



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**CITY OF ZANESVILLE
MUSKINGUM COUNTY**

TABLE OF CONTENTS

| TITLE | PAGE |
|---|-------------|
| Report of Independent Accountants | 1 |
| Combined Balance Sheet - All Fund Types, Account Groups, and Discretely Presented Component Unit | 4 |
| Combined Statement of Revenues, Expenditures, and Changes in Fund Balances – All Governmental Fund Types and Expendable Trust Fund | 8 |
| Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual (Budget Basis) - All Governmental Fund Types and Expendable Trust Fund | 10 |
| Combined Statement of Revenues, Expenses, and Changes in Fund Equity/Fund Balances - All Proprietary Fund Types, Non-Expendable Trust Funds, and Discretely Presented Component Unit | 14 |
| Combined Statement of Cash Flows - All Proprietary Fund Types, Non-Expendable Trust Funds, and Discretely Presented Component Unit | 16 |
| Combined Statement of Revenues, Expenses, and Changes in Fund Equity - Budget and Actual (Budget Basis) - All Proprietary Fund Types, and Non-Expendable Trust Funds | 20 |
| Notes to the Financial Statements | 21 |
| Schedule of Federal Awards Receipts and Expenditures | 65 |
| Notes to the Schedule of Federal Awards Receipts and Expenditures | 66 |
| Report of Independent Accountants on Compliance and on Internal Control Required by <i>Government Auditing Standards</i> | 67 |
| 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 | 69 |
| Schedule of Findings and Questioned Costs - <i>OMB Circular A-133, Section .505</i> | 71 |
| Corrective Action Plan - <i>OMB Circular A-133, Section .315(c)</i> | 73 |

This page intentionally left blank.



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 Mayor and Members of City Council:

We have audited the accompanying general purpose financial statements of the City of Zanesville, Muskingum County, Ohio (the City), as of and for the year ended December 31, 1999. These general purpose financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit. We did not audit the financial statements of the Muskingum Authority of Public Transit which represent 100% of the assets and revenues of the component unit column. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the component unit, is based on the report of other auditors.

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

In our opinion, based on our audit and the report of other auditors, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Zanesville, Muskingum County, as of December 31, 1999, and the results of its operations and cash flows of its proprietary fund types and non-expendable trust funds for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2000, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

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

Jim Petro
Auditor of State

November 15, 2000

This page left intentionally blank.

**CITY OF ZANESVILLE
MUSKINGUM COUNTY**

**COMBINED BALANCE SHEET
ALL FUND TYPES, ACCOUNT GROUPS, AND
DISCRETELY PRESENTED COMPONENT UNIT
DECEMBER 31, 1999**

| | Governmental Fund Types | | | | Proprietary | Fund Types |
|--|---------------------------|---------------------------|-------------------------|-------------------------|----------------------------|---------------------------|
| | General | Special Revenue | Debt Service | Capital Projects | Enterprise | Internal Service |
| Assets and Other Debits: | | | | | | |
| Assets: | | | | | | |
| Equity with City Treasurer: | | | | | | |
| Equity in Pooled Cash and Cash Equivalents | \$4,081,414 | \$2,326,464 | \$341,985 | \$304,459 | \$6,946,644 | \$697,716 |
| Investments | 0 | 25,000 | 0 | 0 | 119,248 | 0 |
| Cash and Cash Equivalents in Segregated Accounts | 0 | 29,841 | 312 | 0 | 19,918 | 0 |
| Receivables: | | | | | | |
| Taxes | 1,222,951 | 714,112 | 328,674 | 0 | 0 | 0 |
| Accounts | 467,242 | 5,295 | 0 | 0 | 1,072,658 | 0 |
| Special Assessments | 5,347 | 0 | 58,105 | 0 | 46,233 | 0 |
| Interfund Receivable | 165,000 | 0 | 0 | 0 | 0 | 0 |
| Accrued Interest | 0 | 5,700 | 0 | 0 | 711 | 0 |
| Loans | 0 | 233,792 | 0 | 0 | 0 | 0 |
| Intergovernmental | 444,077 | 129,293 | 0 | 164,622 | 359 | 24,440 |
| Due from Other Funds | 0 | 0 | 0 | 0 | 0 | 313,697 |
| Materials and Supplies Inventory | 0 | 34,608 | 0 | 0 | 879,153 | 33,825 |
| Prepaid Items | 23,761 | 19,214 | 0 | 1,012 | 31,038 | 882 |
| Funds on Deposit with Restricted Equity in Pooled Cash and Cash Equivalents | 0 | 0 | 0 | 0 | 223,341 | 0 |
| Fixed Assets (Net, where applicable, of Accumulated Depreciation) | 0 | 0 | 0 | 0 | 31,798,299 | 615,900 |
| Other Debits: | | | | | | |
| Amount to be Provided from General Government Resources | 0 | 0 | 0 | 0 | 0 | 0 |
| Amount to be Provided from Special Assessments | 0 | 0 | 0 | 0 | 0 | 0 |
| Amount Available in Debt Service Fund for Retirement of General Obligation Bonds | 0 | 0 | 0 | 0 | 0 | 0 |
| Amount Available in Debt Service Fund for Retirement of Special Assessment Bonds | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Assets and Other Debits | <u>\$6,409,792</u> | <u>\$3,523,319</u> | <u>\$729,076</u> | <u>\$470,093</u> | <u>\$41,137,602</u> | <u>\$1,686,460</u> |

| Fiduciary Fund Types | Account Groups | | Totals Primary Government (Memorandum Only) | Component Unit | Totals Reporting Entity (Memorandum Only) |
|-------------------------|------------------------|----------------------------|---|-------------------|---|
| | Trust and Agency | General Fixed Assets | | | |
| \$84,238 | \$0 | \$0 | \$14,782,920 | \$36,794 | \$14,819,714 |
| 11,812 | 0 | 0 | 156,060 | 0 | 156,060 |
| 0 | 0 | 0 | 50,071 | 0 | 50,071 |
| 0 | 0 | 0 | 2,265,737 | 0 | 2,265,737 |
| 0 | 0 | 0 | 1,545,195 | 111,632 | 1,656,827 |
| 0 | 0 | 0 | 109,685 | 0 | 109,685 |
| 0 | 0 | 0 | 165,000 | 0 | 165,000 |
| 131 | 0 | 0 | 6,542 | 0 | 6,542 |
| 0 | 0 | 0 | 233,792 | 0 | 233,792 |
| 0 | 0 | 0 | 762,791 | 0 | 762,791 |
| 0 | 0 | 0 | 313,697 | 0 | 313,697 |
| 0 | 0 | 0 | 947,586 | 43,984 | 991,570 |
| 0 | 0 | 0 | 75,907 | 17,480 | 93,387 |
| 0 | 0 | 0 | 223,341 | 0 | 223,341 |
| 0 | 19,612,121 | 0 | 52,026,320 | 659,817 | 52,686,137 |
| 0 | 0 | 4,933,652 | 4,933,652 | 0 | 4,933,652 |
| 0 | 0 | 26,015 | 26,015 | 0 | 26,015 |
| 0 | 0 | 198,312 | 198,312 | 0 | 198,312 |
| 0 | 0 | 143,985 | 143,985 | 0 | 143,985 |
| \$96,181 | \$19,612,121 | \$5,301,964 | \$78,966,608 | \$869,707 | \$79,836,315 |

(continued)

**CITY OF ZANESVILLE
MUSKINGUM COUNTY**

**COMBINED BALANCE SHEET
ALL FUND TYPES, ACCOUNT GROUPS, AND
DISCRETELY PRESENTED COMPONENT UNIT
DECEMBER 31, 1999
(Continued)**

| | Governmental Fund Types | | | | Proprietary | Fund Types |
|--|-------------------------|--------------------|------------------|---------------------|---------------------|---------------------|
| | General | Special Revenue | Debt Service | Capital Projects | Enterprise | Internal Service |
| Liabilities, Fund Equity, and Other Credits: | | | | | | |
| Liabilities: | | | | | | |
| Accounts Payable | \$112,196 | \$95,091 | \$0 | \$7,150 | \$158,152 | \$33,200 |
| Contracts Payable | 172,200 | 39,886 | 0 | 177,803 | 248,902 | 0 |
| Accrued Wages and Benefits Payable | 145,485 | 152,068 | 0 | 0 | 103,168 | 10,522 |
| Compensated Absences Payable | 30,529 | 35,318 | 0 | 0 | 266,801 | 28,137 |
| Retainage Payable | 0 | 4,451 | 0 | 0 | 19,918 | 0 |
| Interfund Payable | 0 | 0 | 0 | 165,000 | 0 | 0 |
| Due to Other Funds | 109,983 | 112,750 | 0 | 0 | 81,005 | 9,959 |
| Intergovernmental Payable | 243,160 | 224,206 | 0 | 0 | 119,908 | 11,817 |
| Deferred Revenue | 846,300 | 172,498 | 386,779 | 0 | 46,233 | 0 |
| Other Liabilities | 0 | 0 | 0 | 0 | 0 | 0 |
| Due to Others | 0 | 0 | 0 | 0 | 0 | 0 |
| Accrued Interest Payable | 0 | 0 | 0 | 0 | 13,667 | 0 |
| Notes Payable | 0 | 0 | 0 | 6,291 | 0 | 0 |
| Claims and Judgments Payable | 0 | 0 | 0 | 0 | 0 | 426,523 |
| Payable from Restricted Assets: | | | | | | |
| Customer Deposits | 0 | 0 | 0 | 0 | 223,341 | 0 |
| Capital Leases Payable | 0 | 0 | 0 | 0 | 0 | 0 |
| OWDA Loans Payable | 0 | 0 | 0 | 0 | 7,288,948 | 0 |
| Special Assessment Debt with Governmental Commitment | 0 | 0 | 0 | 0 | 0 | 0 |
| General Obligation Bonds Payable | 0 | 0 | 0 | 0 | 0 | 0 |
| Revenue Bonds Payable | 0 | 0 | 0 | 0 | 3,135,000 | 0 |
| Total Liabilities | 1,659,853 | 836,268 | 386,779 | 356,244 | 11,705,043 | 520,158 |
| Fund Equity and Other Credits: | | | | | | |
| Investment in General Fixed Assets | 0 | 0 | 0 | 0 | 0 | 0 |
| Contributed Capital | 0 | 0 | 0 | 0 | 12,375,381 | 953,364 |
| Retained Earnings | 0 | 0 | 0 | 0 | 17,057,178 | 212,938 |
| Fund Balance: | | | | | | |
| Reserved for Encumbrances | 525,576 | 181,363 | 0 | 167,548 | 0 | 0 |
| Reserved for Endowment | 0 | 0 | 0 | 0 | 0 | 0 |
| Reserved for Inventory | 0 | 34,608 | 0 | 0 | 0 | 0 |
| Reserved for Loans | 0 | 233,792 | 0 | 0 | 0 | 0 |
| Reserved for Claimants | 10,111 | 0 | 0 | 0 | 0 | 0 |
| Unreserved (Deficit) | 4,214,252 | 2,237,288 | 342,297 | (53,699) | 0 | 0 |
| Total Fund Equity and Other Credits | 4,749,939 | 2,687,051 | 342,297 | 113,849 | 29,432,559 | 1,166,302 |
| Total Liabilities, Fund Equity, and Other Credits | \$6,409,792 | \$3,523,319 | \$729,076 | \$470,093 | \$41,137,602 | \$1,686,460 |

See accompanying notes to the general purpose financial statements.

