	0
<u>2,500</u>	<u>2,500</u>	<u>0</u>	<u>27,098,838</u>	<u>19,979,416</u>	<u>7,119,422</u>
<u>(500)</u>	<u>0</u>	<u>500</u>	<u>(6,384,624)</u>	<u>71,157</u>	<u>6,455,781</u>
0	0	0	450,000	0	(450,000)
0	0	0	36,275	39,339	3,064
0	0	0	71,424	71,424	0
0	0	0	(71,424)	(71,424)	0
0	0	0	1,869,264	1,553,932	(315,332)
0	0	0	(2,908,824)	(2,593,492)	315,332
<u>0</u>	<u>0</u>	<u>0</u>	<u>(553,285)</u>	<u>(1,000,221)</u>	<u>(446,936)</u>
(500)	0	500	(6,937,909)	(929,064)	6,008,845
500	500	0	6,815,699	6,815,699	0
0	0	0	342,429	342,429	0
<u>\$0</u>	<u>\$500</u>	<u>\$500</u>	<u>\$220,219</u>	<u>\$6,229,064</u>	<u>\$6,008,845</u>

**CITY OF ZANESVILLE
MUSKINGUM COUNTY**

**COMBINED STATEMENT OF REVENUES,
EXPENSES AND CHANGES IN FUND EQUITY/FUND BALANCE
ALL PROPRIETARY FUND TYPES, NON-EXPENDABLE TRUST FUNDS AND
DISCRETELY PRESENTED COMPONENT UNIT
FOR THE YEAR ENDED DECEMBER 31, 2001**

	Proprietary Fund Types		Fiduciary Fund Type
	Enterprise	Internal Service	Non- Expendable Trusts
<u>Revenues:</u>			
Charges for Services	\$8,671,638	\$3,017,459	\$0
Tap-In Fees	7,165	0	0
Interest	0	0	1,005
Rental	7,184	0	0
Other	17,952	2,270	0
Total Revenues	8,703,939	3,019,729	1,005
<u>Expenses:</u>			
Salaries and Wages	2,604,321	249,249	0
Fringe Benefits	1,281,969	107,832	0
Contractual Services	2,278,391	212,581	0
Materials and Supplies	1,267,016	503,123	0
Claims and Judgments	0	2,092,063	0
Administrative	0	0	0
Vehicle Maintenance	0	0	0
Building Maintenance	0	0	0
Depreciation	1,348,022	19,907	0
Other	0	0	0
Total Expenses	8,779,719	3,184,755	0
Operating Income (Loss)	(75,780)	(165,026)	1,005
<u>Non-Operating Revenues (Expenses):</u>			
Operating Grants	0	0	0
Contributions from Local Governments	0	0	0
Capital Contributions	73,825	0	0
Special Item: Contract With Port Authority	(697,642)	0	0
Interest	76,184	0	0
Loss on Disposal of Fixed Assets	(58,539)	(1,665)	0
Interest and Fiscal Charges	(704,980)	0	0
Total Non-Operating Revenues (Expenses)	(1,311,152)	(1,665)	0
Income (Loss) Before Operating Transfers	(1,386,932)	(166,691)	1,005
Operating Transfers Out	(27,248)	0	0
Operating Transfers In	959,644	107,164	0
Net Income (Loss)	(454,536)	(59,527)	1,005
Retained Earnings/Fund Balance (Deficit) at Beginning of Year (Restated)	17,175,496	67,869	23,902
Depreciation on Fixed Assets Acquired by Contributed Capital	0	0	0
Retained Earnings/Fund Balance (Deficit) at End of Year	16,720,960	8,342	24,907
Contributed Capital at Beginning of Year	12,697,881	953,364	0
Current Year Contribution - Intergovernmental	0	0	0
Depreciation on Fixed Assets Acquired by Contributed Capital	0	0	0
Contributed Capital at End of Year	12,697,881	953,364	0
Total Fund Equity/Fund Balance at End of Year	\$29,418,841	\$961,706	\$24,907

See accompanying notes to the general purpose financial statements.

Totals Government (Memorandum Only)	Component Unit	Totals Reporting Entity (Memorandum Only)
\$11,689,097	\$850,427	\$12,539,524
7,165	0	7,165
1,005	0	1,005
7,184	0	7,184
20,222	92,591	112,813
<u>11,724,673</u>	<u>943,018</u>	<u>12,667,691</u>
2,853,570	937,084	3,790,654
1,389,801	343,597	1,733,398
2,490,972	288,981	2,779,953
1,770,139	0	1,770,139
2,092,063	0	2,092,063
0	26,281	26,281
0	285,275	285,275
0	0	0
1,367,929	235,225	1,603,154
0	19,456	19,456
<u>11,964,474</u>	<u>2,135,899</u>	<u>14,100,373</u>
<u>(239,801)</u>	<u>(1,192,881)</u>	<u>(1,432,682)</u>
0	850,521	850,521
0	313,500	313,500
73,825	0	73,825
(697,642)	0	(697,642)
76,184	2,748	78,932
(60,204)	0	(60,204)
(704,980)	0	(704,980)
<u>(1,312,817)</u>	<u>1,166,769</u>	<u>(146,048)</u>
(1,552,618)	(26,112)	(1,578,730)
(27,248)	0	(27,248)
<u>1,066,808</u>	<u>0</u>	<u>1,066,808</u>
(513,058)	(26,112)	(539,170)
<u>17,267,267</u>	<u>195,183</u>	<u>17,462,450</u>
<u>0</u>	<u>235,225</u>	<u>235,225</u>
16,754,209	404,296	17,158,505
<u>13,651,245</u>	<u>1,574,087</u>	<u>15,225,332</u>
<u>0</u>	<u>440,502</u>	<u>440,502</u>
<u>0</u>	<u>(235,225)</u>	<u>(235,225)</u>
<u>13,651,245</u>	<u>1,779,364</u>	<u>15,430,609</u>
<u>\$30,405,454</u>	<u>\$2,183,660</u>	<u>\$32,589,114</u>

**CITY OF ZANESVILLE
MUSKINGUM COUNTY**

**COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES, NON-EXPENDABLE TRUST FUNDS
AND DISCRETELY PRESENTED COMPONENT UNIT
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Type</u>
	<u>Enterprise</u>	<u>Internal Service</u>	<u>Non- Expendable Trusts</u>
<u>Increase (Decrease) in Cash and Cash Equivalents</u>			
<u>Cash Flows from Operating Activities:</u>			
Cash Received from Customers	\$8,735,331	\$0	\$0
Cash Received from Quasi External Transactions	0	3,104,040	0
Cash Payments for Employee Services and Benefits	(3,867,897)	(364,871)	0
Cash Payments to Suppliers for Goods and Services	(3,536,532)	(718,644)	0
Cash Payments for Claims	0	(2,162,055)	0
Cash Payments for Operating and Administrative Expenses	0	0	0
Other Operating Revenues	20,665	2,270	0
Operating Grants	100,000	0	0
Other Non-Operating Revenues	0	0	0
Other Non-Operating Expenses	0	0	0
Customer Deposits Received	114,976	0	0
Customer Deposits Returned	(153,912)	0	0
Net Cash Provided by (Used In) Operating Activities	<u>1,412,631</u>	<u>(139,260)</u>	<u>0</u>
<u>Cash Flows from Noncapital Financing Activities:</u>			
Operating Transfers In	959,644	107,164	0
Operating Transfers Out	(27,248)	0	0
Advances-In	0	0	0
Net Cash Provided by (Used in) Noncapital Financing Activities	<u>932,396</u>	<u>107,164</u>	<u>0</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>			
Acquisition of Capital Assets	(1,834,855)	0	0
Proceeds from Sale of Notes	0	0	0
Proceeds from Sale of Bonds	0	0	0
Principal Paid on Debt	(1,045,488)	0	0
Interest Paid on Debt	(698,111)	0	0
Grants	47,587	0	0
Proceeds from Sale of Capital Assets	2,189	0	0
Net Cash Used for Capital and Related Financing Activities	<u>(3,528,678)</u>	<u>0</u>	<u>0</u>
<u>Cash Flows from Investing Activities:</u>			
Interest on Investments	75,238	0	730
Sale of Investments	27,000	0	0
Net Cash Provided by Investing Activities	<u>102,238</u>	<u>0</u>	<u>730</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(1,081,413)	(32,096)	730
Cash and Cash Equivalents Beginning of Year	<u>7,565,497</u>	<u>727,249</u>	<u>11,767</u>
Cash and Cash Equivalents End of Year	<u>\$6,484,084</u>	<u>\$695,153</u>	<u>\$12,497</u>

