



Mary Taylor, CPA
Auditor of State

VILLAGE OF ZANESFIELD
LOGAN COUNTY

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Mary Taylor, CPA

Auditor of State

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

To the Members of Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

August 29, 2008

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Members of Council:

We have audited the accompanying financial statements of the Village of Zanesfield, Logan County, (the Village), as of and for the years ended December 31, 2007 and 2006. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

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

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2007 and 2006 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2007 and 2006, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of Zanesfield, Logan County, as of December 31, 2007 and 2006, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated August 29, 2008, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

August 29, 2008

**VILLAGE OF ZANESFIELD
LOGAN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property and Local Taxes	\$7,092			\$7,092
Intergovernmental	12,304	\$11,653	\$56,492	80,449
Earnings on Investments	2,117	156		2,273
Miscellaneous	936			936
Total Cash Receipts	<u>22,449</u>	<u>11,809</u>	<u>56,492</u>	<u>90,750</u>
Cash Disbursements:				
Current:				
Leisure Time Activities	2,202			2,202
Community Environment	4,045			4,045
Basic Utility Service	2,200			2,200
Transportation		7,244	56,492	63,736
General Government	13,826			13,826
Total Cash Disbursements	<u>22,273</u>	<u>7,244</u>	<u>56,492</u>	<u>86,009</u>
Total Receipts Over Disbursements	<u>176</u>	<u>4,565</u>		<u>4,741</u>
Fund Cash Balances, January 1	63,761	29,879		93,640
Fund Cash Balances, December 31	<u><u>\$63,937</u></u>	<u><u>\$34,444</u></u>	<u><u>\$0</u></u>	<u><u>\$98,381</u></u>

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

**VILLAGE OF ZANESFIELD
LOGAN COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGE IN FUND CASH BALANCE - FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2007**

	Fiduciary Fund Type
	Private Purpose Trust
Operating Cash Disbursements:	
Contractual Services	\$193
Supplies and Materials	1,000
Total Operating Cash Disbursements	1,193
 Operating(Loss)	 (1,193)
Non-Operating Cash Receipts:	
Earnings on Investments	1,728
Total Non-Operating Cash Receipts	1,728
 Net Receipts Over Disbursements	 535
 Fund Cash Balance, January 1	 46,473
 Fund Cash Balance, December 31	 \$47,008

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

**VILLAGE OF ZANESFIELD
LOGAN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Local Taxes	\$6,502		\$6,502
Intergovernmental	12,262	\$12,964	25,226
Earnings on Investments	2,159		2,159
Miscellaneous	819		819
Total Cash Receipts	<u>21,742</u>	<u>12,964</u>	<u>34,706</u>
Cash Disbursements:			
Current:			
Leisure Time Activities	1,361		1,361
Community Environment	1,885		1,885
Basic Utility Service	1,618		1,618
Transportation		6,597	6,597
General Government	16,986		16,986
Total Cash Disbursements	<u>21,850</u>	<u>6,597</u>	<u>28,447</u>
Total Receipts Over/(Under) Disbursements	<u>(108)</u>	<u>6,367</u>	<u>6,259</u>
Fund Cash Balances, January 1	<u>63,869</u>	<u>23,512</u>	<u>87,381</u>
Fund Cash Balances, December 31	<u>\$63,761</u>	<u>\$29,879</u>	<u>\$93,640</u>

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

**VILLAGE OF ZANESFIELD
LOGAN COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGE IN FUND CASH BALANCE - FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Fiduciary Fund Type
	Private Purpose Trust
Operating Cash Disbursements:	
Supplies and Materials	\$2,341
Total Operating Cash Disbursements	2,341
Operating(Loss)	(2,341)
Non-Operating Cash Receipts:	
Earnings on Investments	1,443
Total Non-Operating Cash Receipts	1,443
Net Receipts Over Disbursements	(898)
Fund Cash Balance, January 1	47,371
Fund Cash Balance, December 31	\$46,473

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

**VILLAGE OF ZANESFIELD
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Zanesfield, Logan County (the Village), as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides street repair and maintenance and park operations. The Village contracts with the Logan County Sheriff's department to provide security of persons and property.

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

B. Accounting Basis

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

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

C. Cash and Investments

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

Certificates of deposit are valued at cost.

D. Fund Accounting

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

1. General Fund

The General Fund reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

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

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

**VILLAGE OF ZANESFIELD
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Fiduciary Funds

Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs.

