

**CITY OF ZANESVILLE**  
**ANNUAL REPORT**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

*Wolfe, Wilson, & Phillips, Inc.*  
*37 South Seventh Street*  
*Zanesville, Ohio 43701*





# Dave Yost • Auditor of State

Members of Council  
City of Zanesville  
401 Market Street  
Zanesville, Ohio 43701

We have reviewed the *Independent Auditors' Report* of the City of Zanesville, Muskingum County, prepared by Wolfe, Wilson & Phillips, Inc., for the audit period January 1, 2011 through December 31, 2011. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The City of Zanesville is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

October 15, 2013

**This page intentionally left blank.**

**CITY OF ZANESVILLE  
MUSKINGUM COUNTY**

**TABLE OF CONTENTS**

<u>Title</u>	<u>Page</u>
Independent Auditors' Report.....	1
Management Discussion and Analysis.....	4
<b>Government-wide Financial Statements:</b>	
Statement of Nets Assets Year Ended December 31, 2011.....	12
Statement of Activities Year Ended December 31, 2011.....	13
<b>Fund Financial Statements:</b>	
<b>Governmental Funds</b>	
Balance Sheet, Year Ended December 31, 2011.....	14
Reconciliation of Total Government Fund Balances to Net Assets of Governmental Activities.....	15
Statement of Revenues, Expenditures and Changes in Fund Balance, Year Ended December 31, 2011.....	16
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities.....	17
Statement of Revenues, Expenditures and Changes in Fund Cash Balances- Budget and Actual (Non-GAAP Budgetary Basis) - General Fund, Year Ended December 31, 2011.....	18
Statement of Revenues, Expenditures and Changes in Fund Cash Balances- Budget and Actual (Non-GAAP Budgetary Basis) - Police Expenditure Fund, Year Ended December 31, 2011.....	19
Statement of Revenues, Expenditures and Changes in Fund Cash Balances- Budget and Actual (Non-GAAP Budgetary Basis) - Fire Operating Fund, Year Ended December 31, 2011.....	20
<b>Proprietary Funds</b>	
Statement of Fund Net Assets, Year Ended December 31, 2011.....	22
Statement of Revenues, Expenses and Changes in Fund Net Assets, Year Ended December 31, 2011.....	23
Statement of Cash Flows, Year Ended December 31, 2011.....	24
<b>Fiduciary Funds</b>	
Statement of Fiduciary Assets and Liabilities, Year Ended December 31, 2011.....	25
Statement of Changes in Fiduciary Net Assets, For the Year Ended December 31, 2011.....	26
Notes to the Financial Statements.....	27
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required By Government Auditing Standards.....	63
Independents Auditors' Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133.....	65
Schedule of Findings and Questioned Costs.....	67
Schedule of Federal Awards.....	69
Notes to Schedule of Federal Awards.....	70

**This page intentionally left blank.**

**WOLFE, WILSON, & PHILLIPS, INC.**  
**37 SOUTH SEVENTH STREET**  
**ZANESVILLE, OHIO 43701**

**INDEPENDENT AUDITORS' REPORT**

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

To City Council:

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Zanesville, Muskingum County as of and for the year ended December 31, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, based on our report, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Zanesville, Muskingum County as of December 31, 2011, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparison for the General Fund, Police Expenditure Fund, and Fire Operating Fund for the year then ended in conformity generally accepted accounting principles accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 22, 2012, on our consideration of the City of Zanesville's internal control over financial reporting and our tests of its compliance with laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

As described in Note 4, during 2011 the City of Zanesville adopted Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions.

Accounting principles generally accepted in the United States of America require this presentation to include Management's discussion and analysis as listed in the table of contents to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

We conducted our audit to opine of the financial statements that collectively comprise the City's basic financial statements. The accompanying schedule of expenditures of federal awards expenditures present additional information and is required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. It is not a required part of the basic financial statements. We subjected the federal awards expenditure schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

***Wolfe, Wilson, & Phillips, Inc.***  
Zanesville, Ohio  
June 22, 2012



This page is intentionally left blank.

**City of Zanesville, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2011*  
*Unaudited*

---

The discussion and analysis of the City of Zanesville's financial performance provides an overall review of the City's financial activities for the year ended December 31, 2011. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the City's financial performance.

### **Financial Highlights**

Key financial highlights for 2011 are as follows:

- In total, net assets increased \$4,368,479. Net assets of governmental activities increased \$1,275,347, while the business-type activities increased \$3,093,132.
- General governmental revenues accounted for \$19,707,856 in revenue or 78% of all revenues in governmental activities. Program specific revenues in the form of charges for services, grants, contributions, and interest accounted for \$5,640,881 or 22% of total revenues of \$25,348,737.

### **Using this Annual Financial Report**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the City of Zanesville as a financial whole or as an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial conditions.

The statement of Net Assets and Statement of Activities provide information about the activities of the whole City, presenting both an aggregate view of the City's finances and a longer-term view of those assets. Major fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what dollars remain for future spending. The fund financial statements also look at the City's most significant funds with all other nonmajor funds presented in total in one column.