Totals Primary Government (Memorandum Only)	Component Unit	Totals Reporting Entity (Memorandum Only)
\$8,735,331	\$859,719	\$9,595,050
3,104,040	0	3,104,040
(4,232,768)	0	(4,232,768)
(4,255,176)	0	(4,255,176)
(2,162,055)	0	(2,162,055)
0	(1,863,321)	(1,863,321)
22,935	92,591	115,526
100,000	0	100,000
0	0	0
0	0	0
114,976	0	114,976
(153,912)	0	(153,912)
<u>1,273,371</u>	<u>(911,011)</u>	<u>362,360</u>
1,066,808	0	1,066,808
(27,248)	1,189,409	1,162,161
<u>0</u>	<u>0</u>	<u>0</u>
<u>1,039,560</u>	<u>1,189,409</u>	<u>2,228,969</u>
(1,834,855)	(415,199)	(2,250,054)
0	0	0
0	0	0
(1,045,488)	0	(1,045,488)
(698,111)	0	(698,111)
47,587	428,409	475,996
<u>2,189</u>	<u>0</u>	<u>2,189</u>
<u>(3,528,678)</u>	<u>13,210</u>	<u>(3,515,468)</u>
75,968	2,748	78,716
27,000	0	27,000
<u>102,968</u>	<u>2,748</u>	<u>105,716</u>
(1,112,779)	294,356	(818,423)
<u>8,304,513</u>	<u>35,785</u>	<u>8,340,298</u>
<u>\$7,191,734</u>	<u>\$330,141</u>	<u>\$7,521,875</u>

(continued)

**CITY OF ZANESVILLE
MUSKINGUM COUNTY**

**COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES, NON-EXPENDABLE TRUST FUNDS
AND DISCRETELY PRESENTED COMPONENT UNIT
FOR THE YEAR ENDED DECEMBER 31, 2001
(Continued)**

	Proprietary Fund Types		Fiduciary Fund Type
	Enterprise	Internal Service	Non- Expendable Trusts
Reconciliation of Operating Income (Loss) to Net Cash Provided by <u>Provided by (Used in) Operating Activities:</u>			
Operating Income (Loss)	(\$75,780)	(\$165,026)	\$1,005
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:			
Interest Income	0	0	(1,005)
Increase in Fair Market Value	0	0	0
Depreciation Expense	1,348,022	19,907	0
Changes in Assets and Liabilities:			
(Increase) Decrease in Accounts Receivable	53,689	60	0
(Increase) Decrease in Intergovernmental Receivable	98,330	(3,945)	0
(Increase) Decrease in Inventory	85,559	10,678	0
(Increase) Decrease in Prepaids	(11,901)	(117)	0
Increase in Due from Other Funds	0	83,648	0
Increase (Decrease) in Accounts Payable	(61,472)	(14,266)	0
Increase (Decrease) in Accrued Salaries	13,144	1,098	0
Increase (Decrease) in Accrued Liabilities	0	0	0
Increase (Decrease) in Retainage Payable	(2,663)	0	0
Increase (Decrease) in Compensated Absences	3,275	968	0
Increase in Customer Deposits	(38,936)	0	0
Increase in Claims Payable	0	(69,992)	0
Increase in Due to Other Funds	(43,339)	232	0
Increase (Decrease) in Other Liabilities	0	0	0
Increase in Deferred Revenue	38	0	0
Increase (Decrease) in Intergovernmental Payables	44,665	(2,505)	0
Net Cash Provided by (Used in) Operating Activities	\$1,412,631	(\$139,260)	\$0
Combined Balance Sheet, Cash and Cash Equivalents All Trust and Agency Funds:		\$228,819	
Agency Fund Cash and Cash Equivalents:		(215,822)	
Expendable Trust Fund Cash and Cash Equivalents:		(500)	
Non-Expendable Trust Funds Cash and Cash Equivalents:		\$12,497	

During 2001, the City recognized a special items non-operating expense pursuant to a cooperative agreement between the City, Muskingum County and the Zanesville-Muskingum County Port Authority in the amount of \$697,642 as a non-cash transaction in the Sewer Enterprise Fund. A corresponding long-term contract payable was recognized.

See accompanying notes to the general purpose financial statements.

Totals Primary Government (Memorandum Only)	Component Unit	Totals Reporting Entity (Memorandum Only)
(\$239,801)	(\$1,192,881)	(\$1,432,682)
(1,005)	0	(1,005)
0	0	0
1,367,929	235,225	1,603,154
53,749	9,292	63,041
94,385	0	94,385
96,237	(4,889)	91,348
(12,018)	10,287	(1,731)
83,648	0	83,648
(75,738)	22,896	(52,842)
14,242	0	14,242
0	2,455	2,455
(2,663)	0	(2,663)
4,243	0	4,243
(38,936)	0	(38,936)
(69,992)	0	(69,992)
(43,107)	0	(43,107)
0	6,604	6,604
38	0	38
42,160	0	42,160
<u>\$1,273,371</u>	<u>(\$911,011)</u>	<u>\$362,360</u>

**CITY OF ZANESVILLE
MUSKINGUM COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
FUND EQUITY - BUDGET AND ACTUAL AND ACTUAL (BUDGET BASIS)
ALL PROPRIETARY FUND TYPES AND NON-EXPENDABLE TRUST FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2001**

	Enterprise Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>			
Charges for Services	\$8,704,665	\$8,698,433	(\$6,232)
Tap-In Fees	7,165	7,165	0
Security Deposits	110,000	114,976	4,976
Interest Income	68,075	79,610	11,535
Grants	147,587	147,587	0
Rental Income	8,620	7,184	(1,436)
Other Operating Revenues	19,308	20,665	1,357
Proceeds of Notes	1,400,000	0	(1,400,000)
Sales of Fixed Assets	6,500	2,189	(4,311)
Total Revenues	10,471,920	9,077,809	(1,394,111)
<u>Expenses:</u>			
Current:			
Salaries and Wages	2,788,398	2,587,902	200,496
Fringe Benefits	1,465,494	1,297,253	168,241
Contractual Services	3,766,138	2,513,291	1,252,847
Materials and Supplies	1,424,706	1,167,081	257,625
Claims Expense	0	0	0
Security Deposits	171,607	157,760	13,847
Other Non-operating Expenses	48,000	40,962	7,038
Capital Outlay	5,953,357	1,798,036	4,155,321
Debt Service:			
Principal Retirement	1,045,501	1,045,488	13
Interest and Fiscal Charges	738,720	698,111	40,609
Total Expenses	17,401,921	11,305,884	6,096,037
Excess of Revenues Over (Under) Expenses	(6,930,001)	(2,228,075)	4,701,926
Operating Transfers Out	(27,248)	(27,248)	0
Operating Transfers In	959,644	959,644	0
Excess of Revenues Over (Under) Expenses and Operating Transfers	(5,997,605)	(1,295,679)	4,701,926
Fund Equity at Beginning of Year	5,997,611	5,997,611	0
Prior Year Encumbrances Appropriated	380,021	380,021	0
Fund Equity at End of Year	\$380,027	\$5,081,953	\$4,701,926

Internal Service Funds			Non-Expendable Trust Funds		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$3,382,326	\$3,104,040	(\$278,286)	\$0	\$0	\$0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	700	959	259
0	0	0	0	0	0
0	0	0	0	0	0
100	2,270	2,170	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
<u>3,382,426</u>	<u>3,106,310</u>	<u>(276,116)</u>	<u>700</u>	<u>959</u>	<u>259</u>
249,710	247,183	2,527	0	0	0
129,809	120,841	8,968	0	0	0
277,560	224,580	52,980	0	0	0
560,884	500,838	60,046	24,230	0	24,230
2,970,135	2,162,055	808,080	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
<u>4,188,098</u>	<u>3,255,497</u>	<u>932,601</u>	<u>24,230</u>	<u>0</u>	<u>24,230</u>
(805,672)	(149,187)	656,485	(23,530)	959	24,489
0	0	0	0	0	0
<u>107,164</u>	<u>107,164</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
(698,508)	(42,023)	656,485	(23,530)	959	24,489
698,509	698,509	0	23,531	23,531	0
<u>7,059</u>	<u>7,059</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>\$7,060</u>	<u>\$663,545</u>	<u>\$656,485</u>	<u>\$1</u>	<u>\$24,490</u>	<u>\$24,489</u>

(continued)

**CITY OF ZANESVILLE
MUSKINGUM COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
FUND EQUITY - BUDGET AND ACTUAL AND ACTUAL (BUDGET BASIS)
ALL PROPRIETARY FUND TYPES AND NON-EXPENDABLE TRUST FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2001
(Continued)**