| Fiduciary Fund Types | Account Groups | | Totals Primary Government (Memorandum Only) | Component Unit | Totals Reporting Entity (Memorandum Only) | |
|-------------------------|----------------------------|----------------------------|---|-------------------------|---|-------------------------------------|
| | Trust and Agency | General Fixed Assets | | | | General Long-Term Obligations |
| | \$0 | \$0 | \$0 | \$405,789 | \$32,847 | \$438,636 |
| | 0 | 0 | 0 | 638,791 | 0 | 638,791 |
| | 0 | 0 | 0 | 411,243 | 44,757 | 456,000 |
| | 0 | 0 | 879,686 | 1,240,471 | 24,446 | 1,264,917 |
| | 0 | 0 | 0 | 24,369 | 0 | 24,369 |
| | 0 | 0 | 0 | 165,000 | 0 | 165,000 |
| | 0 | 0 | 0 | 313,697 | 0 | 313,697 |
| | 0 | 0 | 0 | 599,091 | 0 | 599,091 |
| | 0 | 0 | 0 | 1,451,810 | 143,139 | 1,594,949 |
| | 0 | 0 | 0 | 0 | 2,274 | 2,274 |
| 72,531 | 0 | 0 | 0 | 72,531 | 0 | 72,531 |
| 0 | 0 | 0 | 0 | 13,667 | 0 | 13,667 |
| 0 | 0 | 0 | 0 | 6,291 | 0 | 6,291 |
| 0 | 0 | 0 | 0 | 426,523 | 0 | 426,523 |
| 0 | 0 | 0 | 0 | 223,341 | 0 | 223,341 |
| 0 | 0 | 22,278 | 22,278 | 22,278 | 0 | 22,278 |
| 0 | 0 | 0 | 7,288,948 | 7,288,948 | 0 | 7,288,948 |
| 0 | 0 | 170,000 | 170,000 | 170,000 | 0 | 170,000 |
| 0 | 0 | 4,230,000 | 4,230,000 | 4,230,000 | 0 | 4,230,000 |
| 0 | 0 | 0 | 3,135,000 | 3,135,000 | 0 | 3,135,000 |
| <u>72,531</u> | <u>0</u> | <u>5,301,964</u> | <u>20,838,840</u> | <u>247,463</u> | <u>21,086,303</u> | |
| 0 | 19,612,121 | 0 | 19,612,121 | 0 | 19,612,121 | |
| 0 | 0 | 0 | 13,328,745 | 646,893 | 13,975,638 | |
| 0 | 0 | 0 | 17,270,116 | (24,649) | 17,245,467 | |
| 0 | 0 | 0 | 874,487 | 0 | 874,487 | |
| 22,000 | 0 | 0 | 22,000 | 0 | 22,000 | |
| 0 | 0 | 0 | 34,608 | 0 | 34,608 | |
| 0 | 0 | 0 | 233,792 | 0 | 233,792 | |
| 0 | 0 | 0 | 10,111 | 0 | 10,111 | |
| 1,650 | 0 | 0 | 6,741,788 | 0 | 6,741,788 | |
| <u>23,650</u> | <u>19,612,121</u> | <u>0</u> | <u>58,127,768</u> | <u>622,244</u> | <u>58,750,012</u> | |
| <u>\$96,181</u> | <u>\$19,612,121</u> | <u>\$5,301,964</u> | <u>\$78,966,608</u> | <u>\$869,707</u> | <u>\$79,836,315</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, 1999**

| | Governmental | |
|--|--------------------|--------------------|
| | General | Special Revenue |
| Revenues: | | |
| Taxes | \$111,536 | \$162,200 |
| Municipal Income Taxes | 6,291,002 | 4,371,954 |
| Charges for Services | 406,712 | 92,446 |
| Fines, Licenses, and Permits | 478,247 | 403,587 |
| Intergovernmental | 2,846,088 | 1,263,755 |
| Special Assessments | 0 | 0 |
| Rent | 400 | 85,955 |
| Interest | 656,322 | 36,491 |
| Other | 53,979 | 77,810 |
| | <u>10,844,286</u> | <u>6,494,198</u> |
| Expenditures: | | |
| Current: | | |
| Security of Persons and Property | 3,113,345 | 5,372,158 |
| Public Health Services | 55,730 | 47,517 |
| Leisure Time Activities | 487,756 | 61,180 |
| Community Environment | 206,353 | 1,031,190 |
| Transportation | 0 | 1,000,438 |
| General Government | 4,521,175 | 37,497 |
| Intergovernmental | 431,533 | 0 |
| Capital Outlay | 0 | 0 |
| Debt Service: | | |
| Principal Retirement | 0 | 76,243 |
| Interest and Fiscal Charges | 0 | 39,801 |
| | <u>8,815,892</u> | <u>7,666,024</u> |
| Total Expenditures | | |
| | <u>8,815,892</u> | <u>7,666,024</u> |
| Excess of Revenues Over (Under) Expenditures | <u>2,028,394</u> | <u>(1,171,826)</u> |
| Other Financing Sources (Uses): | | |
| Sale of Fixed Assets | 10,969 | 6,090 |
| Inception of Capital Lease | 0 | 15,693 |
| Operating Transfers In | 35,430 | 1,208,405 |
| Operating Transfers Out | (2,202,167) | (241,142) |
| | <u>(2,155,768)</u> | <u>989,046</u> |
| Total Other Financing Sources (Uses) | | |
| | <u>(2,155,768)</u> | <u>989,046</u> |
| Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses | <u>(127,374)</u> | <u>(182,780)</u> |
| Fund Balances at Beginning of Year (Restated - Note 3) | 4,877,313 | 2,864,656 |
| Increase in Reserve for Inventory | 0 | 5,175 |
| Fund Balances at End of Year | \$4,749,939 | \$2,687,051 |

See accompanying notes to the general purpose financial statements.

| <u>Fund Types</u> | | <u>Fiduciary Fund Type</u> | <u>Totals (Memorandum Only)</u> |
|-------------------------|-----------------------------|--------------------------------|---|
| <u>Debt Service</u> | <u>Capital Projects</u> | <u>Expendable Trust</u> | |
| \$310,884 | \$0 | \$0 | \$584,620 |
| 0 | 0 | 0 | 10,662,956 |
| 0 | 0 | 0 | 499,158 |
| 0 | 43,352 | 0 | 925,186 |
| 38,357 | 527,432 | 0 | 4,675,632 |
| 125,415 | 0 | 0 | 125,415 |
| 0 | 0 | 0 | 86,355 |
| 3 | 0 | 2,500 | 695,316 |
| 0 | 0 | 0 | 131,789 |
| <u>474,659</u> | <u>570,784</u> | <u>2,500</u> | <u>18,386,427</u> |
| 0 | 0 | 0 | 8,485,503 |
| 0 | 0 | 0 | 103,247 |
| 0 | 0 | 2,500 | 551,436 |
| 0 | 0 | 0 | 1,237,543 |
| 0 | 0 | 0 | 1,000,438 |
| 0 | 0 | 0 | 4,558,672 |
| 0 | 0 | 0 | 431,533 |
| 0 | 665,887 | 0 | 665,887 |
| 294,000 | 0 | 0 | 370,243 |
| 303,551 | 0 | 0 | 343,352 |
| <u>597,551</u> | <u>665,887</u> | <u>2,500</u> | <u>17,747,854</u> |
| <u>(122,892)</u> | <u>(95,103)</u> | <u>0</u> | <u>638,573</u> |
| 0 | 0 | 0 | 17,059 |
| 0 | 0 | 0 | 15,693 |
| 152,529 | 3,146 | 0 | 1,399,510 |
| 0 | 0 | 0 | (2,443,309) |
| <u>152,529</u> | <u>3,146</u> | <u>0</u> | <u>(1,011,047)</u> |
| 29,637 | (91,957) | 0 | (372,474) |
| 312,660 | 205,806 | 500 | 8,260,935 |
| 0 | 0 | 0 | 5,175 |
| <u>\$342,297</u> | <u>\$113,849</u> | <u>\$500</u> | <u>\$7,893,636</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, 1999**

| | General Fund | | Variance Favorable (Unfavorable) |
|--|--------------------|--------------------|--|
| | Revised Budget | Actual | |
| Revenues: | | | |
| Taxes | \$431,202 | \$451,646 | \$20,444 |
| Municipal Income Taxes | 5,964,058 | 6,165,857 | 201,799 |
| Charges for Services | 446,600 | 407,699 | (38,901) |
| Fines, Licenses, and Permits | 465,030 | 487,777 | 22,747 |
| Intergovernmental | 2,473,424 | 2,518,008 | 44,584 |
| Special Assessments | 0 | 0 | 0 |
| Rent | 500 | 400 | (100) |
| Interest | 650,000 | 653,202 | 3,202 |
| Other | 59,001 | 53,117 | (5,884) |
| Total Revenues | 10,489,815 | 10,737,706 | 247,891 |
| Expenditures: | | | |
| Current: | | | |
| Security of Persons and Property | 3,326,833 | 3,203,934 | 122,899 |
| Public Health Services | 58,030 | 55,730 | 2,300 |
| Leisure Time Activities | 644,176 | 496,325 | 147,851 |
| Community Environment | 361,487 | 208,022 | 153,465 |
| Transportation | 0 | 0 | 0 |
| General Government | 6,181,507 | 3,705,962 | 2,475,545 |
| Intergovernmental | 508,700 | 431,533 | 77,167 |
| Capital Outlay | 0 | 0 | 0 |
| Debt Service: | | | |
| Principal Retirement | 864,688 | 864,688 | 0 |
| Interest and Fiscal Charges | 0 | 0 | 0 |
| Total Expenditures | 11,945,421 | 8,966,194 | 2,979,227 |
| Excess of Revenues Over (Under) Expenditures | (1,455,606) | 1,771,512 | 3,227,118 |
| Other Financing Sources (Uses): | | | |
| Sale of Fixed Assets | 11,000 | 10,969 | (31) |
| Advances In | 0 | 0 | 0 |
| Advances Out | (165,000) | (165,000) | 0 |
| Operating Transfers In | 32,050 | 35,430 | 3,380 |
| Operating Transfers Out | (2,217,363) | (2,202,167) | 15,196 |
| Total Other Financing Sources (Uses) | (2,339,313) | (2,320,768) | 18,545 |
| Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses | (3,794,919) | (549,256) | 3,245,663 |
| Fund Balances at Beginning of Year | 3,794,922 | 3,794,922 | 0 |
| Prior Year Encumbrances Appropriated | 63,979 | 63,979 | 0 |
| Fund Balances at End of Year | \$63,982 | \$3,309,645 | \$3,245,663 |