### ***Reporting the City of Zanesville as a Whole***

#### *Statement of Net Assets and the Statement of Activities*

While this document contains information about the funds used by the City to provide services to our citizens, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2011?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by private sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when the cash is received or paid.

These two statements report the City's net assets and the changes in those assets. This change in assets is important because it tells the reader whether, for the City as a whole, the financial position of the City has improved or diminished. However, in evaluating the overall position of the City, nonfinancial information such as the condition of City capital assets will also need to be evaluated.

**City of Zanesville, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2011*  
*Unaudited*

---

In the Statement of Net Assets and the Statement of Activities, the City is divided into two kinds of activities:

Governmental Activities - Most of the City's services are reported here including police, fire, administration, and all departments with the exception of our Sanitation, Sewer and Water Funds.

Business-Type Activities – Sanitation, sewer, and water services have charges based upon the amount of usage. The City charges fees to recoup the cost of the entire operations of our Sewer and Water Treatment Plants as well as all depreciation associated with the facilities.

***Reporting the City of Zanesville's Most Significant Funds***

***Fund Financial Statements***

Fund financial statements begin on page 14. Fund financial reports provide detailed information about the City's major funds. Based upon restrictions on the use of monies, the City has established many funds which account for the multitude of services provided to our residents. However, these fund financial statements focus on the City's most significant funds. In the case of the City of Zanesville, our major funds are the General, Police Expenditure, Fire Operating, Sanitation, Sewer, and Water Funds.

***Governmental Funds*** Most of the City's activities are reported in the governmental funds, which focus on how money flows into and out of those funds and the balances left at year end available for spending in the future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future on services provided to our residents. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled as part of the financial statements.

***Proprietary Funds*** When the City charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds use the same basis of accounting as business-type activities; therefore, these statements will essentially match.

**The City of Zanesville as a Whole**

Recall that the Statement of Net Assets looks at the City as a whole. Table 1 provides a summary of the City's net assets for 2011 compared to 2010.

**City of Zanesville, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2011*  
*Unaudited*

(Table 1)  
 Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
<b>Assets</b>						
Current and Other Assets	\$15,184,948	\$14,675,276	\$5,773,980	\$5,341,850	\$20,958,928	\$20,017,126
Capital Assets, Net	20,338,929	20,067,641	65,061,448	55,069,555	85,400,377	75,137,196
<i>Total Assets</i>	<u>35,523,877</u>	<u>34,742,917</u>	<u>70,835,428</u>	<u>60,411,405</u>	<u>106,359,305</u>	<u>95,154,322</u>
<b>Liabilities</b>						
Current and Other Liabilities	3,323,451	2,749,677	995,913	823,107	4,319,364	3,572,784
Long-term Liabilities	7,769,100	8,512,936	29,733,025	23,009,797	37,502,125	31,522,733
<i>Total Liabilities</i>	<u>11,092,551</u>	<u>11,262,613</u>	<u>30,728,938</u>	<u>23,832,904</u>	<u>41,821,489</u>	<u>35,095,517</u>
<b>Net Assets</b>						
Invested in Capital Assets, Net of Related Debt	14,263,877	13,505,132	36,964,413	32,549,228	51,228,290	46,054,360
Restricted	4,714,202	4,452,145	0	0	4,714,202	4,452,145
Unrestricted	5,453,247	5,198,702	3,142,077	4,464,130	8,595,324	9,662,832
<i>Total Net Assets</i>	<u>\$24,431,326</u>	<u>\$23,155,979</u>	<u>\$40,106,490</u>	<u>\$37,013,358</u>	<u>\$64,537,816</u>	<u>\$60,169,337</u>

Total assets increased \$11,204,093. Governmental activities increased \$780,960, while the business-type activities increased \$10,424,023. Total liabilities increased \$6,725,972. Governmental activities decreased \$170,062 while the business-type activities increased \$6,896,034.

For governmental activities, capital assets increased \$271,288. Long-term liabilities decreased \$743,836.

For business-type activities, capital assets increased \$9,991,893 primarily due to the acquisition and construction of capital assets. Long-term liabilities increased \$6,723,228 due to new loans during the year.

**City of Zanesville, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2011*  
*Unaudited*

Table 2 shows the changes in net assets for the year ended December 31, 2011, and comparisons to 2010.

(Table 2)

Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
<b>Revenues</b>						
Program Revenues						
Charges for Services	\$2,024,003	\$2,731,396	\$13,519,501	\$12,774,656	\$15,543,504	\$15,506,052
Operating Grants, Contributions and Interest	2,799,793	3,273,736	130,573	0	2,930,366	3,273,736
Capital Grants and Contributions	817,085	0	0	2,467,149	817,085	2,467,149
Total Program Revenues	<u>5,640,881</u>	<u>6,005,132</u>	<u>13,650,074</u>	<u>15,241,805</u>	<u>19,290,955</u>	<u>21,246,937</u>
General Revenues						
Property Taxes	1,039,681	1,819,433	0	0	1,039,681	1,819,433
Income Tax	14,117,736	14,312,415	0	0	14,117,736	14,312,415
Payments in Lieu of Taxes	606,855	0	0	0	606,855	0
Franchise Tax	396,603	0	0	0	396,603	0
Grants and Entitlements	3,332,021	3,341,878	0	0	3,332,021	3,341,878
Gain on Sale of Capital Assets	26,553	0	843	0	27,396	0
Investment Earnings	95,054	0	1,113	0	96,167	0
Other	93,353	684,097	55,188	51,383	148,541	735,480
Total General Revenues	<u>19,707,856</u>	<u>20,157,823</u>	<u>57,144</u>	<u>51,383</u>	<u>19,765,000</u>	<u>20,209,206</u>
Total Revenues	<u>25,348,737</u>	<u>26,162,955</u>	<u>13,707,218</u>	<u>15,293,188</u>	<u>39,055,955</u>	<u>41,456,143</u>
<b>Program Expenses</b>						
General Government:						
Legislative and Executive	4,170,779	2,360,497	0	0	4,170,779	2,360,497
Court	474,125	0	0	0	474,125	0
Security of Persons and Property:						
Police	7,215,421	14,466,886	0	0	7,215,421	14,466,886
Fire	5,027,385	0	0	0	5,027,385	0
Other	327,111	0	0	0	327,111	0
Public Health Services	437,516	461,429	0	0	437,516	461,429
Community Environment	1,339,688	1,861,920	0	0	1,339,688	1,861,920
Transportation	3,996,768	2,584,436	0	0	3,996,768	2,584,436
Leisure Time Activities	794,034	752,478	0	0	794,034	752,478
Interest and Fiscal Charges	229,668	279,228	0	0	229,668	279,228
Sanitation	0	0	1,589,405	1,690,028	1,589,405	1,690,028
Sewer	0	0	5,936,131	5,317,556	5,936,131	5,317,556
Water	0	0	3,149,445	3,822,734	3,149,445	3,822,734
Total Program Expenses	<u>24,012,495</u>	<u>22,766,874</u>	<u>10,674,981</u>	<u>10,830,318</u>	<u>34,687,476</u>	<u>33,597,192</u>
Increase Before Transfers	1,336,242	3,396,081	3,032,237	4,462,870	4,368,479	7,858,951
Transfers	<u>(60,895)</u>	<u>0</u>	<u>60,895</u>	<u>0</u>	<u>0</u>	<u>0</u>
Increase in Net Assets	1,275,347	3,396,081	3,093,132	4,462,870	4,368,479	7,858,951
Net Assets Beginning of Year	23,155,979	19,759,898	37,013,358	32,550,488	60,169,337	52,310,386
Net Assets End of Year	<u>\$24,431,326</u>	<u>\$23,155,979</u>	<u>\$40,106,490</u>	<u>\$37,013,358</u>	<u>\$64,537,816</u>	<u>\$60,169,337</u>

**City of Zanesville, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2011*  
*Unaudited*

---

***Governmental Activities***

Several revenue sources fund our governmental activities, with the City income tax being the biggest contributor. The income tax rate is 1.9 percent. General revenues from grants and entitlements, such as local government funds, are also a large revenue generator. The City monitors both of these revenue sources very closely for fluctuations because the income tax and intergovernmental revenue represent 56 and 13 percent, respectively, of all revenues in the governmental activities.

Intergovernmental revenues (operating and capital grants) and contributions accounted for 11 percent of all revenues. These revenues are not generated from the City's own resources. Such revenues are often unpredictable and accompanied by administrative requirements. The lower this percentage the better in regards to independence.

The largest activity of the City is the general government – legislative and executive program. Included in this program is the activity of the following departments: Council, Mayor, Auditor, Treasurer, Income Tax, Law Director, Engineer, Equipment and Utility Maintenance, Planning, Service Administration, Information Systems, and Land, Buildings, and Parks. This program is primarily funded with general revenues.

Security of persons and property is another major activity of the City, generating 51% of the governmental expenses. During 2011, expenses for police and fire operations amounted to \$7,215,421 and \$5,027,385, respectively. These activities are, for the most part, funded by the municipal income tax. The City attempts to supplement the income and activities of the police department with grants to enable the police department to widen the scope of its activities.

***Business-Type Activities***

The City's business-type activities consist of the sanitation, sewer, and water departments. The major source of revenue for these funds is charges for services.

The increase in net assets prior to capital contributions for the Sewer and Water funds is due primarily to a rate increase, which were partially offset by increased operating costs due to the water and wastewater treatment plant expansions.

**The City's Funds**

The City's governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$27,408,176 and expenditures of \$25,466,266.

The fund balance of the General Fund decreased \$204,797. The General Fund's Unassigned Fund Balance of \$2,597,459 represented 18% of current year expenditures. Most of this balance remains in the City's treasury and is invested.

The fund balance of the Police Expenditure Fund increased \$587,288. The Police Expenditure Fund had a restricted fund balance of \$900,625 at year end.

The fund balance of the Fire Operating Fund increased \$546,550. The Fire Operating Fund had a restricted fund balance of \$276,817 at year end.