	Total (Memorandum Only)		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>			
Charges for Services	\$12,086,991	\$11,802,473	(\$284,518)
Tap-In Fees	7,165	7,165	0
Security Deposits	110,000	114,976	4,976
Interest Income	68,775	80,569	11,794
Grants	147,587	147,587	0
Rental Income	8,620	7,184	(1,436)
Other Operating Revenues	19,408	22,935	3,527
Proceeds of Notes	1,400,000	0	(1,400,000)
Sales of Fixed Assets	6,500	2,189	(4,311)
Total Revenues	13,855,046	12,185,078	(1,669,968)
<u>Expenses:</u>			
Current:			
Salaries and Wages	3,038,108	2,835,085	203,023
Fringe Benefits	1,595,303	1,418,094	177,209
Contractual Services	4,043,698	2,737,871	1,305,827
Materials and Supplies	2,009,820	1,667,919	341,901
Claims Expense	2,970,135	2,162,055	808,080
Security Deposits	171,607	157,760	13,847
Other Non-operating Expenses	48,000	40,962	7,038
Capital Outlay	5,953,357	1,798,036	4,155,321
Debt Service:			
Principal Retirement	1,045,501	1,045,488	13
Interest and Fiscal Charges	738,720	698,111	40,609
Total Expenses	21,614,249	14,561,381	7,052,868
Excess of Revenues Over (Under) Expenses	(7,759,203)	(2,376,303)	5,382,900
Operating Transfers Out	(27,248)	(27,248)	0
Operating Transfers In	1,066,808	1,066,808	0
Excess of Revenues Over (Under) Expenses and Operating Transfers	(6,719,643)	(1,336,743)	5,382,900
Fund Equity at Beginning of Year	6,719,651	6,719,651	0
Prior Year Encumbrances Appropriated	387,080	387,080	0
Fund Equity at End of Year	\$387,088	\$5,769,988	\$5,382,900

See accompanying notes to the general purpose financial statements

**CITY OF ZANESVILLE
MUSKINGUM COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2001**

NOTE 1 - REPORTING ENTITY AND BASIS OF PRESENTATION

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

A. Reporting Entity

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

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

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

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

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

**CITY OF ZANESVILLE
MUSKINGUM COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)**

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

The following have been excluded from the financial reporting entity:

Muskingum County Public Library

Zanesville City School District

Muskingum Community Action Group, Inc.

Muskingum College

Muskingum Area Technical College

Zanesville/Muskingum Convention and Visitors Bureau

Zanesville City Chamber of Commerce

East Muskingum Water Authority

East Muskingum Local School District

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

Ohio Mid-Eastern Governments Association (OMEGA)

Zanesville/Muskingum County Port Authority

Zanesville/Muskingum Conventions Facility Authority

Zanesville Metropolitan Housing Authority

The City is involved with the following organizations which are defined as joint ventures. Additional information concerning the joint ventures is presented in Note 23.

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

Zanesville-Washington Township Joint Economic Development District (JEDD)

The City is associated with the Ohio Rural Water Association Workers Compensation Group Rating Program which is defined as an insurance purchasing pool. Information regarding the pool is presented in Note 24.

**CITY OF ZANESVILLE
MUSKINGUM COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)**

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

B. Basis of Presentation - Fund Accounting

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

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

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

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:

**CITY OF ZANESVILLE
MUSKINGUM COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)**

NOTE 1 - REPORTING ENTITY AND BASIS OF PRESENTATION (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 South East Area Transit Authority (component unit) is specifically identified.

**CITY OF ZANESVILLE
MUSKINGUM COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

**CITY OF ZANESVILLE
MUSKINGUM COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Measurement Focus and Basis of Accounting (Continued)

Property taxes for which there is an enforceable legal claim as of December 31, 2001, but which were levied to finance year 2002 operations, have been recorded as deferred revenue. Grants and entitlements received before eligibility requirements are met and also recorded as deferred revenue. On the modified accrual basis, receivables that will not be collected within the available period have also been reported as deferred revenue.

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

The City reports deferred revenues on its Combined Balance Sheet. Deferred revenues arise when potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the Combined Balance Sheet and revenue is recognized. Special assessments and current and delinquent property taxes measurable as of December 31, 2001, 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.

**CITY OF ZANESVILLE
MUSKINGUM COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 2001.

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.

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.

**CITY OF ZANESVILLE
MUSKINGUM COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Budgetary Process (Continued)

Budgetary Basis of Accounting:

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

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

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

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

C. Cash and Cash Equivalents

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

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

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

**CITY OF ZANESVILLE
MUSKINGUM COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Cash and Cash Equivalents (Continued)

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

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

The City invested funds in the State Asset Reserve of Ohio (STAROhio) and U.S. Treasury Notes during 2001. 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, 2001.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest income received directly by the South East Area Transit Authority during 2001 was \$2,748. Interest revenue credited to the general fund during fiscal year 2001 amounted to \$533,017, which includes \$358,470 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, 2001, 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.

**CITY OF ZANESVILLE
MUSKINGUM COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Fixed Assets and Depreciation

1. Primary Government

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

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

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

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

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

Land	50 years
Buildings	50 years
Building Improvements	20 years
Infrastructure	50 years
Machinery, Equipment, Furniture and Fixtures	6 years
Vehicles	5 years

2. Component Unit

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

H. 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."

**CITY OF ZANESVILLE
MUSKINGUM COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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

1. Primary Government

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

2. Component Unit

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

**CITY OF ZANESVILLE
MUSKINGUM COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Intergovernmental Revenues

1. Primary Government

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

2. Component Unit

The Component Unit intergovernmental revenues, such as grants, shared revenues, and entitlements, are recognized as operating revenues in the accounting period in which they are earned and become measurable. 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. Reserves and Contributed Capital

Fund balance 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, loans receivables, inventories of materials and supplies, and unclaimed monies. Under Ohio law, unclaimed funds are not available for appropriation until they have remained unclaimed for five years. Contributed capital is recorded in proprietary funds that have received contributions from customers and developers prior to 2001. A determination of the amount of contributed capital received prior to 1990 has not been made. Capital contributions received in 2001 have been recorded as revenues and are reported as increases in retained earnings based on new guidelines established by GASB 33, "Accounting and Reporting for Nonexchange Transactions".

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.

**CITY OF ZANESVILLE
MUSKINGUM COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. 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 - RESTATEMENT OF FUND BALANCE

A. Primary Government:

For the year ended December 31, 2001, the City changed its capitalization threshold from \$1,000 to \$5,000. The effect of this change as well as the effect of more accurate information becoming available concerning certain fixed assets resulted in the following General Fixed Assets Account Group restatement:

**CITY OF ZANESVILLE
MUSKINGUM COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)**

NOTE 3 - RESTATEMENT OF FUND BALANCE (Continued)

A. Primary Government (Continued):

	<u>Balance</u> <u>January 1, 2001</u>	<u>Adjustments</u>	<u>Restated Balance</u> <u>January 1, 2001</u>
General Fixed Assets Account Group	\$19,427,153	(\$1,588,894)	\$17,838,259

For the year ended December 31, 2001, the City has implemented GASB statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions", and GASB Statement No. 36, "Recipient Reporting for Certain Shared Nonexchange Revenues" The changes in accounting principles had the following effect on fund balance at December 31, 2001:

	<u>Special Revenue</u>
Fund Balances as Previously Reported	\$2,482,665
GASB 33/36 application to Intergovernmental Receivable	<u>136,945</u>
Restated Fund Balances at December 31, 2000	<u>\$2,619,610</u>

GASB Statements No. 33 and 36 establish accounting and financial reporting standards for nonexchange transactions involving financial or capital resources. The timing for the recognition of assets, liabilities, and expenditures resulting from nonexchange transactions will be the same whether the accrual or modified accrual basis of accounting is required. For revenue recognition to occur on the modified accrual basis, however, the criteria established for the accrual, basis revenue recognition must be met and the revenue must be available. The provisions of Statement No. 33 also require that capital contributions to proprietary funds be recognized as revenues beginning in 2001.

B. Component Unit:

The South East Area Transit Authority also implemented GASB Statements No. 33 and 36 for the year ending December 31, 2001. The implementation of these statements required prior period adjustments to accrue \$23,143 of intergovernmental receivables. These adjustments had the effect of increasing retained earnings from the previous balance of \$172,040 to the restated balance of \$195,183.

**CITY OF ZANESVILLE
MUSKINGUM COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)**

NOTE 4 - CONVERSION OF OPERATIONS FROM BUDGET TO GAAP BASIS

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

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

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
GAAP Basis	\$68,292	\$285,529	\$19,465	\$472,129
Net Adjustment for Revenue Accruals	(696,390)	(460,642)	0	(2,146)
Net Adjustment for Expenditure Accruals	660,388	208,643	0	(267,449)
Interest and Fiscal Charges	0	0	0	0
Advances In	71,424	0	0	0
Advances Out	0	0	0	(71,424)
Encumbrances	<u>(835,938)</u>	<u>(266,710)</u>	<u>0</u>	<u>(114,235)</u>
Budget Basis	<u>(\$732,224)</u>	<u>(\$233,180)</u>	<u>\$19,465</u>	<u>\$16,875</u>

	<u>Enterprise</u>	<u>Internal Service</u>	<u>Non-Expendable Trust</u>
GAAP Basis	(\$454,536)	(\$59,527)	\$1,005
Net Adjustment for Revenue Accruals	108,885	86,581	(46)
loss on Sale of Fixed Assets	58,539	1,665	0
Utility Deposits	(42,784)	0	0
Depreciation	1,348,022	19,907	0
Net Adjustment for Expense Accruals	(552,400)	(59,041)	0
Debt Principal Retirement	(1,045,488)	0	0
Special Item	697,642	0	0
Interest Expense	6,869	0	0
Capital Outlay	0	0	0
Encumbrances	<u>(1,420,428)</u>	<u>(31,608)</u>	<u>0</u>
Budget Basis	<u>(\$1,295,679)</u>	<u>(\$42,023)</u>	<u>\$959</u>

**CITY OF ZANESVILLE
MUSKINGUM COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)**

NOTE 5 - ACCOUNTABILITY AND COMPLIANCE

Fund Deficits

The following funds had deficit fund balances/retained earnings at December 31, 2001:

Special Revenue Fund: Summer Lunch	(\$22)
Enterprise Fund: Auditorium	(\$41,539)
Enterprise Fund: Airport Fund	(\$1,252,418)
Internal Service Fund: Vehicle and Equipment Maintenance Fund	(\$321,177)

The deficit in the special revenue fund is due to the recognition of accruals in accordance with generally accepted accounting principles. 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.