| Special Revenue Funds | | | Debt Service Funds | | |
|-----------------------|--------------------|----------------------------------|--------------------|------------------|----------------------------------|
| Revised Budget | Actual | Variance Favorable (Unfavorable) | Revised Budget | Actual | Variance Favorable (Unfavorable) |
| \$155,966 | \$162,200 | \$6,234 | \$298,933 | \$310,884 | \$11,951 |
| 4,284,342 | 4,284,342 | 0 | 0 | 0 | 0 |
| 81,606 | 90,609 | 9,003 | 0 | 0 | 0 |
| 380,173 | 400,647 | 20,474 | 0 | 0 | 0 |
| 1,358,606 | 1,317,919 | (40,687) | 38,357 | 38,357 | 0 |
| 0 | 0 | 0 | 117,513 | 125,415 | 7,902 |
| 87,700 | 85,012 | (2,688) | 0 | 0 | 0 |
| 43,500 | 36,920 | (6,580) | 0 | 0 | 0 |
| 82,707 | 76,438 | (6,269) | 0 | 0 | 0 |
| <u>6,474,600</u> | <u>6,454,087</u> | <u>(20,513)</u> | <u>454,803</u> | <u>474,656</u> | <u>19,853</u> |
| 6,169,988 | 5,159,727 | 1,010,261 | 0 | 0 | 0 |
| 58,396 | 46,613 | 11,783 | 0 | 0 | 0 |
| 82,423 | 59,053 | 23,370 | 0 | 0 | 0 |
| 1,436,335 | 888,460 | 547,875 | 0 | 0 | 0 |
| 1,184,727 | 976,599 | 208,128 | 0 | 0 | 0 |
| 245,463 | 32,197 | 213,266 | 332,357 | 0 | 332,357 |
| 0 | 0 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 |
| 374,131 | 374,131 | 0 | 294,000 | 294,000 | 0 |
| 38,253 | 38,026 | 227 | 303,551 | 303,551 | 0 |
| <u>9,589,716</u> | <u>7,574,806</u> | <u>2,014,910</u> | <u>929,908</u> | <u>597,551</u> | <u>332,357</u> |
| <u>(3,115,116)</u> | <u>(1,120,719)</u> | <u>1,994,397</u> | <u>(475,105)</u> | <u>(122,895)</u> | <u>352,210</u> |
| 4,500 | 6,090 | 1,590 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 |
| 1,223,601 | 1,208,405 | (15,196) | 162,755 | 152,529 | (10,226) |
| (247,988) | (241,142) | 6,846 | 0 | 0 | 0 |
| <u>980,113</u> | <u>973,353</u> | <u>(6,760)</u> | <u>162,755</u> | <u>152,529</u> | <u>(10,226)</u> |
| (2,135,003) | (147,366) | 1,987,637 | (312,350) | 29,634 | 341,984 |
| 2,132,569 | 2,132,569 | 0 | 312,351 | 312,351 | 0 |
| 45,807 | 45,807 | 0 | 0 | 0 | 0 |
| <u>\$43,373</u> | <u>\$2,031,010</u> | <u>\$1,987,637</u> | <u>\$1</u> | <u>\$341,985</u> | <u>\$341,984</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, 1999
(Continued)**

| | Capital Projects Funds | | |
|--|------------------------|------------------|--|
| | Revised Budget | Actual | Variance Favorable (Unfavorable) |
| Revenues: | | | |
| Taxes | \$3,000 | \$0 | (\$3,000) |
| Municipal Income Taxes | 0 | 0 | 0 |
| Charges for Services | 0 | 0 | 0 |
| Fines, Licenses, and Permits | 38,000 | 45,039 | 7,039 |
| Intergovernmental | 376,620 | 371,349 | (5,271) |
| Special Assessments | 0 | 0 | 0 |
| Rent | 0 | 0 | 0 |
| Interest | 0 | 0 | 0 |
| Other | 0 | 0 | 0 |
| Total Revenues | 417,620 | 416,388 | (1,232) |
| Expenditures: | | | |
| Current: | | | |
| Security of Persons and Property | 0 | 0 | 0 |
| Public Health Services | 0 | 0 | 0 |
| Leisure Time Activities | 0 | 0 | 0 |
| Community Environment | 0 | 0 | 0 |
| Transportation | 137,127 | 136,672 | 455 |
| General Government | 5,000 | 696 | 4,304 |
| Intergovernmental | 0 | 0 | 0 |
| Capital Outlay | 535,405 | 457,218 | 78,187 |
| Debt Service: | | | |
| Principal Retirement | 0 | 0 | 0 |
| Interest and Fiscal Charges | 0 | 0 | 0 |
| Total Expenditures | 677,532 | 594,586 | 82,946 |
| Excess of Revenues Over (Under) Expenditures | (259,912) | (178,198) | 81,714 |
| Other Financing Sources (Uses): | | | |
| Sale of Fixed Assets | 0 | 0 | 0 |
| Advances In | 165,000 | 165,000 | 0 |
| Advances Out | 0 | 0 | 0 |
| Operating Transfers In | 3,146 | 3,146 | 0 |
| Operating Transfers Out | 0 | 0 | 0 |
| Total Other Financing Sources (Uses) | 168,146 | 168,146 | 0 |
| Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses | (91,766) | (10,052) | 81,714 |
| Fund Balances at Beginning of Year | 91,769 | 91,769 | 0 |
| Prior Year Encumbrances Appropriated | 47,973 | 47,973 | 0 |
| Fund Balances at End of Year | \$47,976 | \$129,690 | \$81,714 |

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 | \$889,101 | \$924,730 | \$35,629 |
| 0 | 0 | 0 | 10,248,400 | 10,450,199 | 201,799 |
| 0 | 0 | 0 | 528,206 | 498,308 | (29,898) |
| 0 | 0 | 0 | 883,203 | 933,463 | 50,260 |
| 0 | 0 | 0 | 4,247,007 | 4,245,633 | (1,374) |
| 0 | 0 | 0 | 117,513 | 125,415 | 7,902 |
| 0 | 0 | 0 | 88,200 | 85,412 | (2,788) |
| 2,000 | 2,500 | 500 | 695,500 | 692,622 | (2,878) |
| 0 | 0 | 0 | 141,708 | 129,555 | (12,153) |
| <u>2,000</u> | <u>2,500</u> | <u>500</u> | <u>17,838,838</u> | <u>18,085,337</u> | <u>246,499</u> |
| 0 | 0 | 0 | 9,496,821 | 8,363,661 | 1,133,160 |
| 0 | 0 | 0 | 116,426 | 102,343 | 14,083 |
| 2,500 | 2,500 | 0 | 729,099 | 557,878 | 171,221 |
| 0 | 0 | 0 | 1,797,822 | 1,096,482 | 701,340 |
| 0 | 0 | 0 | 1,321,854 | 1,113,271 | 208,583 |
| 0 | 0 | 0 | 6,764,327 | 3,738,855 | 3,025,472 |
| 0 | 0 | 0 | 508,700 | 431,533 | 77,167 |
| 0 | 0 | 0 | 535,405 | 457,218 | 78,187 |
| 0 | 0 | 0 | 1,532,819 | 1,532,819 | 0 |
| 0 | 0 | 0 | 341,804 | 341,577 | 227 |
| <u>2,500</u> | <u>2,500</u> | <u>0</u> | <u>23,145,077</u> | <u>17,735,637</u> | <u>5,409,440</u> |
| <u>(500)</u> | <u>0</u> | <u>500</u> | <u>(5,306,239)</u> | <u>349,700</u> | <u>5,655,939</u> |
| 0 | 0 | 0 | 15,500 | 17,059 | 1,559 |
| 0 | 0 | 0 | 165,000 | 165,000 | 0 |
| 0 | 0 | 0 | (165,000) | (165,000) | 0 |
| 0 | 0 | 0 | 1,421,552 | 1,399,510 | (22,042) |
| 0 | 0 | 0 | (2,465,351) | (2,443,309) | 22,042 |
| <u>0</u> | <u>0</u> | <u>0</u> | <u>(1,028,299)</u> | <u>(1,026,740)</u> | <u>1,559</u> |
| (500) | 0 | 500 | (6,334,538) | (677,040) | 5,657,498 |
| 500 | 500 | 0 | 6,332,111 | 6,332,111 | 0 |
| 0 | 0 | 0 | 157,759 | 157,759 | 0 |
| <u>\$0</u> | <u>\$500</u> | <u>\$500</u> | <u>\$155,332</u> | <u>\$5,812,830</u> | <u>\$5,657,498</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, 1999**

| | Proprietary Fund Types | |
|--|------------------------|--------------------|
| | Enterprise | Internal Service |
| Revenues: | | |
| Charges for Services | \$8,855,962 | \$2,316,547 |
| Tap-In Fees | 34,585 | 0 |
| Contributions from Local Governments | 0 | 0 |
| Operating Grants | 0 | 0 |
| Interest | 0 | 0 |
| Rental | 9,342 | 0 |
| Other | 34,219 | 0 |
| Total Revenues | 8,934,108 | 2,316,547 |
| Expenses: | | |
| Salaries and Wages | 2,366,611 | 234,223 |
| Fringe Benefits | 903,408 | 155,708 |
| Contractual Services | 1,976,193 | 135,519 |
| Materials and Supplies | 1,838,006 | 328,283 |
| Claims and Judgments | 0 | 1,843,044 |
| Administrative | 0 | 0 |
| Vehicle Maintenance | 0 | 0 |
| Building Maintenance | 0 | 0 |
| Depreciation | 1,383,468 | 24,365 |
| Other | 0 | 0 |
| Total Expenses | 8,467,686 | 2,721,142 |
| Operating Income (Loss) | 466,422 | (404,595) |
| Non-Operating Revenues (Expenses): | | |
| Interest | 53,089 | 0 |
| Gain on Disposal of Fixed Assets | 11,987 | 352 |
| Interest and Fiscal Charges | (794,721) | 0 |
| Total Non-Operating Revenues (Expenses) | (729,645) | 352 |
| Income (Loss) Before Operating Transfers | (263,223) | (404,243) |
| Operating Transfers In | 876,748 | 167,051 |
| Net Income (Loss) | 613,525 | (237,192) |
| Retained Earnings/Fund Balance (Deficit) at Beginning of Year (Restated) | 16,443,653 | 450,130 |
| Depreciation on Fixed Assets Acquired by Contributed Capital | 0 | 0 |
| Retained Earnings/Fund Balance (Deficit) at End of Year | 17,057,178 | 212,938 |
| Contributed Capital at Beginning of Year | 12,375,381 | 953,364 |
| Contributed Capital at End of Year | 12,375,381 | 953,364 |
| Total Fund Equity/Fund Balance at End of Year | \$29,432,559 | \$1,166,302 |

See accompanying notes to the general purpose financial statements.

| Fiduciary Fund Type | Totals Government (Memorandum Only) | Component Unit | Totals Reporting Entity (Memorandum Only) |
|------------------------|--|-------------------------|--|
| | \$0 | \$529,371 | \$11,701,880 |
| | 0 | 0 | 34,585 |
| | 0 | 328,688 | 328,688 |
| | 0 | 615,371 | 615,371 |
| 519 | 519 | 1,481 | 2,000 |
| 0 | 9,342 | 0 | 9,342 |
| 0 | 34,219 | 17,182 | 51,401 |
| <u>519</u> | <u>11,251,174</u> | <u>1,492,093</u> | <u>12,743,267</u> |
| 0 | 2,600,834 | 702,854 | 3,303,688 |
| 0 | 1,059,116 | 227,170 | 1,286,286 |
| 0 | 2,111,712 | 225,762 | 2,337,474 |
| 0 | 2,166,289 | 196,935 | 2,363,224 |
| 0 | 1,843,044 | 0 | 1,843,044 |
| 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 |
| 0 | 0 | 25,244 | 25,244 |
| 0 | 1,407,833 | 190,397 | 1,598,230 |
| 0 | 0 | 82,978 | 82,978 |
| <u>0</u> | <u>11,188,828</u> | <u>1,651,340</u> | <u>12,840,168</u> |
| <u>519</u> | <u>62,346</u> | <u>(159,247)</u> | <u>(96,901)</u> |
| 0 | 53,089 | 0 | 53,089 |
| 0 | 12,339 | 0 | 12,339 |
| 0 | (794,721) | 0 | (794,721) |
| <u>0</u> | <u>(729,293)</u> | <u>0</u> | <u>(729,293)</u> |
| 519 | (666,947) | (159,247) | (826,194) |
| 0 | 1,043,799 | 0 | 1,043,799 |
| 519 | 376,852 | (159,247) | 217,605 |
| <u>22,631</u> | <u>16,916,414</u> | <u>(55,799)</u> | <u>16,860,615</u> |
| <u>0</u> | <u>0</u> | <u>190,397</u> | <u>190,397</u> |
| 23,150 | 17,293,266 | (24,649) | 17,268,617 |
| 0 | 13,328,745 | 681,498 | 14,010,243 |
| 0 | 13,328,745 | 646,893 | 13,975,638 |
| <u>\$23,150</u> | <u>\$30,622,011</u> | <u>\$622,244</u> | <u>\$31,244,255</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, 1999**