**City of Zanesville, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2011*  
*Unaudited*

---

During 2011, the Sanitation Fund had operating revenues of \$1,619,703 and operating expenses of \$1,589,405. The Sewer Fund had operating revenues of \$6,514,057 and operating expenses of \$5,128,653. The Water Fund had operating revenues of \$5,392,543 and operating expenses of \$3,060,095. The major expenses for these funds are salaries and wages and depreciation on capital assets.

***General Fund Budgeting Highlights***

The City's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund. From time to time during the year, the fund's budget may be amended as needs or conditions change.

During the course of 2011, the City amended its General Fund budget several times. Since the legal level of budgetary control is at the object level, any budgetary modifications at this level may only be made by resolution of the Council.

All recommendations for a budget change are given to the City Auditor, who processes them when there are sufficient resources to make such a change, and are then sent to the Finance Committee of Council for review before going to the whole Council for Ordinance enactment on the change. Most of the expenditure changes are presented to the City Auditor by the Administration.

In the event that additional revenues are assured, the City Auditor will make a change in the estimated resources and report same to the County Budget Commission. When the estimated resources are increased, then and only then are the increased resources allowed to be appropriated through Council action.

Original budgeted revenues were increased \$376,666 with the largest increases in the municipal income tax and intergovernmental revenues. Actual revenues exceeded the final budget in the amount of \$549,284. The original appropriations were increased \$748,524, however, the actual expenditures were more in line with the original budget.

The funds of the City are closely monitored and, currently, historical analysis of trends in revenues and expenditures are used to project future revenues and expenditures. In light of the tighter picture of the City's finances, those holding financial positions are using a zero based approach to our appropriations and, consequentially, many adjustments are needed to be made on a bimonthly schedule that coincides with Council actions.

**City of Zanesville, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2011*  
*Unaudited*

**Capital Assets and Debt Administration**

***Capital Assets***

Table 3 shows year 2011 balances compared to 2010.

(Table 3)  
 Capital Assets at December 31, 2011

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Land	\$1,188,231	\$1,188,231	\$233,184	\$233,184	\$1,421,415	\$1,421,415
Buildings and Improvements	5,702,666	6,003,927	14,706,547	15,091,853	20,409,213	21,095,780
Machinery and Equipment	414,693	413,603	1,732,005	1,912,044	2,146,698	2,325,647
Vehicles	2,280,470	2,376,208	262,615	338,752	2,543,085	2,714,960
Infrastructure	6,860,603	7,570,888	30,765,452	30,155,052	37,626,055	37,725,940
Construction in Progress	3,892,266	2,514,784	17,361,645	7,338,670	21,253,911	9,853,454
<b>Totals</b>	<b>\$20,338,929</b>	<b>\$20,067,641</b>	<b>\$65,061,448</b>	<b>\$55,069,555</b>	<b>\$85,400,377</b>	<b>\$75,137,196</b>

The City's capital assets for governmental and business-type activities as of December 31, 2011, were \$85,400,377 (net of accumulated depreciation). This includes land, buildings and improvements, machinery and equipment, vehicles, infrastructure, and construction in progress.

Note 10 (Capital Assets) provides capital asset activity during 2011.

***Debt***

Table 4 below is a summary of the City's debt obligations:

(Table 4)  
 Outstanding Debt, at Year End

	Governmental Activities		Business-Type Activities	
	2011	2010	2011	2010
1986 Ohio Government Building Bonds	\$40,000	\$80,000	\$0	\$0
2003 Capital Facilities Refunding Bonds	1,179,500	1,326,500	0	0
2010 Street Improvement Bonds	1,110,000	1,160,000	0	0
Ohio Department of Transportation Loan	3,803,121	4,056,428	0	0
Capital Facilities Refunding Water Bond	0	0	505,500	568,500
OPWC Water Loan	0	0	111,132	146,726
OWDA Water Loans	0	0	11,742,577	3,430,420
OWDA Sewer Loans	0	0	16,937,099	18,374,681
<b>Totals</b>	<b>\$6,132,621</b>	<b>\$6,622,928</b>	<b>\$29,296,308</b>	<b>\$22,520,327</b>



**City of Zanesville, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2011*  
*Unaudited*

---

The total amount of general obligation indebtedness outstanding at any one time shall not exceed 10.5% of the actual value of taxable real and personal property in the City. The City's overall debt limit at December 31, 2011, is \$33,826,476.

Additional information on the City's debt can be found in Notes 16 of this report.

### **Current Financial Issues**

Over the past two to three years, the City has experienced low growth in revenues while costs, primarily employee related, have increased. The national recession has had a local impact. Consequently, the City has relied more heavily than it would like on the strong balances built up from the good economic times of the mid to late 1990s.

There is one project to note:

- The Water Treatment Plant Upgrade – This project is estimated to cost \$18,000,000 and is being partially funded by the American Reinvestment and Recovery Act funding and operating revenues in the form of charges for services. This project began in 2009 and is still ongoing.

### **Contacting the City Auditor's Department**

This financial report is designed to provide our citizens, taxpayers, creditors, and investors with an overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Margo Moyer, Zanesville City Auditor, 401 Market Street, Zanesville, Ohio 43701, 740-455-0673.