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.

**CITY OF ZANESVILLE
MUSKINGUM COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)**

NOTE 6 - DEPOSITS AND INVESTMENTS (Continued)

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;
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.

**CITY OF ZANESVILLE
MUSKINGUM COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)**

NOTE 6 - DEPOSITS AND INVESTMENTS (Continued)

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 \$5,493,744, and the bank balance was \$5,789,857. Of the bank balance:

1. \$535,486 was covered by federal depository insurance;
2. \$5,254,371 was uninsured and uncollateralized. Although all State statutory requirements for the investment of money had been followed, noncompliance with federal requirements would potentially subject the City to a successful claim by the FDIC.

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

	<u>Category</u>			Carrying	Fair
	<u>1</u>	<u>2</u>	<u>3</u>	<u>Value</u>	<u>Value</u>
Bonds	\$28,000			\$28,000	\$28,000
United States Treasury	51,505			51,505	51,505
Repurchase Agreement			4,615,000	4,615,000	4,615,000
StarOhio				<u>5,044,565</u>	<u>5,044,565</u>
Total Investments				<u>\$9,739,070</u>	<u>\$9,739,070</u>

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

	<u>Cash & Cash Equivalents/Deposits</u>	<u>Investments</u>
GASB Statement 9	\$15,099,309	\$133,505
Investments:		
Certificates of Deposit	2,000	(2,000)
Repurchase Agreements	(4,563,000)	4,563,000
StarOhio	5,044,565	5,044,565
GASB Statement 3	<u>\$5,493,744</u>	<u>\$9,739,070</u>

**CITY OF ZANESVILLE
MUSKINGUM COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)**

NOTE 6 - DEPOSITS AND INVESTMENTS (Continued)

B. Component Unit

The component unit is subject to the same legal requirements for the classification of cash as discussed in part A of this note. At year-end, the carrying amount of the component unit's deposits was \$330,141 and the bank balance was \$352,240. Of the bank balance, \$100,000 was covered by federal depository insurance. The remaining balance of \$252,240 was uninsured and uncollateralized as defined by the Governmental Accounting Standards Board (GASB). The uncollateralized deposits were, however, covered by the financial institutions' risk pool for public deposits as governed by the Ohio Revised Code Section 135.

NOTE 7 - PROPERTY TAXES

Property taxes include amounts levied against all real, public utility and tangible personal property located in the City. Property tax revenue received during 2001 for real and public utility property taxes represents collections of 2000 taxes. Property tax payments received during 2001 for tangible personal property (other than public utility property) is for 2001 taxes.

2001 real property taxes are levied after October 1, 2001, on assessed value as of January 1, 2001, the lien date. Assessed values are established by State law at 35 percent of the appraised market value. 2001 real property taxes are collected in and intended to finance 2002.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2001 public utility property taxes became a lien December 31, 2000, are levied after October 1, 2001, and are collected in 2002 with real property taxes.

2001 tangible personal property taxes are levied after October 1, 2000, on the value as of December 31, 2000. Collections are made in 2001. Tangible personal property assessments are 25 percent of true value.

The full tax rate for all City operations for the year ended December 31, 2001, was \$3.40 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2001 property tax receipts were based are as follows:

Real Property	\$266,194,376
Tangible Personal Property	<u>88,731,459</u>
Total Assessed Value	<u>\$354,925,835</u>

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

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

**CITY OF ZANESVILLE
MUSKINGUM COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)**

NOTE 7 – PROPERTY TAXES (Continued)

The County Treasurer collects property taxes on behalf of Muskingum County, including the City of Zanesville. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real and tangible personal property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2001. Although total property tax collections for the next fiscal year are measurable, amounts to be received during the available period are not subject to reasonable estimation at December 31, nor are they intended to finance 2001 operations. The receivable is therefore offset by a credit to deferred revenue.

NOTE 8 - RECEIVABLES

A. Primary Government

Receivables at December 31, 2001, consisted of taxes, accounts (billings for user charged services including unbilled utility services), special assessments, loans, interest, and intergovernmental receivables arising from grants, entitlements, and shared revenues. All receivables are collectible in full. Delinquent accounts receivable are certified and collected as a special assessment, subject to foreclosure for nonpayment.

The special revenue funds reflect loans receivable of \$318,300. This amount is for the principal owed to the City for Federal Community Development Block Grant Program monies loaned to local businesses for capital improvements. The loans bear interest at annual rates between four and twelve percent.

A summary of the principal items of intergovernmental receivables follows:

Intergovernmental Receivables	<u>Amount</u>
General Fund:	
Estate Tax	\$166,010
Rollback Taxes	10,450
BWC Refund	4,201
Local Government Tax	932,273
Miscellaneous	<u>936</u>
Total General Fund	1,113,870
 Special Revenue Funds:	
Motor Vehicle License Tax	71,992
Gasoline Tax	201,942
Miscellaneous	5,024
Capital Grants	591,713
State Highway Tax	<u>16,375</u>
Total Special Revenue Funds	887,046

**CITY OF ZANESVILLE
MUSKINGUM COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)**

NOTE 8 – RECEIVABLES (Continued)

Debt Service Funds:	
Rollback Taxes	20,029
Total Debt Service Funds	20,029
 Capital Projects Funds:	
Capital Grants	238,434
Motor Vehicle License	7,742
Total Capital Projects Funds:	246,176
 Enterprise Funds:	
Capital Grants	87,413
Miscellaneous	<u>1,745</u>
Total Enterprise Funds	89,158
 Internal Service Funds:	
Intergovernmental Charges for Services	<u>14,891</u>
Total Internal Service Funds	<u>14,891</u>
Total All Funds	<u>\$2,371,170</u>

B. Component Unit

Intergovernmental receivable at December 31, 2001 consisted of the following amounts:

Federal Operating Assistance Receivable	\$59,456
Federal Capital Grant Receivable	<u>18,415</u>
Total	<u>\$77,871</u>

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

NOTE 9 - INCOME TAX

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

Employers within the City are required to withhold income tax on employee compensation and remit the tax to the City either monthly or quarterly, as required. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually. Income tax proceeds are distributed to funds in the following manner: 1% to General Fund, .5% to Police Expenditure Special Revenue Fund, and .2% to Jail Operating Special Revenue Fund. Income tax revenue for 2001 was \$11,655,296.

**CITY OF ZANESVILLE
MUSKINGUM COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)**

NOTE 10 - FIXED ASSETS AND DEPRECIATION

A summary of the proprietary funds' property, plant, and equipment at December 31, 2001 follows:

	<u>Enterprise</u>	<u>Internal Service</u>	<u>Component Unit</u>
Land	\$761,106	\$397,639	\$35,000
Buildings and Building Improvements	4,184,974	376,437	670,697
Improvements other than Buildings	49,819,869	0	0
Machinery, Equipment, Furniture and Fixtures	1,989,104	165,477	424,371
Vehicles	1,491,769	49,524	1,647,871
Construction in Progress	<u>0</u>	<u>0</u>	<u>408,531</u>
Total	58,246,822	989,077	3,186,470
Less: Accumulated Depreciation	<u>(26,935,929)</u>	<u>(414,451)</u>	<u>(1,387,068)</u>
Net Fixed Assets	<u>\$31,310,893</u>	<u>\$574,626</u>	<u>\$1,799,402</u>

A summary of changes in general fixed assets follows:

	<u>Restated Balance January 1, 2001</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance December 31, 2001</u>
Land	\$4,382,835	\$0	\$0	\$4,382,835
Buildings and Building Improvements	8,742,519	198,263	184,888	8,755,894
Improvements other than Buildings	879,559	0	0	879,559
Machinery, Equipment, Furniture, and Fixtures	1,426,173	102,801	44,517	1,484,457
Vehicles	<u>2,407,173</u>	<u>218,249</u>	<u>51,354</u>	<u>2,574,068</u>
Total	<u>\$17,838,259</u>	<u>\$519,313</u>	<u>\$280,759</u>	<u>\$18,076,813</u>

**CITY OF ZANESVILLE
MUSKINGUM COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)**

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, 2001, the City contracted with Specialty National for general liability insurance including police professional liability, EMT liability, fire legal liability, personal injury and advertising injury. Bodily injury and property damage are covered for \$1,000,000 each occurrence, \$3,000,000 aggregate. The City has a \$5,000 deductible per occurrence for general liability insurance. Personal injury and advertising injury are covered up to \$1,000,000 for each occurrence, premises medical payments limit is \$10,000 per person and fire legal liability is covered \$500,000 per occurrence. Ohio Stop Gap insurance of \$1,000,000 per occurrence and \$3,000,000 aggregate employee benefit liability is also maintained. Property and contents coverage is maintained per summary of values and cost of reproduction new, less exclusions, plus leased and rented items, with a \$1,000 deductible. Earthquake coverage is maintained with a \$10,000,000 occurrence limit, \$10,000,000 policy year limit, with a \$100,000 deductible each occurrence. Police professional liability coverage is maintained with a \$1,000,000 each occurrence, \$1,000,000 aggregate limit with a \$10,000 deductible per claim, including loss adjustment expense.