| | Proprietary Fund Types | |
|--|---------------------------|-------------------------|
| | Enterprise | Internal Service |
| Increase (Decrease) in Cash and Cash Equivalents: | | |
| Cash Flows from Operating Activities: | | |
| Cash Received from Customers | \$8,755,076 | \$0 |
| Cash Received from Quasi External Transactions | 0 | 2,359,081 |
| Cash Payments for Employee Services and Benefits | (3,266,883) | (380,784) |
| Cash Payments to Suppliers for Goods and Services | (3,808,622) | (465,904) |
| Cash Payments for Claims | 0 | (1,697,835) |
| Cash Payments for Operating and Administrative Expenses | 0 | 0 |
| Other Operating Revenues | 21,157 | 0 |
| Other Non-Operating Revenues | 0 | 0 |
| Customer Deposits Received | 108,973 | 0 |
| Customer Deposits Returned | (91,433) | 0 |
| Net Cash Provided by (Used In) Operating Activities | <u>1,718,268</u> | <u>(185,442)</u> |
| Cash Flows from Noncapital Financing Activities: | | |
| Operating Transfers In | 876,748 | 167,051 |
| Cash Flows from Capital and Related Financing Activities: | | |
| Acquisition of Capital Assets | (933,318) | (47,372) |
| Principal Paid on Debt | (639,283) | 0 |
| Interest Paid on Debt | (795,531) | 0 |
| Grants | 0 | 0 |
| Proceeds from Sale of Capital Assets | 12,658 | 352 |
| Net Cash Used for Capital and Related Financing Activities | <u>(2,355,474)</u> | <u>(47,020)</u> |
| Cash Flows from Investing Activities: | | |
| Interest on Investments | 53,258 | 0 |
| Sale of Investments | 24,008 | 0 |
| Net Cash Provided by Investing Activities | <u>77,266</u> | <u>0</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | 316,808 | (65,411) |
| Cash and Cash Equivalents Beginning of Year | <u>6,873,095</u> | <u>763,127</u> |
| Cash and Cash Equivalents End of Year | <u>\$7,189,903</u> | <u>\$697,716</u> |

| Fiduciary Fund Type Non- Expendable Trusts | Totals Primary Government (Memorandum Only) | Component Unit | Totals Reporting Entity (Memorandum Only) |
|--|---|------------------------|---|
| \$0 | \$8,755,076 | \$414,900 | \$9,169,976 |
| 0 | 2,359,081 | 0 | 2,359,081 |
| 0 | (3,647,667) | 0 | (3,647,667) |
| 0 | (4,274,526) | 0 | (4,274,526) |
| 0 | (1,697,835) | 0 | (1,697,835) |
| 0 | 0 | (1,474,167) | (1,474,167) |
| 0 | 21,157 | 0 | 21,157 |
| 0 | 0 | 1,001,302 | 1,001,302 |
| 0 | 108,973 | 0 | 108,973 |
| 0 | (91,433) | 0 | (91,433) |
| <u>0</u> | <u>1,532,826</u> | <u>(57,965)</u> | <u>1,474,861</u> |
| 0 | 1,043,799 | 0 | 1,043,799 |
| 0 | (980,690) | (105,533) | (1,086,223) |
| 0 | (639,283) | 0 | (639,283) |
| 0 | (795,531) | 0 | (795,531) |
| 0 | 0 | 155,792 | 155,792 |
| 0 | 13,010 | 0 | 13,010 |
| <u>0</u> | <u>(2,402,494)</u> | <u>50,259</u> | <u>(2,352,235)</u> |
| 546 | 53,804 | 0 | 53,804 |
| <u>0</u> | <u>24,008</u> | <u>0</u> | <u>24,008</u> |
| <u>546</u> | <u>77,812</u> | <u>0</u> | <u>77,812</u> |
| 546 | 251,943 | (7,706) | 244,237 |
| <u>10,661</u> | <u>7,646,883</u> | <u>44,500</u> | <u>7,691,383</u> |
| <u>\$11,207</u> | <u>\$7,898,826</u> | <u>\$36,794</u> | <u>\$7,935,620</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, 1999
(Continued)**

| | Proprietary Fund Types | |
|--|------------------------|---------------------|
| | Enterprise | Internal Service |
| Reconciliation of Operating Income (Loss) to Net Cash Provided by Provided by (Used in) Operating Activities: | | |
| Operating Income (Loss) | \$466,422 | (\$404,595) |
| Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities: | | |
| Interest Income | 0 | 0 |
| Depreciation Expense | 1,383,468 | 24,365 |
| Changes in Assets and Liabilities: | | |
| (Increase) Decrease in Accounts Receivable | (157,800) | 0 |
| Increase in Intergovernmental Receivable | (75) | (23,942) |
| (Increase) Decrease in Inventory | 13,104 | (9,674) |
| (Increase) Decrease in Prepays | (2,985) | (94) |
| Decrease in Due from Other Funds | 0 | 66,477 |
| Increase (Decrease) in Accounts Payable | (3,157) | 7,560 |
| Increase in Deferred Revenue | 0 | 0 |
| Increase in Accrued Salaries | 7,607 | 2,024 |
| Decrease in Other Accrued Liabilities | 0 | 0 |
| (Decrease) in Other Liabilities | 0 | 0 |
| Decrease in Retainage Payable | (5,445) | 0 |
| Increase (Decrease) in Compensated Absences | 7,997 | 4,039 |
| Increase in Customer Deposits | 17,539 | 0 |
| Decrease in Claims Payable | 0 | 145,209 |
| Decrease in Due to Other Funds | 14,934 | 4,917 |
| Increase (Decrease) in Intergovernmental Payables | (23,341) | (1,728) |
| Net Cash Provided by (Used in) Operating Activities | \$1,718,268 | (\$185,442) |
| Combined Balance Sheet, Cash and Cash Equivalents All Trust and Agency Funds: | | \$84,238 |
| Agency Fund Cash and Cash Equivalents: | | (72,531) |
| Expendable Trust Fund Cash and Cash Equivalents: | | (500) |
| Non-Expendable Trust Funds Cash and Cash Equivalents: | | \$11,207 |

See accompanying notes to the general purpose financial statements.

| Fiduciary Fund Type | Totals Primary Government (Memorandum Only) | Component Unit | Totals Reporting Entity (Memorandum Only) |
|------------------------------|---|-------------------|---|
| Non- Expendable Trusts | | | |
| \$519 | \$62,346 | (\$159,247) | (\$96,901) |
| (519) | (519) | 0 | (519) |
| 0 | 1,407,833 | 190,397 | 1,598,230 |
| 0 | (157,800) | (81,161) | (238,961) |
| 0 | (24,017) | 0 | (24,017) |
| 0 | 3,430 | (4,649) | (1,219) |
| 0 | (3,079) | (9,333) | (12,412) |
| 0 | 66,477 | 0 | 66,477 |
| 0 | 4,403 | (572) | 3,831 |
| 0 | 0 | 5,270 | 5,270 |
| 0 | 9,631 | 0 | 9,631 |
| 0 | 0 | 5,854 | 5,854 |
| 0 | 0 | (4,524) | (4,524) |
| 0 | (5,445) | 0 | (5,445) |
| 0 | 12,036 | 0 | 12,036 |
| 0 | 17,539 | 0 | 17,539 |
| 0 | 145,209 | 0 | 145,209 |
| 0 | 19,851 | 0 | 19,851 |
| 0 | (25,069) | 0 | (25,069) |
| \$0 | \$1,532,826 | (\$57,965) | \$1,474,861 |

**CITY OF ZANESVILLE
MUSKINGUM COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
FUND EQUITY - BUDGET AND ACTUAL (BUDGET BASIS)
ALL PROPRIETARY FUND TYPES AND NON-EXPENDABLE TRUST FUNDS
FOR THE YEAR ENDED DECEMBER 31, 1999**

| | Enterprise Funds | | |
|---|-------------------|--------------------|--|
| | Revised Budget | Actual | Variance Favorable (Unfavorable) |
| Revenues: | | | |
| Charges for Services | \$8,605,466 | \$8,707,319 | \$101,853 |
| Tap-In Fees | 34,585 | 34,585 | 0 |
| Security Deposits | 107,900 | 108,973 | 1,073 |
| Interest Income | 60,566 | 53,072 | (7,494) |
| Rental Income | 14,496 | 9,267 | (5,229) |
| Other Operating Revenues | 10,246 | 21,157 | 10,911 |
| Sales of Fixed Assets | 0 | 12,658 | 12,658 |
| Total Revenues | 8,833,259 | 8,947,031 | 113,772 |
| Expenses: | | | |
| Current: | | | |
| Salaries and Wages | 2,532,880 | 2,351,007 | 181,873 |
| Fringe Benefits | 1,166,534 | 931,321 | 235,213 |
| Contractual Services | 3,439,426 | 2,222,614 | 1,216,812 |
| Materials and Supplies | 2,366,569 | 1,883,689 | 482,880 |
| Claims Expense | 0 | 0 | 0 |
| Security Deposits | 102,213 | 97,675 | 4,538 |
| Other Non-operating Expenses | 495,084 | 0 | 495,084 |
| Capital Outlay | 3,540,855 | 886,455 | 2,654,400 |
| Debt Service: | | | |
| Principal Retirement | 639,285 | 639,283 | 2 |
| Interest and Fiscal Charges | 795,533 | 795,531 | 2 |
| Total Expenses | 15,078,379 | 9,807,575 | 5,270,804 |
| Excess of Revenues Over (Under) Expenses | (6,245,120) | (860,544) | 5,384,576 |
| Operating Transfers In | 876,748 | 876,748 | 0 |
| Excess of Revenues Over (Under) Expenses and Operating Transfers | (5,368,372) | 16,204 | 5,384,576 |
| Fund Equity at Beginning of Year | 5,368,382 | 5,368,382 | 0 |
| Prior Year Encumbrances Appropriated | 286,586 | 286,586 | 0 |
| Fund Equity at End of Year | \$286,596 | \$5,671,172 | \$5,384,576 |

**CITY OF ZANESVILLE
MUSKINGUM COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999**

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 350 people. The Mayor, Council, Auditor, Treasurer, and Law Director are elected officials. Department directors and public members of various boards and commissions are appointed by the Mayor.

A. Reporting Entity

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

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

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

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

**CITY OF ZANESVILLE
MUSKINGUM COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999**

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

The Muskingum Authority of Public Transit is a legally separate entity, organized under the laws of the State of Ohio, which is governed by a nine member board of directors. The board consists of six members appointed by the City, two members appointed by Muskingum County, and one member appointed by the Village of South Zanesville. The Authority provides bus service within the City of Zanesville, the Village of South Zanesville, and portions of Muskingum County. The Authority derives its revenues from bus fares, Federal Transit Authority grants administered by the State of Ohio, local matching funds, and other miscellaneous revenue sources. The City currently provides approximately 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 Muskingum Authority of Public Transit, Zanesville, Ohio.

The following have been excluded from the financial reporting entity:

Muskingum County Public Library

Zanesville City School District

Muskingum Community Action Group, Inc.

Muskingum College

Muskingum Area Technical College

Zanesville/Muskingum Convention and Visitors Bureau

Zanesville City Chamber of Commerce

East Muskingum Water Authority

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

**CITY OF ZANESVILLE
MUSKINGUM COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999**

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

Ohio Mid-Eastern Governments Association (OMEGA)

Zanesville/Muskingum County Port Authority

Zanesville/Muskingum Conventions Facility Authority

Zanesville Metropolitan Housing Authority

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

B. Basis of Presentation - Fund Accounting

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

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:

**CITY OF ZANESVILLE
MUSKINGUM COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999**

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

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:

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.