**City of Zanesville, Ohio**

*Statement of Net Assets*

December 31, 2011

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$6,716,111	\$2,809,516	\$9,525,627
Cash and Cash Equivalents in Segregated Accounts	22,244	62,710	84,954
Investments	40,000	0	40,000
Accounts Receivable	109,546	1,963,711	2,073,257
Accrued Interest Receivable	87	0	87
Intergovernmental Receivable	2,158,332	0	2,158,332
Internal Balances	(3,410)	(20,718)	(24,128)
Municipal Income Tax Receivable	2,656,816	0	2,656,816
Loans Receivable	119,399	0	119,399
Special Assessments Receivable	1,641,570	95,521	1,737,091
Materials and Supplies Inventory	310,856	833,385	1,144,241
Prepaid Items	56,619	29,855	86,474
Property Taxes Receivable	1,292,907	0	1,292,907
Deferred Charges	63,871	0	63,871
Non-Depreciable Capital Assets	5,080,497	17,594,829	22,675,326
Depreciable Capital Assets, Net	15,258,432	47,466,619	62,725,051
<i>Total Assets</i>	<u>35,523,877</u>	<u>70,835,428</u>	<u>106,359,305</u>
<b>Liabilities</b>			
Accounts Payable	443,432	179,894	623,326
Contracts Payable	0	212,038	212,038
Accrued Wages Payable	517,447	162,198	679,645
Accrued Interest Payable	16,815	1,579	18,394
Intergovernmental Payable	904,029	139,039	1,043,068
Matured Compensated Absences Payable	13,718	0	13,718
Claims Payable	404,700	0	404,700
Deferred Revenue	1,023,310	0	1,023,310
Customer Deposits Payable	0	301,165	301,165
Long-Term Liabilities:			
Due Within One Year	1,752,123	2,505,674	4,257,797
Due In More Than One Year	6,016,977	27,227,351	33,244,328
<i>Total Liabilities</i>	<u>11,092,551</u>	<u>30,728,938</u>	<u>41,821,489</u>
<b>Net Assets</b>			
Invested in Capital Assets, Net of Related Debt	14,263,877	36,964,413	51,228,290
Restricted for:			
Street	712,282	0	712,282
Cemetery	78,994	0	78,994
Community Development	1,065,910	0	1,065,910
Jail Operations	519,952	0	519,952
Police Operations	752,518	0	752,518
Court Operations	386,025	0	386,025
Police and Fire Pension	79,334	0	79,334
Capital Outlay	308,439	0	308,439
Cemetery - Non-expendable	663,769	0	663,769
Other Purposes	146,979	0	146,979
Unrestricted	5,453,247	3,142,077	8,595,324
<i>Total Net Assets</i>	<u>\$24,431,326</u>	<u>\$40,106,490</u>	<u>\$64,537,816</u>

See accompanying notes to the basic financial statements

**City of Zanesville, Ohio**  
*Statement of Activities*  
For the Year Ended December 31, 2011

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants, Contributions and Interest	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Governmental Activities</b>							
General Government:							
Legislative and Executive	\$4,170,779	\$753,452	\$24,905	\$0	(\$3,392,422)	\$0	(\$3,392,422)
Court	474,125	319,289	0	0	(154,836)	0	(154,836)
Security of Persons and Property:							
Police	7,215,421	465,046	164,360	0	(6,586,015)	0	(6,586,015)
Fire	5,027,385	7,689	1,225	0	(5,018,471)	0	(5,018,471)
Other	327,111	0	0	0	(327,111)	0	(327,111)
Public Health Services	437,516	53,141	45,276	0	(339,099)	0	(339,099)
Community Environment	1,339,688	17,505	186,131	0	(1,136,052)	0	(1,136,052)
Transportation	3,996,768	140,321	2,376,446	817,085	(662,916)	0	(662,916)
Leisure Time Activities	794,034	267,560	1,450	0	(525,024)	0	(525,024)
Interest and Fiscal Charges	229,668	0	0	0	(229,668)	0	(229,668)
<i>Total Governmental Activities</i>	<u>24,012,495</u>	<u>2,024,003</u>	<u>2,799,793</u>	<u>817,085</u>	<u>(18,371,614)</u>	<u>0</u>	<u>(18,371,614)</u>
<b>Business-Type Activities</b>							
Sanitation	1,589,405	1,619,660	4,000	0	0	34,255	34,255
Sewer	5,936,131	6,514,057	122,270	0	0	700,196	700,196
Water	3,149,445	5,385,784	4,303	0	0	2,240,642	2,240,642
<i>Total Business-Type Activities</i>	<u>10,674,981</u>	<u>13,519,501</u>	<u>130,573</u>	<u>0</u>	<u>0</u>	<u>2,975,093</u>	<u>2,975,093</u>
<i>Total</i>	<u>\$34,687,476</u>	<u>\$15,543,504</u>	<u>\$2,930,366</u>	<u>\$817,085</u>	<u>(18,371,614)</u>	<u>2,975,093</u>	<u>(15,396,521)</u>
<b>General Revenues</b>							
Property Taxes Levied for:							
General Purposes					663,350	0	663,350
Police and Fire Pension					5,693	0	5,693
Debt Service					370,638	0	370,638
Income Taxes Levied for:							
General Purposes					7,663,011	0	7,663,011
Police Operations					3,586,008	0	3,586,008
Fire Operations					1,433,495	0	1,433,495
Jail Operations					1,435,222	0	1,435,222
Payments in Lieu of Taxes					606,855	0	606,855
Franchise Taxes					396,603	0	396,603
Grants and Entitlements not Restricted to Specific Programs					3,332,021	0	3,332,021
Gain on Sale of Capital Assets					26,553	843	27,396
Investment Earnings					95,054	1,113	96,167
Other					93,353	55,188	148,541
<i>Total General Revenues</i>					<u>19,707,856</u>	<u>57,144</u>	<u>19,765,000</u>
Transfers					(60,895)	60,895	0
<i>Total General Revenues and Transfers</i>					<u>19,646,961</u>	<u>118,039</u>	<u>19,765,000</u>
<i>Change in Net Assets</i>					<u>1,275,347</u>	<u>3,093,132</u>	<u>4,368,479</u>
<i>Net Assets Beginning of Year - Restated (See Note 4)</i>					<u>23,155,979</u>	<u>37,013,358</u>	<u>60,169,337</u>
<i>Net Assets End of Year</i>					<u>\$24,431,326</u>	<u>\$40,106,490</u>	<u>\$64,537,816</u>