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

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

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

Excess liability insurance over general liability, EMT, ambulance malpractice, fire division liability, public official liability, police professional liability, and auto liability is maintained in an aggregate amount of \$6,000,000.

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

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

For 2001, the City participated in the Ohio Rural Water Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 24). The intent of the GRP is to achieve the benefit of a reduced premium for the City by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participant is calculated as one experience and a common premium rate is applied to all members in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to members that can meet the GRP's selection criteria. The firm Comp Management provides administrative, cost control and actuarial services to the GRP.

**CITY OF ZANESVILLE
MUSKINGUM COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)**

NOTE 11 - RISK MANAGEMENT (Continued)

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 \$360,300 reported at December 31, 2001, 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 2000 and 2001 were:

	Balance at Beginning of Year	Current Year Claims	Current Year Claim Payments	Balance at End of Year
2000	\$426,523	\$1,709,492	\$1,705,723	\$430,292
2001	430,292	2,092,063	2,162,055	360,300

B. Component Unit

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

NOTE 12 - DEFINED BENEFIT PENSION PLANS

A. Primary Government

1. Public Employees Retirement System:

All City employees, other than police officers and firefighters, 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.

In 2001, plan members were required to contribute 8.5 percent of their annual covered salary to fund pension obligations. The 2001 employer pension contribution rate for the City was 9.25 percent of covered payroll, increased from 6.54 percent in 2000. In 2000, PERS had instituted a temporary employer rate rollback for state and local governments. Contributions are authorized by State statute. The contribution rates are determined actuarially.

The City's required contributions to PERS for the years ended December 31, 2001, 2000 and 1999 were \$639,158, \$533,499, and \$528,968 respectively. 71 percent has been contributed for 2001 with the remainder being reported as a fund liability.

**CITY OF ZANESVILLE
MUSKINGUM COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)**

NOTE 12 - DEFINED BENEFIT PENSION PLANS (Continued)

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

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

Police and firefighters are required to contribute 10 percent of their annual covered salary to fund pension obligations and the City was required to contribute 12 percent for police and 16.5 percent for firefighters. In 2000, the City contributions were 12.25 percent for police and 16.75 percent for firefighters. Contributions are authorized by State statute. The City's contributions to the OP&F for police and firefighters were \$296,686 and \$305,726, for the year ended December 31, 2001, \$286,093 and \$319,701 for the year ended December 31, 2000, and \$248,790 and \$282,615 for the year ended December 31, 1999. The full amount has been contributed for 2000 and 1999. 68 percent has been contributed for 2001 with the remainder being reported as a fund liability.

B. Component Unit:

All South East Area Transit Authority 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, 2001 was \$129,504.

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. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to PERS is set aside for the funding of post retirement health care. The Ohio revised Code provides statutory authority for employer contributions.

The 2001 employer contribution rate for local government's was 13.55 percent of covered payroll; 4.30 percent was the portion that was used to fund health care for the year. In 2000, the contribution rate was 10.84 percent of covered payroll; 4.30 percent was the portion that was used to fund health care.

**CITY OF ZANESVILLE
MUSKINGUM COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)**

NOTE 13 - POSTEMPLOYMENT BENEFITS (Continued)

Benefits are advance-funded using the entry age normal actuarial cost method of valuation. Significant actuarial assumptions, based on PERS's latest actuarial review performed December 31, 2000, include a rate of return on investments of 7.75 percent, an annual increase in active employee total payroll of 4.75 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .54 and 5.1 percent based on additional annual pay increases. Health care premiums were assumed to increase 4.75 percent annually.

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

The number of active contributing participants was 411,076. The City's actual contributions for 2001 which were used to fund postemployment benefits were \$297,122. The actual contribution and the actuarially required contribution amounts are the same. PERS's net assets available for payment of benefits at December 31, 2000 (the latest date information available), were \$11,735.9 million. The actuarially accrued liability and the unfunded actuarial accrued liability were \$14,364.6 million and \$2,628.7 million, respectively.

2. Police and Firemen's Disability and Pension Fund

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

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. The Ohio Revised Code provides the authority allowing the Ohio Police and Fire Pension Fund's Board of Trustees to provide health care coverage and states that health care cost paid from the Ohio Police and Fire Pension Fund shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis. The total police employer contribution is 19.5 percent of covered payroll and the total firefighter employer contribution rate is 24 percent of covered payroll, of which 7.5 percent of covered payroll was applied to the postemployment health care program during 2001. For 2000 the percent used to fund healthcare was 7.25 percent. In addition, since July 1, 1992, most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment.

The City's actual contributions for 2001 that were used to fund postemployment benefits were \$185,429 for police and \$138,966 for fire. The OP&F's total health care expenses for the year ended December 31, 2001 (the latest information available) was \$106,160,054, which was net of member contributions of \$5,657,431. The number of OP&F participants eligible to receive health care benefits as of December 31, 2001, was 12,853 for police and 10,037 for firefighters.

**CITY OF ZANESVILLE
MUSKINGUM COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)**

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 2001 which were used to fund postemployment benefits were \$41,097.

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). Employees with family coverage are responsible for a \$7.00 payroll deduction per pay for the cost of health insurance.

B. Compensated Absences

1. Primary Government

The criteria for determining vested vacation and sick leave components are derived from negotiated agreements and State laws. Upon retirement, AFSCME union employees and policemen are paid 33% of their sick leave up to a maximum of 33% of 960 hours. Assistant Fire Chiefs whose work week consists of 56 hours when averaged over a three-week period shall receive, upon retirement, 25% of accrued sick leave up to 540 hours. Upon retirement, 33% of balance with a maximum payment of 540 hours shall be made to firefighters. Police sergeants and lieutenants shall receive, upon retirement, 33% of sick leave balances with a maximum of 960 hours. All other uniformed police and corrections officers shall receive, upon retirement, 25% of their balance with a maximum of 960 hours of sick leave. Unaffiliated employees shall receive 25% of balance with a maximum of 385 hours. All employees are required to have ten or more years of service before any compensation for accumulated sick leave is paid upon retirement. Upon voluntary termination, death, or retirement, with the exception of AFSCME employees who have not been employed with the City for a full year, all other employees will receive 100% of vacation earned and not previously taken. As of December 31, 2001 the liability for unpaid compensated absences was \$1,352,268.

2. Component Unit

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

**CITY OF ZANESVILLE
MUSKINGUM COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)**

NOTE 15 - CAPITAL LEASES - LESSEE DISCLOSURE

In prior years, the City has entered into capitalized leases for copying equipment, and vehicles. Each lease meets the criteria of a capital lease set forth in the Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease as one which transfers benefits and risks of ownership to the lessee. Capital lease payments are reflected as debt service expenditures in the General Purpose Financial Statements for the governmental. Equipment acquired by lease has been capitalized in the General Fixed Assets Account Group in the amount of \$25,283 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 2001 totaled \$4,323. Future minimum lease payments through 2005 are as follows:

<u>Year</u>	<u>General Long-Term Obligations Account Group</u>
2002	\$6,949
2003	6,949
2004	5,568
2005	<u>2,808</u>
Total	<u>22,274</u>
Less Amount Representing Interest	(4,570)
Present Value of Net Minimum Lease Payments	<u>\$17,704</u>

NOTE 16 - CONTRACTUAL COMMITMENTS

As of December 31, 2001 the City had purchase commitments for equipment purchases and capital improvements in the General Fund. The Permissive License Tax Fund, a Capital Projects Fund, had purchase commitments for Capital Improvements. The Underwood Office Building, Community Development, and Law Enforcement Block Grant Funds, all Special Revenue Funds, had purchase commitments for building improvements and equipment. The Sanitation, Sewer, and Water Funds, all Enterprise Funds, all had commitments for capital improvements and operating equipment purchases.