Sloan Fund - This fund receives interest revenue from the original principal which is to be spent on the youth of the Village. The trust agreement requires the Village not to spend the original principal.

E. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2007 and 2006 budgetary activity appears in Note 3.

F. Property, Plant, and Equipment

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

**VILLAGE OF ZANESFIELD
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

2. EQUITY IN POOLED CASH

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

	2007	2006
Demand deposits	\$107,389	\$102,113
Certificates of deposit	38,000	38,000
Total deposits	\$145,389	\$140,113

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2007 and 2006 follows:

2007 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$21,153	\$22,449	\$1,296
Special Revenue	10,000	11,809	1,809
Capital Projects	62,261	56,492	(5,769)
Private Purpose Trust	1,200	1,728	528
Total	\$94,614	\$92,478	(\$2,136)

2007 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$35,520	\$22,273	\$13,247
Special Revenue	25,100	7,244	17,856
Capital Projects	62,261	56,492	5,769
Private Purpose Trust	7,500	1,193	6,307
Total	\$130,381	\$87,202	\$43,179

2006 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$19,503	\$21,742	\$2,239
Special Revenue	10,000	12,964	2,964
Private Purpose Trust	800	1,443	643
Total	\$30,303	\$36,149	\$5,846

**VILLAGE OF ZANESFIELD
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$34,449	\$21,850	\$12,599
Special Revenue	23,700	6,597	17,103
Private Purpose Trust	7,500	2,341	5,159
Total	\$65,649	\$30,788	\$34,861

4. PROPERTY TAX

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

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

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

5. RETIREMENT SYSTEMS

The Village's officials belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes the plans' retirement benefits, including postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 9 percent of their wages in 2006 and 9.5 percent of their wages in 2007. The Village contributed an amount equal to 13.55 percent of participants' gross salaries in 2006 and 13.85 percent of participants' gross salaries in 2007. The Village has paid all contributions required through December 31, 2007.

6. RISK MANAGEMENT

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Errors and omissions.



Mary Taylor, CPA

Auditor of State

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

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

To the Members of Council:

We have audited the financial statements of the Village of Zanesfield, Logan County, (the Village), as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated August 29, 2008, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Village's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiency described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting: 2007-001.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Village's internal control will not prevent or detect a material financial statement misstatement.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, we believe the significant deficiency described above as finding 2007-001 is also material weaknesses.

We also noted certain internal control matters that we reported to the Village's management in a separate letter dated August 29, 2008.

Compliance and Other Matters

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

We did note certain noncompliance or other matters that we reported to the Village's management in a separate letter dated August 29, 2008.

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



Mary Taylor, CPA
Auditor of State

August 29, 2008

**VILLAGE OF ZANESFIELD
LOGAN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2007-001

Material Weakness

Classification of Funds and Revenue in the Annual Financial Statements

To assist in the effective management and reporting of financial resources, a village should have procedures in place to help assure that funds and revenues are correctly classified in the financial statements.

The Village's 2007 financial statements classified an Issue II Fund, with receipts and expenditures of \$56,492, as a Special Revenue Fund instead of a Capital Projects Fund. The 2007 and 2006 financial statements reflected motor vehicle license tax and gasoline tax revenue in the Special Revenue Street Fund, in the amount of \$11,653 and \$12,964, respectively, as fines, licenses, and permits instead of intergovernmental revenue. The 2007 and 2006 financial statements reflected interest income in the Private Purpose Trust Fund, in the amount of \$1,728 and \$1,443, as operating miscellaneous revenue instead of non-operating earnings on investments.

The failure to correctly classify funds and revenue in the financial statements may impact the user's understanding of the financial operations, may inhibit the Village's ability to make sound financial decisions, may impact the Village's ability to comply with budgetary laws, and may result in the material misstatement of the financial statements. The accompanying financial statements have been adjusted to reflect revenue in the correct line items.

The Village Fiscal Officer should review the Village Officer's Handbook and Auditor of State Audit Bulletins for guidance in the classification of funds and revenues. The Village's Fiscal Officer and Council should also perform a review of the annual financial statements to help identify revenue recording errors.

OFFICIALS' RESPONSE:

We did not receive a response from Officials to the finding reported above.



Mary Taylor, CPA
Auditor of State

VILLAGE OF ZANESFIELD

LOGAN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
OCTOBER 9, 2008