See accompanying notes to the basic financial statements

**City of Zanesville, Ohio**

*Balance Sheet*

*Governmental Funds*

*December 31, 2011*

	<u>General</u>	<u>Police Expenditure</u>	<u>Fire Operating</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>					
Equity in Pooled Cash and Cash Equivalents	\$1,669,624	\$744,755	\$502,533	\$2,890,550	\$5,807,462
Cash and Cash Equivalents in Segregated Accounts	6,579	0	0	15,665	22,244
Restricted Cash	6,002	0	0	0	6,002
Investments	0	0	0	40,000	40,000
Receivables:					
Accrued Interest	0	0	0	87	87
Accounts	82,278	0	0	25,973	108,251
Interfund	4,637	0	0	170,649	175,286
Intergovernmental	831,165	0	279,763	1,244,069	2,354,997
Municipal Income Tax	1,398,282	699,008	0	279,763	2,377,053
Taxes	762,298	0	0	530,609	1,292,907
Loans	0	0	0	119,399	119,399
Special Assessments	1,640,470	0	0	1,100	1,641,570
Materials and Supplies Inventory	192	2,818	0	43,565	46,575
Prepaid Items	17,025	18,676	8,464	11,780	55,945
<b>Total Assets</b>	<u><u>\$6,418,552</u></u>	<u><u>\$1,465,257</u></u>	<u><u>\$790,760</u></u>	<u><u>\$5,373,209</u></u>	<u><u>\$14,047,778</u></u>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Accounts Payable	\$354,617	\$655	\$7,547	\$61,491	\$424,310
Accrued Wages Payable	105,987	160,694	142,436	90,495	499,612
Matured Compensated Absences Payable	2,649	0	0	11,069	13,718
Interfund Payable	2,962	10,446	4,101	177,109	194,618
Intergovernmental Payable	211,326	286,915	317,604	74,435	890,280
Deferred Revenue	3,069,723	84,428	33,791	1,548,625	4,736,567
<b>Total Liabilities</b>	<u><u>3,747,264</u></u>	<u><u>543,138</u></u>	<u><u>505,479</u></u>	<u><u>1,963,224</u></u>	<u><u>6,759,105</u></u>
<b>Fund Balances</b>					
Nonspendable	23,219	21,494	8,464	838,513	891,690
Restricted	0	900,625	276,817	2,537,360	3,714,802
Committed	0	0	0	125,625	125,625
Assigned	50,610	0	0	0	50,610
Unassigned	2,597,459	0	0	(91,513)	2,505,946
<b>Total Fund Balances</b>	<u><u>2,671,288</u></u>	<u><u>922,119</u></u>	<u><u>285,281</u></u>	<u><u>3,409,985</u></u>	<u><u>7,288,673</u></u>
<b>Total Liabilities and Fund Balances</b>	<u><u>\$6,418,552</u></u>	<u><u>\$1,465,257</u></u>	<u><u>\$790,760</u></u>	<u><u>\$5,373,209</u></u>	<u><u>\$14,047,778</u></u>

See accompanying notes to the basic financial statements

**City of Zanesville, Ohio**  
*Reconciliation of Total Governmental Fund Balances to  
 Net Assets of Governmental Activities  
 December 31, 2011*

**Total Governmental Fund Balances** \$7,288,673

*Amounts reported for governmental activities in the  
 statement of net assets are different because*

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 20,338,929

Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:

Property Taxes	269,597	
Charges for Services - Special Assessments	1,641,570	
Municipal Income Tax	320,899	
Intergovernmental Revenues	1,480,076	
Other Revenues	1,115	
Total	3,713,257	3,713,257

Unamortized issuance costs represent deferred charges which do not provide current financial resources and therefore are not reported in the funds. 63,871