**CITY OF ZANESVILLE
MUSKINGUM COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)**

NOTE 16 - CONTRACTUAL COMMITMENTS (Continued)

The amount for each project is as follows:

<u>Projects</u>	<u>Purchase Commitments</u>	<u>Amount Expended</u>	<u>Amount Remaining on Contracts</u>
<u>General Fund:</u>			
3/4 Ton Pickup Hoffer Buick	\$23,900	\$0	\$23,900
3/4 Ton Pickup Hoffer Buick	22,000	0	22,000
<u>Underwood Special</u>			
HVAC Renovations	104,178	69,050	35,128
<u>CDBG Special Revenue</u>			
Carey St Day Care Equipment	54,374	0	54,374
<u>MVL Permissive Fund:</u>			
City Wide Overlays	320,356	0	320,356
<u>Sewer Enterprise Fund:</u>			
Sanitary Sewer Extension	76,310	76,060	250
Sludge Truck Lucas Truck	65,662	0	65,662
<u>Water Enterprise Fund:</u>			
Mitchell Ave Water Tanks	327,263	196,638	130,625
<u>Sanitation:</u>			
1 Ton Truck Hoffer Buick	25,900	0	25,900
<u>LLEBG Fund:</u>			
Communication Tower Upgrade	43,876	0	43,876

**CITY OF ZANESVILLE
MUSKINGUM COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)**

NOTE 17 - LONG-TERM OBLIGATIONS

A. Primary Government

Changes in long-term obligations of the City for the year ending December 31, 2001 were as follows:

<u>ENTERPRISE FUND OBLIGATIONS</u>	<u>Outstanding 12/31/00</u>	<u>Additions</u>	<u>Reductions</u>	<u>Outstanding 12/31/01</u>
REVENUE BONDS:				
Water Improvements -				
1989 Series A, Variable Interest	\$458,750	\$0	\$38,750	\$420,000
Water System Improvements -				
1993, Variable Interest	1,120,000	0	40,000	1,080,000
Sewer - 1989 Series A, Variable Interest	495,450	0	41,850	453,600
Storm Sewer - 1989 Series A, Variable Interest	<u>880,800</u>	<u>0</u>	<u>74,400</u>	<u>806,400</u>
TOTAL REVENUE BONDS	<u>2,955,000</u>	<u>0</u>	<u>195,000</u>	<u>2,760,000</u>
OWDA LOANS:				
OWDA Water - Variable Interest	2,096,477	0	164,066	1,932,411
OWDA Sewer - Variable Interest	<u>4,687,010</u>	<u>0</u>	<u>380,554</u>	<u>4,306,456</u>
TOTAL OWDA LOANS	<u>6,783,487</u>	<u>0</u>	<u>544,620</u>	<u>6,238,865</u>
Long Term Contract Payable	<u>0</u>	<u>697,642</u>	<u>305,868</u>	<u>391,774</u>
TOTAL ENTERPRISE FUND OBLIGATIONS	<u>\$9,738,487</u>	<u>\$697,642</u>	<u>\$1,045,488</u>	<u>\$9,390,639</u>
 <u>GENERAL LONG-TERM OBLIGATIONS</u>				
GENERAL OBLIGATION BONDS:				
Capital Improvements - 1989, Variable Interest	\$855,000	\$0	\$70,000	\$785,000
Fire Truck Acquisition - 1991, 6.5%	55,000	0	27,000	28,000
Ohio Government Building - 1986, 7.38%	480,000	0	40,000	440,000
Jail Facility - 1993, 5.61%	<u>2,625,000</u>	<u>0</u>	<u>90,000</u>	<u>2,535,000</u>
TOTAL GENERAL OBLIGATION BONDS	<u>4,015,000</u>	<u>0</u>	<u>227,000</u>	<u>3,788,000</u>
SPECIAL ASSESSMENT BONDS:				
Brandywine - 1981, 12.0%	<u>85,000</u>	<u>0</u>	<u>85,000</u>	<u>0</u>
OTHER LONG-TERM OBLIGATIONS:				
Long-Term Contract Payable	0	359,392	155,748	203,644
Compensated Absences	870,706	10,491	0	881,197
Capital Leases	<u>21,930</u>	<u>0</u>	<u>4,226</u>	<u>17,704</u>
TOTAL OTHER LONG-TERM DEBT	<u>892,636</u>	<u>369,883</u>	<u>159,974</u>	<u>1,102,545</u>
TOTAL GENERAL LONG-TERM OBLIGATIONS	<u>4,992,636</u>	<u>369,883</u>	<u>471,974</u>	<u>4,890,545</u>
 GRAND TOTAL	 <u>\$14,731,123</u>	 <u>\$1,067,525</u>	 <u>\$1,517,462</u>	 <u>\$14,281,184</u>

**CITY OF ZANESVILLE
MUSKINGUM COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)**

NOTE 17 - LONG-TERM OBLIGATIONS (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. 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, 2001, including interest of \$5,585,764, are as follows:

<u>Year</u>	<u>General Obligation Bonds</u>	<u>Enterprise Revenue Bonds</u>	<u>OWDA Loans</u>	<u>Total</u>
2002	\$469,944	\$382,068	\$1,053,090	\$1,905,101
2003	437,390	378,743	1,053,091	1,869,224
2004	428,920	384,668	944,771	1,758,359
2005	435,006	379,263	807,750	1,622,019
2006	429,175	382,875	475,970	1,288,020
2007-2035	<u>3,540,997</u>	<u>2,052,125</u>	<u>4,336,784</u>	<u>9,929,906</u>
Totals	<u>\$5,741,431</u>	<u>\$3,959,742</u>	<u>\$8,671,456</u>	<u>\$18,372,629</u>

The City entered into an agreement with the Zanesville-Muskingum County Port Authority and Muskingum County for construction of the infrastructure improvements on April 1, 2000. The terms of the agreement call for an OWDA loan to be obtained by the Port Authority in the estimated amount of \$2,114,068, to be repaid over a period of five years. The City and Muskingum County agree to pay annually, one-half of the required principal and interest requirements of the OWDA loan. The estimated cost to the City for the balance of this contract for the years 2002, 2003, and 2004 are \$230,808, \$230,808, and \$133,832, respectively. The City's share of the cooperative agreement totals \$1,057,034 less payments during 2001 in the amount of \$461,616. The payments were made from the General Fund in the amount of \$155,748 (34 percent) and the Sewer Enterprise Fund in the amount of \$305,868 (66 percent) and the contract balance at December 31 was \$202,452 in the General Long-Term Obligations Account Group for the General Fund Portion and \$392,996 in the Sewer Enterprise Fund for its portion.

As of December 31, 2001, the City's overall legal debt margin (the ability to issue additional amounts of general obligation bonded debt) was \$33,858,202.

**CITY OF ZANESVILLE
MUSKINGUM COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)**

NOTE 18 - NOTE DEBT

The City paid the note to OPWC as of December 31, 2001, and no longer has any outstanding note debt.

NOTE 19 - INTERFUND TRANSACTIONS

	<u>Receivable</u>	<u>Payable</u>
Interfund Receivable/Payable		
General Fund	\$93,576	\$0
State and Federal Infrastructure Capital Projects Fund		93,576
Total Interfund Receivable/Payable	<u>\$93,576</u>	<u>\$93,576</u>
Due From/To Other Funds		
General	\$8,017	\$17,156
Special Revenue Funds:		
Police Expenditure	0	9,906
Auto Gas	0	8,301
Jail Operating	0	504
Community Development	0	577
Litter	<u>0</u>	<u>45</u>
Total Special Revenue Funds	<u>0</u>	<u>19,333</u>
Enterprise Funds:		
Airport	0	420
Auditorium	0	132
Cemetery	0	865
Sanitation	0	3,211
Sewer	0	6,378
Water	<u>0</u>	<u>32,254</u>
Total Enterprise Funds	<u>0</u>	<u>43,260</u>
Internal Service Funds:		
Vehicle Equipment Maintenance	29,794	103
Health Self-Insurance	<u>42,041</u>	<u>0</u>
Total Internal Service Funds	<u>71,835</u>	<u>103</u>
Total Due to/Due From Other Funds	<u>79,852</u>	<u>79,852</u>
Total Interfund Activity	<u>\$173,428</u>	<u>\$173,428</u>

**CITY OF ZANESVILLE
MUSKINGUM COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)**

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, 2001:

	<u>Airport</u>	<u>Water</u>	<u>Sewer</u>
Operating Revenues	\$7,184	\$3,402,056	\$4,457,554
Depreciation	56,262	421,492	759,679
Operating Expenses (excluding Depreciation)	129,986	2,786,511	2,923,444
Operating Income (Loss)	(179,064)	194,053	774,431
Net Non-Operating Revenue (Expenses)	(22,971)	(247,022)	(1,135,541)
Operating Transfers In	125,871	0	0
Operating Transfers Out	0	(11,106)	(11,468)
Net Income (Loss)	(30,222)	(64,075)	(372,578)
Additions to Fixed Assets	0	230,005	1,364,038
Net Working Capital	303,596	2,848,103	2,896,020
Total Assets	1,855,401	11,488,958	24,045,380
Long-Term Liabilities to be paid from fund revenues (including current portion)	0	3,432,409	5,958,230
Total Equity	1,778,722	7,525,007	17,747,214
Encumbrances Outstanding at December 31, 2001	40,421	493,763	797,349

**CITY OF ZANESVILLE
MUSKINGUM COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)**

NOTE 20 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS (Continued)