**CITY OF ZANESVILLE
MUSKINGUM COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999**

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

The City's fiduciary funds include the following:

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

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

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

Account Groups:

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

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

**CITY OF ZANESVILLE
MUSKINGUM COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999**

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

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

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

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: investment earnings, state-levied locally shared taxes (including gasoline tax), fines and forfeitures and income tax (the employer withheld amounts measurable at December 31, 1999).

The City reports deferred revenues on its Combined Balance Sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the Combined Balance Sheet and revenue is recognized. Special assessments and current and delinquent property taxes measurable as of December 31, 1999, whose availability is indeterminate and which are not intended to finance current period obligations, have been recorded as a receivable and deferred revenue.

**CITY OF ZANESVILLE
MUSKINGUM COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

B. Budgetary Process

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

**CITY OF ZANESVILLE
MUSKINGUM COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999**

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 1999.

Appropriations:

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

**CITY OF ZANESVILLE
MUSKINGUM COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Encumbrances:

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

as reservations of fund balances for subsequent-year expenditures for governmental and expendable trust funds and are reported in the notes to the financial statements for proprietary funds.

Lapsing of Appropriations:

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

Budgetary Basis of Accounting:

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

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

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures/expenses are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).

**CITY OF ZANESVILLE
MUSKINGUM COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

C. Cash and Cash Equivalents

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

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

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

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

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

**CITY OF ZANESVILLE
MUSKINGUM COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The City invested funds in the State Asset Reserve of Ohio (STAROhio) and U.S. Treasury Notes during 1999. 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, 1999.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest income received directly by the Muskingum Authority of Public Transit during 1999 was \$1,481. Interest revenue credited to the general fund during fiscal year 1999 amounted to \$656,322, which includes \$413,802 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, 1999, 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, 1999**

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.

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:

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

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.

**CITY OF ZANESVILLE
MUSKINGUM COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Short-term Receivables and Payables

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

I. Compensated Absences

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

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

**CITY OF ZANESVILLE
MUSKINGUM COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Because the City had not prepared financial statements in accordance with generally accepted accounting principles prior to 1993, the exact amount of contributed capital pertaining to prior years cannot be determined. Consequently, only those amounts that have been able to be identified have been classified as contributed capital in the accompanying Combined Financial Statements. All other fund equity amounts pertaining to the proprietary funds have been classified as retained earnings. During the fiscal year 1999 there was no change in Contributed Capital.

2. Component Unit

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

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.

**CITY OF ZANESVILLE
MUSKINGUM COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Fund Equity

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

M. Interfund Transactions

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

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

N. Long-Term Obligations

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

**CITY OF ZANESVILLE
MUSKINGUM COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

For the year ended December 31, 1999, certain adjustments have resulted in fund equity/retained earnings restatements. The resultant effect on the excess of revenues and other financing sources over (under) expenditures and other uses/net income and on fund balance/retained earnings is as follows:

| | Special Revenue | Enterprise | | Special Revenue | Enterprise |
|--|--------------------|------------------|--|--------------------|---------------------|
| Excess/ Net Income as previously reported | (\$39,286) | \$481,039 | Fund Balance/ Retained Earnings as previously reported | \$2,863,926 | \$16,418,811 |
| Restatement | <u>730</u> | <u>24,842</u> | Restatement | <u>730</u> | <u>24,842</u> |
| Restated Excess/ Net Income at December 31, 1998 | <u>(\$38,556)</u> | <u>\$505,881</u> | Restated Fund Balance/Retained Earnings at December 31, 1998 | <u>\$2,864,656</u> | <u>\$16,443,656</u> |

The restatement resulted from more accurate accounts receivable information.

**CITY OF ZANESVILLE
MUSKINGUM COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999**

NOTE 4 - CONVERSION OF OPERATIONS FROM BUDGET TO GAAP BASIS

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

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

| | <u>General</u> | <u>Special Revenue</u> | <u>Debt Service</u> | <u>Capital Projects</u> | <u>Expendable Trust</u> |
|--|------------------|----------------------------|-------------------------|-----------------------------|-----------------------------|
| GAAP Basis | (127,374) | (\$182,780) | \$29,637 | (\$91,957) | \$0 |
| Net Adjustment for Revenue | (106,580) | (156,558) | (3) | (154,396) | 0 |
| Net Adjustment for Expenditure Accruals | 1,338,386 | 771,804 | 0 | 243,812 | 0 |
| Advances In | 0 | 0 | 0 | 165,000 | 0 |
| Debt Principal | (864,688) | (297,888) | 0 | 0 | 0 |
| Interest and Fiscal Charges | 0 | 1,775 | 0 | 0 | 0 |
| Inception of Capital Lease | 0 | (15,693) | 0 | 0 | 0 |
| Advances Out | (165,000) | 0 | 0 | 0 | 0 |
| Encumbrances | <u>(624,000)</u> | <u>(268,026)</u> | <u>0</u> | <u>(172,511)</u> | <u>0</u> |
| Budget Basis | <u>(549,256)</u> | <u>(\$147,366)</u> | <u>\$29,634</u> | <u>(\$10,052)</u> | <u>\$0</u> |

**CITY OF ZANESVILLE
MUSKINGUM COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999**

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

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

| | <u>Enterprise</u> | <u>Internal Service</u> | <u>Non-Expendable Trust</u> |
|--|--------------------|-------------------------|---------------------------------|
| GAAP Basis | \$613,525 | (\$237,192) | \$519 |
| Net Adjustment for Revenue Accruals | (161,797) | 42,534 | 27 |
| Sale of Fixed Assets | 671 | 0 | 0 |
| Utility Deposits | 11,298 | 0 | 0 |
| Depreciation | 1,383,468 | 24,365 | 0 |
| Net Adjustment for Expense Accruals | 1,277,503 | 238,813 | 0 |
| Debt Principal Retirement | (639,283) | 0 | 0 |
| Interest Expense | (810) | 0 | 0 |
| Capital Outlay | (886,455) | (31,904) | 0 |
| Encumbrances | <u>(1,581,916)</u> | <u>(92,246)</u> | <u>0</u> |
| Budget Basis | <u>\$16,204</u> | <u>(\$55,630)</u> | <u>\$546</u> |

NOTE 5 - ACCOUNTABILITY AND COMPLIANCE

A. 1. Primary Government

Fund Deficits

The following funds had deficit retained earnings at December 31, 1999:

| | |
|---|-----------|
| Capital Projects Fund: | |
| State & Federal Infrastructure | (19,919) |
| Enterprise Fund: | |
| Airport Fund | (976,374) |
| Internal Service Fund: | |
| Vehicle and Equipment Maintenance Fund | (293,558) |

**CITY OF ZANESVILLE
MUSKINGUM COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999**

NOTE 5 - ACCOUNTABILITY AND COMPLIANCE (Continued)

The deficit in the capital project fund is due to the recognition of an interfund payable. 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.

2. Component Unit

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

B. Statutory Compliance

Contrary to Ohio Revised Code section 5705.41, the Fire Pension Fund, a Special Revenue Fund, had expenditures plus encumbrances in excess of appropriations of \$3,380 as a result a transfer out.

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, 1999**

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;

**CITY OF ZANESVILLE
MUSKINGUM COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999**

NOTE 6 - DEPOSITS AND INVESTMENTS (Continued)

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

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

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

Deposits At year-end, the carrying amount of the City's deposits was \$356,332 and the bank balance was \$495,637. Of the bank balance:

1. \$116,468 was covered by federal depository insurance;
2. \$379,169 was uninsured and uncollateralized. Although the securities were held by the pledging financial institutions' trust department in the City's name and all State statutory requirements for the investment of money had been followed, noncompliance with federal requirement 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.

**CITY OF ZANESVILLE
MUSKINGUM COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999**

NOTE 6 - DEPOSITS AND INVESTMENTS (Continued)

| | <u>Category</u> | | | Carrying | Market |
|------------------------------|-----------------|----------|-------------|---------------------|---------------------|
| | <u>1</u> | <u>2</u> | <u>3</u> | <u>Value</u> | <u>Value</u> |
| Bonds | \$80,000 | | | \$80,000 | \$80,000 |
| United States Treasury Notes | 49,060 | | | 49,060 | 49,060 |
| Repurchase Agreement | | | \$9,702,000 | 9,702,000 | 9,702,000 |
| Star Ohio | | | | <u>5,025,000</u> | <u>5,025,000</u> |
| Total Investments | | | | <u>\$14,856,060</u> | <u>\$14,856,060</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</u> <u>Equivalents/Deposits</u> | <u>Investments</u> |
|-------------------------|---|---------------------|
| GASB Statement 9 | \$15,056,332 | \$156,060 |
| Investments: | | |
| Certificates of Deposit | 27,000 | (27,000) |
| Repurchase Agreements | (9,702,000) | 9,702,000 |
| Star Ohio | <u>(5,025,000)</u> | <u>5,025,000</u> |
| GASB Statement 3 | <u>\$356,332</u> | <u>\$14,856,060</u> |

B. Component Unit

The component unit is subject to the same legal requirements for the classification of cash as discussed in part A of this note. At year-end, the carrying amount of the component unit's deposits was \$36,794 and the bank balance was \$82,395. The entire bank balance was covered by federal depository insurance.

**CITY OF ZANESVILLE
MUSKINGUM COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999**

NOTE 7 - PROPERTY TAXES

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

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the year preceding the tax collection year, the lien date. Certain public utility tangible personal property currently is assessed at 88 percent of its true value. Public utility taxes are payable on the same dates as real property taxes described previously. The assessed value upon which the 1999 taxes were collected was \$305,515,859. Real estate represented 73.4 percent (\$224,278,460) of this total and general tangible personal property represented 26.6 percent (\$81,237,399). The full tax rate for all City operations applied to taxable property for the year ended December 31, 1999, was \$3.40 per \$1,000 of assessed valuation.

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

Accrued property taxes receivable represents delinquent taxes outstanding and real property, public utility, and tangible personal property taxes which became measurable as of December 31, 1999. Total property tax collections for the next fiscal year are measurable. However, since these tax collections will not be received during the available period nor are they intended to finance 1999 operations, the receivable is offset by a credit to deferred revenue.

NOTE 8 - RECEIVABLES

A. Primary Government

Receivables at December 31, 1999, 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.

**CITY OF ZANESVILLE
MUSKINGUM COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999**

NOTE 8 - RECEIVABLES (Continued)

The special revenue funds reflect loans receivable of \$233,792. 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 and for monies loaned to low and moderate income households for home rehabilitation. Loans receivable is reported net of an allowance for bad debts of \$45,795. The loans bear interest at annual rates between four and twelve percent.

A summary of the principal items of intergovernmental receivables follows:

| Intergovernmental Receivables | <u>Amount</u> |
|-------------------------------------|-------------------------|
| General Fund: | |
| Local Government Tax | \$114,929 |
| Estate Tax | 279,614 |
| Operating Grants | 46,613 |
| Miscellaneous | <u>2,921</u> |
| Total General Fund | <u>444,077</u> |
| Special Revenue Funds: | |
| Motor Vehicle License Tax | 47,254 |
| Operating Grants | 34,543 |
| Gasoline Tax | 14,570 |
| Miscellaneous | 4,218 |
| State Highway Tax | <u>28,708</u> |
| Total Special Revenue Funds | <u>129,293</u> |
| Capital Projects Funds: | |
| Motor Vehicle License | 8,165 |
| Capital Grants | <u>156,457</u> |
| Total Capital Projects Funds | <u>164,622</u> |
| Enterprise Funds: | |
| Miscellaneous | <u>359</u> |
| Total Enterprise Funds | <u>359</u> |
| Internal Service Funds: | |
| Intergovernmental | <u>24,440</u> |
| Total Internal Service Funds | <u>24,440</u> |
| <u>Total All Funds</u> | <u>\$762,791</u> |

**CITY OF ZANESVILLE
MUSKINGUM COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999**

NOTE 8 - RECEIVABLES (Continued)

B. Component Unit

Accounts receivable at December 31, 1999 consisted of the following amounts:

| | |
|-------------------------------|------------------|
| Operating Accounts Receivable | \$89,245 |
| Capital Grant Receivable | <u>22,387</u> |
| Total | <u>\$111,632</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 1999 was \$10,662,956.