Internal service funds are used by management to charge the costs of insurance and vehicle maintenance to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets (excluding the Capital Assets reported above and the compensated absences reported below). 812,511

Some liabilities are not due and payable in the current period and therefore are not reported in the funds:

Bonds Payable	(2,335,803)	
Accrued Interest Payable	(16,815)	
Loans Payable	(3,803,121)	
Compensated Absences Payable	(1,630,176)	
Total	(7,785,915)	(7,785,915)

***Net Assets of Governmental Activities*** **\$24,431,326**

See accompanying notes to the basic financial statements

**City of Zanesville, Ohio**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Year Ended December 31, 2011*

	General	Police Expenditure	Fire Operating	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
Property Taxes	\$653,410	\$0	\$0	\$509,952	\$1,163,362
Permissive Motor Vehicle License	0	0	0	112,985	112,985
Municipal Income Tax	8,229,434	3,592,581	1,436,125	1,437,852	14,695,992
Payments in Lieu of Taxes	0	0	0	606,855	606,855
Charges for Services	1,087,021	10,014	3,889	263,504	1,364,428
Fines, Licenses and Permits	289,341	22,211	0	540,361	851,913
Franchise Tax	396,603	0	0	0	396,603
Intergovernmental	3,324,549	0	0	4,643,369	7,967,918
Investment Earnings	95,054	0	0	29,245	124,299
Donations	500	7,658	1,225	0	9,383
Rent	7,172	0	0	15,030	22,202
Other	9,083	294	24,928	57,931	92,236
<i>Total Revenues</i>	<u>14,092,167</u>	<u>3,632,758</u>	<u>1,466,167</u>	<u>8,217,084</u>	<u>27,408,176</u>
<b>Expenditures</b>					
Current:					
General Government:					
Legislative and Executive	4,202,331	0	0	0	4,202,331
Court	382,326	0	0	103,730	486,056
Security of Persons and Property:					
Police	0	5,627,426	0	1,868,986	7,496,412
Fire	0	0	4,940,716	0	4,940,716
Other	325,274	0	0	0	325,274
Public Health Services	44,930	0	0	375,773	420,703
Community Environment	347,442	0	0	1,005,447	1,352,889
Transportation	549,524	0	0	3,185,002	3,734,526
Leisure Time Activities	527,015	0	0	289,901	816,916
Capital Outlay	25,049	0	0	948,269	973,318
Debt Service:					
Principal Retirement	0	0	0	490,307	490,307
Interest and Fiscal Charges	0	0	0	226,818	226,818
<i>Total Expenditures</i>	<u>6,403,891</u>	<u>5,627,426</u>	<u>4,940,716</u>	<u>8,494,233</u>	<u>25,466,266</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>7,688,276</u>	<u>(1,994,668)</u>	<u>(3,474,549)</u>	<u>(277,149)</u>	<u>1,941,910</u>
<b>Other Financing Sources (Uses)</b>					
Transfers In	0	2,576,031	4,017,796	1,065,047	7,658,874
Proceeds from Sale of Capital Assets	17,325	5,925	3,303	0	26,553
Transfers Out	(7,910,398)	0	0	0	(7,910,398)
<i>Total Other Financing Sources (Uses)</i>	<u>(7,893,073)</u>	<u>2,581,956</u>	<u>4,021,099</u>	<u>1,065,047</u>	<u>(224,971)</u>
<i>Net Change in Fund Balances</i>	(204,797)	587,288	546,550	787,898	1,716,939
<i>Fund Balances (Deficit) Beginning of Year - Restated (See Note 4)</i>					
	<u>2,876,085</u>	<u>334,831</u>	<u>(261,269)</u>	<u>2,622,087</u>	<u>5,571,734</u>
<i>Fund Balances End of Year</i>	<u>\$2,671,288</u>	<u>\$922,119</u>	<u>\$285,281</u>	<u>\$3,409,985</u>	<u>\$7,288,673</u>

See accompanying notes to the basic financial statements

**City of Zanesville, Ohio**  
*Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Year Ended December 31, 2011*

**Net Change in Fund Balances - Total Governmental Funds** \$1,716,939

*Amounts reported for governmental activities in the  
statement of activities are different because*

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital Outlay	1,567,139	
Depreciation	(1,295,851)	
Excess of Capital Outlay Over Depreciation Expense		271,288

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:

Property Taxes	(123,681)	
Charges for Services - Special Assessments	(231,001)	
Municipal Income Tax	(578,256)	
Intergovernmental Revenues	(1,057,647)	
Other Revenues	1,117	
Total		(1,989,468)

In the statement of activities, interest is accrued on outstanding loans, whereas in governmental funds, an interest expenditure is expensed when due. (2,850)

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 490,307

The internal service funds used by management to charge the costs of insurance and vehicle maintenance to individual funds is not reported in the statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net expenses of the internal service funds are allocated among governmental activities. 536,503

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds:

Compensated Absences Payable		252,628

***Change in Net Assets of Governmental Activities*** \$1,275,347

See accompanying notes to the basic financial statements

**City of Zanesville, Ohio**  
*Statement of Revenues, Expenditures and Changes  
in Fund Balance - Budget (Non-GAAP Basis) and Actual  
General Fund  
For the Year Ended December 31, 2011*