Segment Information Continued:	<u>Sanitation</u>	<u>Cemetery</u>	<u>Auditorium</u>	<u>Total</u>
Operating Revenues	\$588,011	\$97,330	\$151,804	\$8,703,939
Depreciation	52,268	20,658	37,663	1,348,022
Operating Expenses (Excluding Depreciation)	988,515	280,867	322,374	7,431,697
Operating Income (Loss)	(452,772)	(204,195)	(208,233)	(75,780)
Net Non-Operating Revenue (Expenses)	1,308	47,145	13	(1,311,152)
Operating Transfers In	477,000	201,945	154,828	959,644
Operating Transfers Out	(4,674)	0	0	(27,248)
Net Income (Loss)	20,862	44,895	(53,418)	(454,536)
Additions to Fixed Assets	100,640	5,922	50,021	1,750,626
Net Working Capital	434,555	697,090	122,020	7,301,384
Total Assets	651,007	821,506	1,036,568	39,898,820
Long-Term Liabilities to be paid from fund revenues (including current portion)	0	0	0	9,390,639
Total Equity	570,199	779,012	1,018,687	29,418,841
Encumbrances Outstanding at December 31, 2001	65,177	8,362	15,357	1,395,043

**CITY OF ZANESVILLE
MUSKINGUM COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)**

NOTE 21 - CONTRIBUTED CAPITAL

A: Primary Government

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

B: Component Unit

Changes in the Component Unit's contributed capital for the year ended December 31, 2001:

Contributed Capital December 31, 2000	\$1,574,087
Current Contributions:	
Intergovernmental	440,502
Depreciation of Assets Acquired with Capital Grants	<u>(235,225)</u>
Contributed Capital December 31, 2001	<u>\$1,779,364</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 2001, 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.
- 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 two members. The fifth member is appointed jointly by the City and the County. The Authority board adopts its own budget, is its own contracting authority, hires and fires its own staff, authorizes all expenditures and does not rely on the City or the County to finance deficits. The Authority derives its revenues from lease/rental income, interest income, contributions from the City and County, and other miscellaneous revenue sources. The City and County currently lease the Anchor Glass Facilities from the Authority, and sublet the facilities to the Anchor Glass Corporation. The lease is a twenty year lease which is in effect until 2008. The City and the County, by the terms of the lease agreement, make lease payments directly to National City Bank in conjunction with Anchor Glass which is used for the payment of Authority debt. The City and the County also provide operating subsidies to the Authority. During 2001, the City provided \$120,000 and the County provided \$120,000 in operating subsidies to the Authority. Financial information is available from the Zanesville/Muskingum County Port Authority, Zanesville, Ohio.

**CITY OF ZANESVILLE
MUSKINGUM COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)**

NOTE 22 - JOINTLY GOVERNED ORGANIZATIONS (Continued)

- C. The Zanesville/Muskingum Conventions Facility 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 2001 the Authority received \$401,856 from excise taxes and rental income. The Authority has no outstanding debt. Complete financial information can be obtained from the Zanesville/Muskingum Conventions Facility Authority, Zanesville, Ohio.
- D. The Zanesville Metropolitan Housing Authority was created in 1938, and currently operates pursuant to Revised Code Section 3735.27. The Authority is operated by a five member board. The City appoints two members and the County appoints three members. The board adopts their own appropriations, is their own contracting authority, hires and fires their own staff, authorizes all expenditures, and does not rely on the City or the County to finance deficits. The Authority receives funding from the federal government in the form of grants. All monies are received directly by the Authority in the Authority's name. Although the City appoints members to the board, the City is not financially accountable for the Authority, nor is the Authority fiscally dependent on the City. The Authority has no outstanding debt. Complete financial information can be obtained from the Zanesville Metropolitan Housing Authority, Zanesville, Ohio.

NOTE 23 - JOINT VENTURES

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

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

**CITY OF ZANESVILLE
MUSKINGUM COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)**

NOTE 23 - JOINT VENTURES (Continued)

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

NOTE 24 - 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 25 - RELATED PARTY TRANSACTIONS

The South East Area Transit Authority, a discretely presented component unit of the City of Zanesville, received contributions from the City for facilities, certain equipment, transportation and salaries for administrative implementation and supervision of its programs. These contributions are reflected as "Contributions from Local Governments" and "Operating Expenses" in the general purpose financial statements. In 2001, these contributions were \$313,500. In 2001, \$313,500 was contributed by Muskingum County, the Village of South Zanesville and the City of Cambridge.

NOTE 26 - 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, 2001.

B. Litigation

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

**CITY OF ZANESVILLE
MUSKINGUM COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)**

NOTE 26 - CONTINGENCIES

C. Component Unit - Contingencies

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

NOTE 27 - SPECIAL ITEMS

The Sewer Enterprise Fund's operating statement reflects a Special Item: Contract with Port Authority non-operating expense in the amount of \$697,642. The amount is reflected pursuant to GASB Statement 14, Paragraph 56. This non-operating expense was recognized pursuant to the cooperative agreement entered into by the City, Muskingum County, and the Zanesville-Muskingum County Port Authority as more fully discussed in Note 17.

**CITY OF ZANESVILLE
MUSKINGUM COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2001**

FEDERAL GRANTOR <i>Pass-Through Grantor</i> Program Title	Pass-Through Entity Number	Federal CFDA Number	Receipts	Disbursements
U.S. DEPARTMENT OF AGRICULTURE				
<i>Passed Through Ohio Department of Education:</i>				
Summer Food Service Programs for Children	N/A	10.559	<u>\$59,076</u>	<u>\$73,487</u>
Total U.S. Department of Agriculture			59,076	73,487
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
<i>Passed Through Ohio Department of Development:</i>				
Community Development Block Grant Program	A-C-00-204-1	14.228	133,160	133,190
	A-F-00-204-1	14.228	188,000	121,600
	A-F-01-204-1	14.228	6,000	6,000
	A-F-99-204-1	14.228	100,500	121,289
	A-L-00-204-1	14.228	29,600	29,600
	A-L-01-204-1	14.228	29,650	29,650
	A-N-00-204-1	14.228	6,600	6,386
	A-T-97-204-1	14.228	216,775	199,031
	Loan Activity	14.228	17,846	98,065
	Loan Activity	14.228	61,932	64,307
	N/A	14.228	<u>21,854</u>	<u>57,309</u>
Total Community Development Block Grant Program			811,917	866,427
Home Investment Partnerships Program	A-C-00-204-2	14.239	<u>340,000</u>	<u>339,990</u>
Total U.S. Department of Housing and Urban Development			1,151,917	1,206,417
U.S. DEPARTMENT OF JUSTICE				
<i>Passed Through Ohio Department of Rehabilitation and Correction:</i>				
Local Law Enforcement Block Grant	00-LB-VX-0806	16.592		
	00-LB-BX-0362	16.592		17,500
	01-LB-BX-1080	16.592	<u>59,272</u>	
Total Local Law Enforcement Block Grant			59,272	17,500
Office of Community Oriented Policing Services Grant (COPS FAST)	1995-CF-WX-2981	16.710	<u>16,031</u>	<u>33,259</u>
Total U.S. Department of Justice			75,303	50,759
U.S. DEPARTMENT OF TRANSPORTATION				
<i>Direct Program:</i>				
Federal Aviation Administration Grant	3-39-0097-0401	20.106	47,587	37,165
<i>Passed Through Ohio Department of Transportation:</i>				
Federal Highway Administration Grant	TE21-G000(292)	20.205	383,649	383,649
	TE21-G000(638)		425,304	425,304
	TE21-G000(368)		206,261	134,312
Total Federal Highway Administration			<u>1,015,214</u>	<u>943,265</u>
Total U.S. Department of Transportation			1,062,801	980,430
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
<i>Pass-Through Muskingum County Department of Job and Family Services:</i>				
Temporary Assistance for Needy Families (TANF)	N/A	93.558	<u>200,000</u>	<u>233,713</u>
Total U.S. Department of Health and Human Services			200,000	233,713
Total Federal Awards Receipts and Expenditures			<u>\$2,549,097</u>	<u>\$2,544,806</u>

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

**CITY OF ZANESVILLE
MUSKINGUM COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2001**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – MATCHING REQUIREMENTS

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

NOTE C – LOANS OUTSTANDING

The City has established a revolving loan program to provide low-interest loans to businesses to create jobs for persons from low to moderate income households. The Federal Department of Housing and Urban Development (HUD) grants the money for these loans to the City, passed through the State Department of Development. The initial loan of this money is recorded as a disbursement on the Schedule. Loans repaid, including interest, are used to make additional loans. Such subsequent loans are subject to certain compliance requirements imposed by HUD.

The City had the following loan balances outstanding at December 31, 2001:

Program Title	CFDA Number	Amount Outstanding
CDBG Economic Development Revolving Loan Fund Program	14.228	\$122,872
CDBG Housing Program	14.228	\$195,427

NOTE D - SUBRECIPIENTS

The City passes through Federal Emergency Shelter Grant Program assistance from the State Department of Development to the Salvation Army, a not-for-profit corporation. This program is identified on the accompanying Schedule of Federal Awards Receipts and Expenditures as Community Development Block Grant programs A-L-00-204-1 and A-L-01-204-1 in the amounts of \$29,600 and \$29,650 respectively. As described in Note 1, the City records expenditures of federal awards to subrecipients when paid in cash.