NOTE 10 - FIXED ASSETS AND DEPRECIATION

A summary of the proprietary funds' property, plant, and equipment at December 31, 1999 follows:

| | <u>Enterprise</u> | <u>Internal Service</u> | <u>Component Unit</u> |
|--|---------------------|-------------------------|---------------------------|
| Land | \$761,106 | \$397,639 | \$35,000 |
| Buildings and Building Improvements | 4,316,479 | 376,437 | 690,275 |
| Improvements other than Buildings | 48,001,025 | 0 | 0 |
| Machinery, Equipment, Furniture and Fixtures | 1,828,610 | 199,907 | 198,878 |
| Vehicles | <u>1,549,911</u> | <u>59,466</u> | <u>803,292</u> |
| Total | 56,457,131 | 1,033,449 | 1,727,445 |
| Less: Accumulated Depreciation | <u>(24,658,832)</u> | <u>(417,549)</u> | <u>(1,067,628)</u> |
| Net Fixed Assets | <u>\$31,798,299</u> | <u>\$615,900</u> | <u>\$659,817</u> |

**CITY OF ZANESVILLE
MUSKINGUM COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999**

NOTE 10 - FIXED ASSETS AND DEPRECIATION (Continued)

A summary of changes in general fixed assets follows:

| | <u>Balance</u> <u>January 1,</u> <u>1999</u> | <u>Additions</u> | <u>Deductions</u> | <u>Balance</u> <u>December 31,</u> <u>1999</u> |
|--|--|------------------|-------------------|--|
| Land | \$4,646,921 | \$0 | \$0 | \$4,646,921 |
| Buildings and Building Improvements | 8,740,702 | 77,530 | 0 | 8,818,232 |
| Improvements other than Buildings | 830,651 | 0 | 0 | 830,651 |
| Machinery, Equipment, Furniture, and Fixtures | 2,731,173 | 178,117 | 11,733 | 2,897,557 |
| Vehicles | <u>2,133,293</u> | <u>392,575</u> | <u>107,108</u> | <u>2,418,760</u> |
| Total | <u>\$19,082,740</u> | <u>\$648,222</u> | <u>\$118,841</u> | <u>\$19,612,121</u> |

NOTE 11 - RISK MANAGEMENT

A. Primary Government

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

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

**CITY OF ZANESVILLE
MUSKINGUM COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999**

NOTE 11 - RISK MANAGEMENT (Continued)

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

Boiler and machinery insurance is contracted with Hartford Steam Boiler Inspection & Insurance Company with a \$90,000,000 equipment breakdown limit with deductibles as follows: direct coverages, \$2,500; indirect coverages, 24 hours.

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

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

National Union Fire Insurance Co. provides General liability, personal and advertising injury insurance in the amount of \$1,000,000 with limits of \$1,000,000 each occurrence and \$1,000,000 aggregate.

For fiscal year 1999, the City participated in the Ohio Rural Water Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 23). The intent of the GRP is to achieve the benefit of a reduced premium for the City by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participant is calculated as one experience and a common premium rate is applied to all members in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate.

Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to members that can meet the GRP's selection criteria. The firm of Comp Management provides administrative, cost control and actuarial services to the GRP.

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

**CITY OF ZANESVILLE
MUSKINGUM COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999**

NOTE 11 - RISK MANAGEMENT (Continued)

The claims liability of the Health Self-Insurance internal service fund of \$426,523 reported at December 31, 1999, 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 1998 and 1999 were:

| | <u>Beginning of Year</u> | <u>Current Year Claims</u> | <u>Claim Payments</u> | <u>Balance at End of Year</u> |
|------|------------------------------|--------------------------------|---------------------------|-----------------------------------|
| 1998 | \$308,186 | \$1,601,121 | \$1,627,993 | \$281,314 |
| 1999 | 281,314 | 1,843,044 | 1,697,835 | 426,523 |

B. Component Unit

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

NOTE 12 - DEFINED BENEFIT PENSION PLANS

A. Primary Government

1. Public Employees Retirement System:

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

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

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

The City's required contributions to PERS for the years ended December 31, 1999, 1998 and 1997 were \$768,249, 768,533, and \$694,908 respectively. The full amount has been contributed for 1999.

**CITY OF ZANESVILLE
MUSKINGUM COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999**

NOTE 12 - DEFINED BENEFIT PENSION PLANS (Continued)

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

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

Police and firefighters are required to contribute 10 percent of their annual covered salary to fund pension obligations and the City is required to contribute 12.5 percent for police and 17.0 percent for firefighters. Contributions are authorized by State statute. The City's contributions to the Fund for police and firefighters were \$396,258 and \$390,214, for the year ended December 31, 1999, \$398,067 and \$387,519 for the year ended December 31, 1998, and \$367,679 and \$381,706, for the year ended December 31, 1997. The full amount has been contributed for 1999.

In addition to the current contribution, during the fiscal year the City paid in full the accrued liability incurred when the State of Ohio established the statewide pension system for police and firefighters in 1967. As of December 31, 1998, the unfunded liability of the City was \$1,779,571, payable in semiannual payment through the year 2035. The City paid \$1,228,618 to the retirement fund and by doing so realized a discount of \$540,751 for paying the liability in full.

B. Component Unit:

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

The retirement contribution requirement for the year ended December 31, 1999 was \$99,218.

**CITY OF ZANESVILLE
MUSKINGUM COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999**

NOTE 13 - POSTEMPLOYMENT BENEFITS

A. Primary Government

1. Public Employees Retirement System

The Public Employees Retirement System of Ohio (PERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit and to primary survivor recipients of such retirees. Health care coverage for disability recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to PERS is set aside for the funding of postretirement health care based on authority granted by State statute. The 1999 employer contribution rate was 13.55 percent of covered payroll; 4.2 percent was the portion that was used to fund health care. For 1998, the percent used to fund health care was 5.11 percent.

Benefits are funded on a pay-as-you-go basis. OPEB are financed through employer contributions and investment earnings. The contributions allocated to retiree health care and Medicare, along with investment income on allocated assets and periodic adjustments in health care provisions, are expected to be sufficient to sustain the program indefinitely. During 1999, OPEB expenditures made by PERS were \$523,599,349. As of December 31, 1999, the unaudited estimated net assets available for future OPEB payments were \$9,870,285,641. At December 31, 1999, the total number of benefit recipients eligible for OPEB through PERS was 118,062. The City's actual contributions for 1999 which were used to fund OPEB were \$238,130.

2. Police and Firemen's Disability and Pension Fund

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

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. The Ohio Revised Code provides the authority allowing the Police and Firemen's Disability and Pension Fund's board of trustees to provide health care coverage and states that health care cost paid from the Police and Firemen's Disability and Pension Fund shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis. The total police employer contribution is 19.5 percent of covered payroll and the total firefighter employer contribution rate is 24 percent of covered payroll, of which 7.0 percent of covered payroll is applied to the postemployment health care program. The allocation is 7.25% in the year 2000. 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.

**CITY OF ZANESVILLE
MUSKINGUM COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999**

NOTE 13 - POSTEMPLOYMENT BENEFITS (Continued)

The City's actual contributions for 1999 that were used to fund postemployment benefits were \$140,077 for police and \$115,575 for fire. PFDPF's total health care expenses for the year ended December 31, 1998, (the latest information available) were \$78,596,790. The number of PFDPF participants eligible to receive health care benefits as of December 31, 1999, was 11,424 for police and 9,186 for firefighters.

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 1999 which were used to fund postemployment benefits were \$26,423.

NOTE 14 - OTHER EMPLOYEE BENEFITS

A. Other Insurance Benefits

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

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

**CITY OF ZANESVILLE
MUSKINGUM COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999**

NOTE 14 - OTHER EMPLOYEE BENEFITS (Continued)

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 960 hours. Assistant Fire Chiefs whose work week consists of 56 hours when averaged over a three-week period shall receive, upon retirement, 25% of accrued sick leave up to 540 hours. Upon retirement, a maximum payment of 33% of 540 hours shall be made to firefighters. Police sergeants and lieutenants shall receive, upon retirement, 33% of sick leave balances up to a maximum of 960 hours. All other uniformed police and corrections officers shall receive, upon retirement, 25% of a maximum 960 hours of sick leave. Unaffiliated employees shall receive 25% of 385 hours. All employees are required to have ten or more years of service before any compensation for accumulated sick leave is paid upon retirement. Upon voluntary termination, death, or retirement, all employees will receive 100% of vacation earned and not previously taken. As of December 31, 1999 the liability for unpaid compensated absences was \$1,240,471.

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.

NOTE 15 - CAPITAL LEASES - LESSEE DISCLOSURE

In the current and prior years, the City has entered into capitalized leases for copying equipment, computer equipment, 911 equipment, and other miscellaneous items. Each lease meets the criteria of a capital lease set forth in the Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease as one which transfers benefits and risks of ownership to the lessee. Capital lease payments are reflected as debt service expenditures in the General Purpose Financial Statements for the government. Equipment acquired by lease has been capitalized in the General Fixed Assets Account Group in the amount of \$115,196 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 1999 totaled \$18,042. Future minimum lease payments through 2004 are as follows:

**CITY OF ZANESVILLE
MUSKINGUM COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999**

NOTE 15 - CAPITAL LEASES - LESSEE DISCLOSURE (Continued)

| <u>Year</u> | <u>Genral Long-Term Obligations Account Group</u> |
|--|---|
| 2000 | \$11,819 |
| 2001 | 4,140 |
| 2002 | 4,140 |
| 2003 | 4,140 |
| 2004 | <u>2,760</u> |
| Total | 26,999 |
| Less Amount Representing Interest | (4,721) |
| Present Value of Net Minimum Lease Payments | <u>\$22,278</u> |

NOTE 16 - CONTRACTUAL COMMITMENTS

As of December 31, 1999 the City had contractual purchase commitments for projects in the State & Federal Infrastructure Fund, a Capital Projects Fund. Purchase commitments are for equipment purchases and capital improvements in the General Fund. Jail Operating Special Revenue Fund and Auto Gas Special Revenue Fund had purchase commitments for software and operating equipment. Airport Enterprise Fund, Sewer Enterprise Fund, and Water Enterprise Fund, all had commitments for capital improvements and operating equipment purchases. The amount for each project is as follows:

**CITY OF ZANESVILLE
MUSKINGUM COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999**

NOTE 16 - CONTRACTUAL COMMITMENTS (Continued)

| <u>Projects</u> | <u>Purchase Commitments</u> | <u>Amount Expended</u> | <u>Amount Remaining on Contracts</u> |
|---|---------------------------------|----------------------------|--|
| <u>State & Federal Infrastructure</u> | | | |
| <u>Capital Projects Fund:</u> | | | |
| Street Widening | \$165,049 | \$0 | \$165,049 |
| <u>General Fund:</u> | | | |
| Equipment Purchases | 1,054 | 0 | 1,054 |
| Street Widening | 172,200 | 0 | 172,200 |
| Runway Upgrade | 100,000 | 0 | 100,000 |
| <u>Jail Operating Special Revenue Fund:</u> | | | |
| Software | 39,887 | 0 | 39,887 |
| <u>Auto Gas Special Revenue Fund:</u> | | | |
| Equipment Purchases | 30,541 | 0 | 30,541 |
| <u>Airport Enterprise Fund:</u> | | | |
| Runway Improvements | 149,412 | 0 | 149,412 |
| <u>Sewer Enterprise Fund:</u> | | | |
| Sewer Line Extensions | 160,135 | 95,545 | 64,590 |
| Equipment Purchases | 325,488 | 12,644 | 312,844 |
| <u>Water Enterprise Fund:</u> | | | |
| Water Plant Improvements | 294,000 | 276,000 | 18,000 |
| Equipment Purchases | <u>110,052</u> | <u>0</u> | <u>110,052</u> |
| Total All Funds | <u>\$1,547,818</u> | <u>\$384,189</u> | <u>\$1,163,629</u> |

**CITY OF ZANESVILLE
MUSKINGUM COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999**

NOTE 17 - LONG-TERM OBLIGATIONS

A. Primary Government

Changes in long-term obligations of the City for the year ending December 31, 1999 were as follows:

| <u>ENTERPRISE FUND OBLIGATIONS</u> | <u>Outstanding</u> <u>12-31-98</u> | <u>Additions</u> | <u>Reductions</u> | <u>Outstanding</u> <u>12/31/99</u> |
|---|---------------------------------------|------------------------|---------------------------|---------------------------------------|
| REVENUE BONDS: | | | | |
| Water Improvements - 1989 Series A, Variable Interest | \$528,750 | \$0 | \$33,750 | \$495,000 |
| Water System Improvements - 1993, Variable | 1,190,000 | 0 | 35,000 | 1,155,000 |
| Sewer - 1989 Series A, Variable Interest | 571,050 | 0 | 36,450 | 534,600 |
| Storm Sewer - 1989 Series A, Variable Interest | <u>1,015,200</u> | <u>0</u> | <u>64,800</u> | <u>950,400</u> |
| TOTAL REVENUE BONDS | <u>3,305,000</u> | <u>0</u> | <u>170,000</u> | <u>3,135,000</u> |
| OWDA LOANS: | | | | |
| OWDA Water - Variable Interest | 2,389,295 | 0 | 140,822 | 2,248,473 |
| OWDA Sewer - Variable Interest | <u>5,368,936</u> | <u>0</u> | <u>328,461</u> | <u>5,040,475</u> |
| TOTAL OWDA LOANS | <u>7,758,231</u> | <u>0</u> | <u>469,283</u> | <u>7,288,948</u> |
| <u>TOTAL ENTERPRISE FUND OBLIGATIONS</u> | <u>\$11,063,231</u> | <u>\$0</u> | <u>\$639,283</u> | <u>\$10,423,948</u> |
| | | | | |
| <u>GENERAL LONG-TERM OBLIGATIONS</u> | <u>Outstanding</u> <u>12-31-98</u> | <u>Additions</u> | <u>Reductions</u> | <u>Outstanding</u> <u>12/31/99</u> |
| GENERAL OBLIGATION BONDS: | | | | |
| Capital Improvements - 1989, Variable Interest | \$985,000 | \$0 | \$65,000 | \$920,000 |
| Fire Truck Acquisition - 1991, 6.5% | 104,000 | 0 | 24,000 | 80,000 |
| Ohio Government Building - 1986, 7.38% | 560,000 | 0 | 40,000 | 520,000 |
| Jail Facility - 1993, 5.61% | <u>2,790,000</u> | <u>0</u> | <u>80,000</u> | <u>2,710,000</u> |
| TOTAL GENERAL OBLIGATION BONDS | <u>4,439,000</u> | <u>0</u> | <u>209,000</u> | <u>4,230,000</u> |
| SPECIAL ASSESSMENT BONDS: | | | | |
| Brandywine - 1981, 12.0% | <u>255,000</u> | <u>0</u> | <u>85,000</u> | <u>170,000</u> |
| OTHER LONG-TERM OBLIGATIONS: | | | | |
| Police and Fire Pension Liability | 1,779,571 | 0 | 1,779,571 | 0 |
| Compensated Absences | 886,519 | 0 | 6,833 | 879,686 |
| Capital Leases | <u>24,627</u> | <u>15,693</u> | <u>18,042</u> | <u>22,278</u> |
| TOTAL OTHER LONG-TERM DEBT | <u>2,690,717</u> | <u>15,693</u> | <u>1,804,446</u> | <u>901,964</u> |
| <u>TOTAL GENERAL LONG-TERM OBLIGATIONS</u> | <u>7,384,717</u> | <u>15,693</u> | <u>2,098,446</u> | <u>5,301,964</u> |
| GRAND TOTAL | <u>\$18,447,948</u> | <u>\$15,693</u> | <u>\$2,737,729</u> | <u>\$15,725,912</u> |

**CITY OF ZANESVILLE
MUSKINGUM COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999**

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. Special assessment bonds will be repaid from the proceeds of special assessments levied against benefited property owners. In the event the property owners do not pay their assessments, the City would be responsible for the debt service payment. Compensated absences reported in the "Compensated Absences Payable" account will be paid from the fund which the employee's salaries are paid. Principal and interest requirements to retire long-term obligations outstanding at December 31, 1999, including interest of \$7,961,127, are as follows:

| <u>Year</u> | <u>General Obligation</u> | <u>Enterprise Revenue Bonds</u> | <u>Special Assessments</u> | <u>OWDA Loans</u> | <u>Total</u> |
|-------------|-------------------------------|-------------------------------------|--------------------------------|---------------------|---------------------|
| 2000 | \$473,678 | \$381,257 | \$106,673 | \$1,113,091 | \$2,074,699 |
| 2001 | 472,708 | 384,643 | 95,839 | 1,053,091 | 2,006,281 |
| 2002 | 469,943 | 382,068 | 0 | 1,053,090 | 1,905,101 |
| 2003 | 437,390 | 378,743 | 0 | 1,053,091 | 1,869,224 |
| 2004 | 428,920 | 384,668 | 0 | 944,771 | 1,758,359 |
| 2005-20035 | <u>4,408,176</u> | <u>2,814,262</u> | <u>0</u> | <u>5,948,973</u> | <u>13,171,411</u> |
| Totals | <u>\$6,690,815</u> | <u>\$4,725,641</u> | <u>\$202,512</u> | <u>\$11,166,107</u> | <u>\$22,785,075</u> |

As of December 31, 1999, the City's overall legal debt margin (the ability to issue additional amounts of general obligation bonded debt) was \$26,493,883.

NOTE 18 - NOTE DEBT

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

| | <u>Outstanding 12-31-98</u> | <u>Additions</u> | <u>Reductions</u> | <u>Outstanding 12-31-99</u> |
|-------------------------------|---------------------------------|------------------|-------------------|---------------------------------|
| <u>Special Revenue Funds:</u> | | | | |
| Ohio Public Works | | | | |
| Commission 1996- 0% | \$9,437 | \$0 | \$3,146 | \$6,291 |

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

**CITY OF ZANESVILLE
MUSKINGUM COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999**

NOTE 18 - NOTE DEBT (Continued)

| <u>Year Ending December 31,</u> | <u>Amount</u> |
|---------------------------------|---------------|
| 2000 | \$3,146 |
| 2001 | 3,145 |

NOTE 19 - INTERFUND TRANSACTIONS

| Interfund Receivable/Payable | <u>Receivable</u> | <u>Payable</u> |
|--------------------------------|-------------------|----------------|
| Due From/To Other Funds | | |
| General | \$165,000 | \$109,983 |
| <u>Special Revenue Funds:</u> | | |
| Police Expenditure | 0 | 78,672 |
| Auto Gas | 0 | 15,225 |
| Jail Operating | 0 | 17,155 |
| Jail Reduction | 0 | 459 |
| Community Development | 0 | 1,198 |
| Litter | <u>0</u> | <u>41</u> |
| Total Special Revenue Funds | 0 | 112,750 |
| <u>Capital Projects Funds:</u> | | |
| State & Federal Infrastructure | 0 | 165,000 |
| <u>Enterprise Funds:</u> | | |
| Airport | 0 | 2,343 |
| Auditorium | 0 | 12,381 |
| Cemetery | 0 | 1,280 |
| Sanitation | 0 | 7,015 |
| Sewer | 0 | 25,694 |
| Water | <u>0</u> | <u>32,292</u> |
| Total Enterprise Funds | 0 | 81,005 |

**CITY OF ZANESVILLE
MUSKINGUM COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999**

NOTE 19 - INTERFUND TRANSACTIONS (Continued)

Internal Service Funds:

| | | |
|--------------------------------|------------------|------------------|
| Vehicle Equipment Maintenance | 22,939 | 9,959 |
| Health Self-Insurance | <u>290,758</u> | <u>0</u> |
| Total Internal Service Funds | <u>313,697</u> | <u>9,959</u> |
| Grand Total Interfund Activity | <u>\$478,697</u> | <u>\$478,697</u> |

**CITY OF ZANESVILLE
MUSKINGUM COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999**

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, 1999:

| | <u>Airport</u> | <u>Water</u> | <u>Sewer</u> |
|---|----------------|--------------|--------------|
| Operating Revenues | \$9,664 | \$3,576,065 | \$4,477,813 |
| Depreciation | 57,938 | 420,836 | 782,290 |
| Operating Expenses (excluding Depreciation) | 93,634 | 2,796,874 | 2,795,053 |
| Operating Income (Loss) | (141,908) | 358,355 | 900,470 |
| Net Non-Operating Revenue (Expenses) | 9,630 | (268,203) | (488,724) |
| Operating Transfers In | 107,466 | 0 | 0 |
| Net Income (Loss) | (24,812) | 90,152 | 411,746 |
| Additions to Fixed Assets | 121,929 | 203,057 | 521,058 |
| Net Working Capital | 260,264 | 2,541,104 | 3,938,467 |
| Total Assets | 1,913,928 | 11,732,697 | 25,037,435 |
| Long-Term Liabilities to be paid from fund revenues (including current portion) | 0 | 3,898,473 | 6,525,475 |
| Total Equity | 1,894,766 | 7,247,186 | 17,978,684 |
| Encumbrances Outstanding at December 31, 1999 | 177,719 | 523,492 | 820,487 |

**CITY OF ZANESVILLE
MUSKINGUM COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999**

NOTE 20 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS (Continued)

| | <u>Sanitation</u> | <u>Cemetery</u> | <u>Auditorium</u> | <u>Total</u> |
|---|-------------------|-----------------|-------------------|--------------|
| Operating Revenues | \$524,659 | \$107,042 | \$238,865 | \$8,934,108 |
| Depreciation | 65,791 | 29,387 | 27,226 | 1,383,468 |
| Operating Expenses (excluding Depreciation) | 891,409 | 199,799 | 307,449 | 7,084,218 |
| Operating Income (Loss) | (432,541) | (122,144) | (95,810) | 466,422 |
| Net Non-Operating Revenue (Expenses) | 949 | 16,703 | 0 | (729,645) |
| Operating Transfers In | 507,819 | 158,136 | 103,327 | 876,748 |
| Net Income (Loss) | 76,227 | 52,695 | 7,517 | 613,525 |
| Additions to Fixed Assets | 22,865 | 45,618 | 75,778 | 990,305 |
| Net Working Capital | 450,747 | 602,483 | 60,301 | 7,853,366 |
| Total Assets | 705,387 | 759,220 | 988,935 | 41,137,602 |
| Long-Term Liabilities to be paid from fund revenues (including current portion) | 0 | 0 | 0 | 10,423,948 |
| Total Equity | 599,818 | 727,309 | 959,954 | 29,407,717 |
| Encumbrances Outstanding at December 31, 1999 | 48,726 | 6,519 | 4,973 | 1,581,916 |