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

NOTE E - LOCAL LAW ENFORCEMENT BLOCK GRANT

The City receives a Local Law Enforcement Block Grant from the Ohio Department of Rehabilitation and Correction. Program 00-LB-VX-0806 does not have any receipts or disbursements identified on the federal schedule because the funding was received in 2000 and, although these funds have been encumbered, the funds had not been expended as of December 31, 2001.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

743 East State Street
Athens Mall Suite B
Athens, Ohio 45701
Telephone 740-594-3300
800-441-1389
Facsimile 740-594-2110
www.auditor.state.oh.us

**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 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, 2001, and have issued our report thereon dated December 17, 2002, wherein we noted the City adopted Governmental Accounting Standards Board Statements 33 and 36. We did not audit the financial statements of the South East Area Transit Authority which represents all assets and revenues of the component unit column. Those financial statements were audited by other auditors, following *Government Auditing Standards*, and their report thereon has been furnished to us. Our opinion, insofar as it relates to the amounts included for the component unit, is based on the report of other auditors. We conducted our audit in accordance with auditing standards 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 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 December 17, 2002.

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. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. 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 City'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 2001-21060-001.

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 do not believe the reportable condition described above is 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 City in a separate letter dated December 17, 2002.

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

A handwritten signature in black ink, appearing to read "Jim Petro", written in a cursive style.

Jim Petro
Auditor of State

December 17, 2002



STATE OF OHIO
OFFICE OF THE AUDITOR

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Athens Mall Suite B
Athens, Ohio 45701
Telephone 740-594-3300
800-441-1389
Facsimile 740-594-2110
www.auditor.state.oh.us

**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 City Council:

Compliance

We have audited the compliance of the City of Zanesville, Muskingum County, Ohio (the City), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal programs for the year ended December 31, 2001. The City's major federal programs are identified in the Summary of Auditor's Results Section of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

As described in item 2001-21060-002 in the accompanying Schedule of Findings, the City did not comply with requirements regarding Cash Management that are applicable to its Community Development Block Grant program. Compliance with such requirements is necessary, in our opinion, for the City to comply with requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2001. However, we noted a certain instance of noncompliance that does not require inclusion in this report that we have reported to the management of the City in a separate letter dated December 17, 2002.

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 a matter involving the internal control over federal compliance that does not require inclusion in this report that we have reported to management of the City in a separate letter dated December 17, 2002.

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

A handwritten signature in black ink, appearing to read "Jim Petro", with a stylized flourish at the end.

Jim Petro
Auditor of State

December 17, 2002

**CITY OF ZANESVILLE
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 §.505
FOR THE YEAR ENDED DECEMBER 31, 2001**

1. SUMMARY OF AUDITOR'S RESULTS
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(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	Yes
(d)(1)(iii)	Was there any reported material non-compliance 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	Qualified
(d)(1)(vi)	Are there any reportable findings under § .510?	Yes
(d)(1)(vii)	Major Programs (list):	CFDA #14.228 - Community Development Block Grant CFDA #14.329 - Home Investment Partnerships Program CFDA #20.205 - Federal Highway Administration Grant
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

**CITY OF ZANESVILLE
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 §.505
FOR THE YEAR ENDED DECEMBER 31, 2001
(Continued)**

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

Finding Number	2001-21060-001
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The testing of the City's capital assets revealed the following weaknesses:

- The City's capital assets listing was not sorted to delete capital assets with a cost of less than \$5,000, the City's capital asset reporting threshold. As a result, fixed assets as reported were overstated.
- Of the proprietary fund capital assets reported, 15% had useful lives which did not agree to the useful lives outlined in the City's capital asset policy. As a result, certain proprietary fixed assets were not depreciated in accordance with the policy.
- Of the capital assets tested, 5% had actually been disposed of via auction or trade in. This resulted in capital assets being overstated.
- Of the capital assets tested, 8% were reported incorrectly in terms of department due to transfers of those assets. This could result in the loss of accountability over these assets.
- Two capital assets were identified with a total net book value of \$72,610 which were owned by the City but not reported in the fixed assets system. As a result, fixed assets were understated.
- Of the capital assets tested, 4% were misclassified (i.e., vehicles, machinery/equipment, etc.). As a result, these capital assets were misclassified when reported.
- Tag numbers per the accounting system did not correspond to the tag numbers utilized by the Vehicle Maintenance Department. This could result in the loss of accountability over these assets.

During 2001, the City adopted a more comprehensive fixed asset policy which, if followed, should eliminate most of the weaknesses noted above. We recommend the capital assets manager perform the following functions to assure compliance with the City's policy:

- Post corrections to the capital assets accounting system in order to be able to report assets in accordance with the City's \$5,000 threshold and to depreciate those assets according to policy;
- Process updates on a monthly basis based on addition and deletion sheets;
- Perform reviews monthly to compare capital expenditures to capital asset additions;
- Perform periodic observations of capital assets in order to gain assurances that all fixed assets are accounted for properly and completely;
- Distribute tags immediately upon receipt of an asset addition form and perform appropriate follow-ups to ensure tagging procedures are being followed properly; and
- Investigate inconsistencies between the tag numbers assigned by the fixed asset manager and the identification numbers actually being utilized by the departments (i.e., identification numbers/tags being used by the vehicle maintenance, police, etc., should be tracked in the accounting system).

**CITY OF ZANESVILLE
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 §.505
FOR THE YEAR ENDED DECEMBER 31, 2001
(Continued)**

3. FINDINGS FOR FEDERAL AWARDS

Finding Number	2001-21060-002
CFDA Title and Number	Community Development Block Grant CFDA #14.228 and Community Home Investment Partnerships Grant CFDA #14.239
Federal Award Number/Year	A-F-01-204-1, A-F-99-204-1, A-C-00-204-1, A-F-00-204-1, and A-T-97-204-1 (CFDA #14.228) A-C-00-204-2 (CFDA #14.239)
Federal Agency	U.S. Department of Housing and Urban Development
Pass-Through Agency	Ohio Department of Development

Noncompliance Citation – Cash Management

24 C.F.R. Section 85.21(b) requires that methods and procedures for payments shall minimize the time elapsing between the transfer of funds and disbursement by the grantee or subgrantee. The Ohio Department of Housing and Community Partnerships' Management Rules and Regulations handbook, Section (A)(3)(k), states, in part, that grantees must develop a cash management system to ensure compliance with the Fifteen Day Rule relating to prompt disbursement of funds. This rule states that funds drawn down should be limited to amounts that will enable the grantee to disburse the funds on hand to a balance of less than \$5,000 within fifteen days of receipt of any funds.

During 2001, the Small Cities Community Development Block Grants A-F-01-204-1, A-F-99-204-1, A-C-00-204-1, A-F-00-204-1 and A-T-97-204-1 and the Community Home Investment Partnerships Grant A-C-00-204-2- had funds on hand which were drawn down and not expended within fifteen days to a balance of less than \$5,000. Our analysis of expenditures indicated funds were held from one to 101 days beyond the fifteen days allowed with over 50% of these funds not being expended within 30 days of receipt.

We recommend the City implement procedures to assure funds are expended within fifteen days to a balance of less than \$5,000.

**CITY OF ZANESVILLE
MUSKINGUM COUNTY**

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A-133 § .315(c)
FOR THE YEAR ENDED DECEMBER 31, 2001**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2001-21060-001	Improvements will be made to the 2002 fixed assets with the software, tag numbers, and audits. The City is preparing the system for GASB 34 and reports will be more accurate.	December 31, 2002	Margo Moyer, City Auditor
2001-21060-002	The City's general fund is advancing money to the Community Development funds. This is in order to begin paying vendors prior to receiving the grant draws. When the draws are received from the grantor agency, the general fund is then repaid.	January, 2002	Margaret Deedrick, Community Development Director

**CITY OF ZANESVILLE
MUSKINGUM COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A-133 §.315(b)
FOR THE YEAR ENDED DECEMBER 31, 2001**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2000-21060-001	Certain capital assets could not be located and certain other capital assets could not be specifically traced to the fixed asset listing.	Partially	Certain portions of this finding are repeated in the current Schedule of Findings as Finding 2001-21060-001.
2000-21060-002	A material noncompliance citation was issued under 24 C.F.R. Section 85.21b and the Ohio Housing and Community Partnership Financial Management Rules and Regulations Handbook, Section A(3)(k) since the City did not develop an effective cash management system to ensure compliance with the fifteen day rule relating to the prompt disbursement of funds. Grant funds were not expended within fifteen days to a balance of less than \$5,000.	No	This is repeated in the current Schedule of Findings as Finding 2001-21060-002.
1999-21060-001	Payroll charges were not allocable to Community Development Block Grants. Allowability of those charges was not able to be determined.	Yes	The City's time sheets now reflect the hours worked and to which grants payroll costs should be charged. This finding was corrected beginning September of 2000. The questioned costs have been resolved and the Ohio Department of Development has closed the 1999 audit.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

CITY OF ZANESVILLE

MUSKINGUM COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 2, 2003**