**CITY OF ZANESVILLE
MUSKINGUM COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999**

NOTE 21 - CONTRIBUTED CAPITAL

A: Primary Government

There were no changes in contributed capital for the year ended December 31, 1999:

| | <u>Airport</u> | <u>Sewer</u> | <u>Water</u> | <u>Auditorium</u> | <u>Total Enterprise</u> | <u>Internal Service</u> |
|------------------------------------|----------------|--------------|--------------|-------------------|-----------------------------|-----------------------------|
| Contributed Capital at 12/31/99 | \$2,871,140 | \$7,206,606 | \$1,387,409 | \$910,226 | \$12,375,381 | \$953,364 |

B: Component Unit

Changes in the Component Unit's contributed capital for the year ended December 31, 1999:

| | |
|--|------------------|
| Contributed Capital December 31, 1998 | \$681,498 |
| Current Contributions: | |
| Intergovernmental | 155,792 |
| Depreciation of Assets Acquired with Capital Grants | <u>(190,397)</u> |
| Contributed Capital December 31, 1999 | <u>\$646,893</u> |

**CITY OF ZANESVILLE
MUSKINGUM COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999**

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 1999, 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 three members. The Authority board adopts its own budget, is its own contracting authority, hires and fires its own staff, authorizes all expenditures and does not rely on the City or the County to finance deficits. The Authority derives its revenues from lease/rental income, interest income, contributions from the City and County, and other miscellaneous revenue sources. The City and County currently lease the Anchor Glass Facilities from the Authority, and sublet the facilities to the Anchor Glass Corporation. The lease is a twenty year lease which is in effect until 2008. The City and the County, by the terms of the lease agreement, make lease payments directly to National City Bank in conjunction with Anchor Glass which is used for the payment of Authority debt. The City and the County also provide operating subsidies to the Authority. During 1999, the City provided \$120,000 and the County provided \$867,933 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, 1999**

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 1999 the Authority received \$371,115 from excise taxes and miscellaneous revenue sources. 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 of Revised Code Section 3735.27. The Authority is operated by a five member board. The City appoints two members and the County appoints three members. The board adopts their own appropriations, is their own contracting authority, hires and fires their own staff, authorizes all expenditures, and does not rely on the City or the County to finance deficits. The Authority receives funding from the federal government in the form of grants. All monies are received directly by the Authority in the Authority's name. Although the City appoints members to the board, the City is not financially accountable for the Authority, nor is the Authority fiscally dependent on the City. The Authority has no outstanding debt. Complete financial information can be obtained from the Zanesville Metropolitan Housing Authority, Zanesville, Ohio.

NOTE 23 - INSURANCE PURCHASING POOL

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

**CITY OF ZANESVILLE
MUSKINGUM COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999**

NOTE 24 - RELATED PARTY TRANSACTIONS

The Muskingum Authority of Public Transit, a discretely presented component unit of the City of Zanesville, received contributions from the City for facilities, certain equipment, transportation and salaries for administrative implementation and supervision of its programs. These contributions are reflected as "Contributions from Local Governments" and "Operating Expenses" in the general purpose financial statements. In 1999, these contributions were \$205,000, and \$52,500 was contributed by Muskingum County and the Village of South Zanesville.

NOTE 25 - CONTINGENCIES

A. Grants

The City received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the City at December 31, 1999.

B. Litigation

Several claims and lawsuits are pending against the City. Based upon information provided by the City's Law Director, the outcome of these cases will not have a significant impact on the financial statements.

C. Component Unit - Contingencies

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

**CITY OF ZANESVILLE
MUSKINGUM COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31,1999**

| FEDERAL GRANTOR Pass-Through Grantor <u>Program Title</u> | <u>Pass-Through Number</u> | <u>Federal CFDA Number</u> | <u>Receipts</u> | <u>Disbursements</u> |
|--|--------------------------------|--------------------------------|-------------------------|-------------------------|
| U.S. DEPARTMENT OF AGRICULTURE | | | | |
| <i>Passed Through Ohio Department of Education: Summer Food Service Program for Children</i> | | | | |
| | 78956 | 10.559 | <u>\$ 46,994</u> | <u>\$ 47,558</u> |
| Total U.S. Department of Agriculture | | | 46,994 | 47,558 |
| U.S. DEPARTMENT JUSTICE | | | | |
| <i>Passed Through Ohio Department of Rehabilitation and Correction:</i> | | | | |
| Local Law Enforcement Block Grant | 98LBVX2617 | 16.592 | 70,931 | 53,946 |
| Office of Community Oriented Policing Services (COPS Fast) | 95-CF-WX-2981 | 16.710 | <u>33,856</u> | <u>33,856</u> |
| Total U.S. Department of Justice | | | 104,787 | 87,802 |
| U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT | | | | |
| <i>Passed Through Ohio Department of Development:</i> | | | | |
| Community Development Block Grant | A-C-97-204-1 | 14.228 | 287,300 | 271,153 |
| | A-F-97-204-1 | 14.228 | 59,500 | 92,913 |
| | A-L-98-204-1 | 14.228 | 29,050 | 29,050 |
| | A-L-99-204-1 | 14.228 | 28,850 | 28,850 |
| | A-T-97-204-1 | 14.228 | <u>52,850</u> | <u>14,431</u> |
| Total Community Development Block Grant | | | <u>457,550</u> | <u>436,397</u> |
| Total U.S. Department of Housing and Urban Development | | | <u>457,550</u> | <u>436,397</u> |
| Total Federal Awards Receipts and Expenditures | | | <u>\$609,331</u> | <u>\$571,757</u> |

The accompanying notes to this schedule 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, 1999**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - COMMUNITY DEVELOPMENT BLOCK GRANT REVOLVING LOAN PROGRAMS

The City has established a revolving loan program to provide low-interest loans to businesses to create jobs for persons from low-moderate income households and to eligible persons to rehabilitate homes. The initial loan of this money was recorded as a disbursement on the accompanying Schedule of Federal Awards Receipts and Expenditures. Loans repaid, including interest, may be used to make additional loans.

These loans are collateralized by mortgages on the property and/or by liens on machinery and equipment. At December 31, 1999, the gross amount of loans outstanding under the program was \$279,587. An allowance for bad debts of \$45,795 has been established.

NOTE C - MATCHING REQUIREMENTS

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



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 Mayor and Members of City Council:

We have audited the accompanying general purpose financial statements of the City of Zanesville, Muskingum County, Ohio (the City), as of and for the year ended December 31, 1999, and have issued our report thereon dated November 15, 2000. We did not audit the general purpose financial statements of the Muskingum Authority of Public Transit which represents all assets and revenues of the component unit column. Those general purpose financial statements were audited by other auditors, following *Government Auditing Standards*, and their report thereon has been furnished to us. Our opinion, insofar as it relates to the amounts included for the component unit, is based on the report of other auditors. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City's general purpose 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 general purpose 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 instance of noncompliance that we have reported to management of the City in a separate letter dated November 15, 2000.

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 general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level of risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the City in a separate letter dated November 15, 2000.

City of Zanesville
Muskingum County
Report of Independent Accountants on Compliance and on Internal Control
Required by *Government Auditing Standards*
Page -2-

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

Jim Petro
Auditor of State

November 15, 2000



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

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

To the Mayor and Members of City Council:

Compliance

We have audited the compliance of the City of Zanesville, Muskingum County, Ohio (the City), with types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended December 31, 1999. The City's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

As described in item 1999-21060-001 of the accompanying Schedule of Findings and Questioned Costs, the City did not comply with requirements applicable to its Community Development Block Grant concerning Allowable Costs. 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 its major federal program for the year ended December 31, 1999.

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.

City of Zanesville
Muskingum County
Report of Independent Accountants Report on Compliance with Requirements
Applicable to Each Major Federal Program and Internal Control
over Compliance in Accordance with OMB Circular A-133
Page 2

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 law, 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.

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

Jim Petro
Auditor of State

November 15, 2000

**CITY OF ZANESVILLE
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133, SECTION .505
DECEMBER 31, 1999**

1. SUMMARY OF AUDITOR'S RESULTS

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

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

The audit of the City of Zanesville, Muskingum County, for the year ended December 31, 1999, contained no findings related to the financial statements required to be reported in accordance with GAGAS.

**CITY OF ZANESVILLE
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133, SECTION .505
DECEMBER 31, 1999
(Continued)**

| |
|--|
| 3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS |
|--|

| | |
|---------------------------|--|
| Finding Number | 1999-21060-001 |
| CFDA Title and Number | Community Development Block Grant, #14.228 |
| Federal Award Number/Year | A-T-97-204-1, A-C-97-204-1, A-F-97-204-1 |
| Federal Agency | U.S. Department of Housing and Urban |
| Pass-Through Agency | Ohio Department of Development |

Federal Questioned Costs/Noncompliance - Allowable Costs

24 C.F.R. Section 570.206 provides guidance on the payment of reasonable administrative costs and carrying charges related to the planning and execution of community development activities. OMB Circular A-87 provides guidance on the standards for selected items of cost. OMB Circular A-87, Attachment B, Section 11, requires in part that compensation for personal services includes all remuneration, paid currently or accrued, for services rendered during the period of performance under Federal awards, including but not necessarily limited to wages, salaries and fringe benefits. The cost of such compensation is allowable to the extent that it satisfies the specific requirements of this Circular, and that the total compensation for individual employees is determined and supported as provided in subsection h. Section 11.h.4., requires that where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection (5) unless a statistical sampling system (see subsection (6)) or other substitute system has been approved by the cognizant Federal agency. Such documentary support will be required where employees work on:

- (a) More than one federal award;
- (b) A Federal award and a non-Federal award;
- (c) An indirect cost activity and a direct cost activity;
- (d) Two or more indirect activities which are allocated using different allocation bases; or
- (e) An unallowable activity and a direct cost activity.

Subsection (5) requires that personnel activity reports or equivalent documentation must meet the following standards:

- (a) They must reflect an after-the fact distribution of the actual activity of each employee;
- (b) They must account for the total activity for which each employee is compensated;
- (c) They must be prepared at least monthly and must coincide with one or more pay periods; and
- (d) They must be signed by the employee.

The Community Development Department employees were paid from the Community Development Administration Fund. The various grant funds then reimburse the Administrative Fund for each grant fund's portion of wages at the end of 1999 for 1999 wage expenses. The time sheets of the employees who were paid from the Community Development Block Grant funds did not reflect the time they worked on each Community Development Block Grant or the activities that employees performed. The grant payroll system did not document the services rendered under the grant agreement. This resulted in Questioned Costs in the amount of \$37,426 as follows: FY97 Downtown Grant (# A-T-97-204-1) \$2,597; FY97 CHIP Grant (# A-C-97-204-1) \$27,683; and FY97 Formula Grant(# A-F-97-204-1) \$7,146.

We recommend the City contact the Ohio Department of Development and inquire whether supporting documentation can be provided at this time to document these costs. The City should document any future payroll related grant expenses according to the requirements of the grant. Payroll time sheets should only be approved for payment when supporting employee grant activity details are included.

**CITY OF ZANESVILLE
MUSKINGUM COUNTY**

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A-133, SECTION .315(C)
DECEMBER 31, 1999**

| Finding Number | Planned Corrective Action | Completion Date | Responsible Contact Person |
|-----------------------|---|------------------------|--|
| 1999-21060-001 | When completing their time sheets, Community Development Department employees will document time spent on each grant, as well as, the work completed. | Sept 15, 2000 | Jay Bennett, Community Development Director |



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
DECEMBER 21, 2000**