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Over (Under)
<b>Revenues</b>				
Property Taxes	\$675,574	\$675,574	\$645,798	(\$29,776)
Municipal Income Tax	7,544,300	7,694,300	8,106,268	411,968
Charges for Services	654,478	671,197	678,349	7,152
Fines, Licenses and Permits	354,639	355,639	366,435	10,796
Franchise Tax	302,600	317,968	315,477	(2,491)
Intergovernmental	3,086,970	3,267,176	3,427,974	160,798
Investment Earnings	85,000	91,421	95,583	4,162
Donations	0	500	500	0
Rent	6,752	6,752	7,622	870
Other	19,131	25,583	11,388	(14,195)
<i>Total Revenues</i>	<u>12,729,444</u>	<u>13,106,110</u>	<u>13,655,394</u>	<u>549,284</u>
<b>Expenditures</b>				
Current:				
General Government:				
Legislative and Executive	3,822,103	4,454,337	3,936,175	518,162
Court	422,747	386,505	363,501	23,004
Security of Persons and Property:				
Other	368,116	378,545	376,684	1,861
Public Health Services	46,830	46,830	45,430	1,400
Community Environment	313,320	381,109	350,134	30,975
Transportation	697,843	713,226	536,113	177,113
Leisure Time Activities	699,310	728,241	550,294	177,947
Capital Outlay	0	30,000	25,049	4,951
<i>Total Expenditures</i>	<u>6,370,269</u>	<u>7,118,793</u>	<u>6,183,380</u>	<u>935,413</u>
<i>Excess of Revenues Over Expenditures</i>	<u>6,359,175</u>	<u>5,987,317</u>	<u>7,472,014</u>	<u>1,484,697</u>
<b>Other Financing Sources (Uses)</b>				
Proceeds from Sale of Capital Assets	0	17,325	17,325	0
Transfers Out	(7,429,338)	(7,940,398)	(7,910,398)	30,000
<i>Total Other Financing Sources (Uses)</i>	<u>(7,429,338)</u>	<u>(7,923,073)</u>	<u>(7,893,073)</u>	<u>30,000</u>
<i>Net Change in Fund Balance</i>	(1,070,163)	(1,935,756)	(421,059)	1,514,697
<i>Fund Balance Beginning of Year</i>	1,935,758	1,935,758	1,935,758	0
Prior Year Encumbrances Appropriated	42,137	42,137	42,137	0
<i>Fund Balance End of Year</i>	<u>\$907,732</u>	<u>\$42,139</u>	<u>\$1,556,836</u>	<u>\$1,514,697</u>

See accompanying notes to the basic financial statements



**City of Zanesville, Ohio**  
*Statement of Revenues, Expenditures and Changes*  
*in Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*Police Expenditure Fund*  
*For the Year Ended December 31, 2011*

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Over (Under)
<b>Revenues</b>				
Municipal Income Tax	\$3,531,009	\$3,531,009	\$3,531,009	\$0
Charges for Services	13,000	11,000	10,014	(986)
Fines, Licenses and Permits	0	0	22,211	22,211
Donations	0	7,003	7,658	655
Other	15,400	12,720	294	(12,426)
<i>Total Revenues</i>	<u>3,559,409</u>	<u>3,561,732</u>	<u>3,571,186</u>	<u>9,454</u>
<b>Expenditures</b>				
Current:				
Security of Persons and Property:				
Police	<u>6,083,460</u>	<u>6,371,001</u>	<u>5,652,113</u>	<u>718,888</u>
<i>Total Expenditures</i>	<u>6,083,460</u>	<u>6,371,001</u>	<u>5,652,113</u>	<u>718,888</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(2,524,051)</u>	<u>(2,809,269)</u>	<u>(2,080,927)</u>	<u>728,342</u>
<b>Other Financing Sources</b>				
Proceeds from Sale of Capital Assets	0	5,925	5,925	0
Transfers In	<u>2,404,051</u>	<u>2,576,031</u>	<u>2,576,031</u>	<u>0</u>
<i>Total Other Financing Sources</i>	<u>2,404,051</u>	<u>2,581,956</u>	<u>2,581,956</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(120,000)	(227,313)	501,029	728,342
<i>Fund Balance Beginning of Year</i>	227,314	227,314	227,314	0
Prior Year Encumbrances Appropriated	<u>10,535</u>	<u>10,535</u>	<u>10,535</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$117,849</u></u>	<u><u>\$10,536</u></u>	<u><u>\$738,878</u></u>	<u><u>\$728,342</u></u>

See accompanying notes to the basic financial statements

**City of Zanesville, Ohio**  
*Statement of Revenues, Expenditures and Changes*  
*in Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*Fire Operating Fund*  
*For the Year Ended December 31, 2011*

	<u>Budgeted Amounts</u>			Variance with Final Budget Over (Under)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues</b>				
Municipal Income Tax	\$1,411,482	\$1,411,482	\$1,411,482	\$0
Charges for Services	3,800	3,800	3,825	25
Donations	0	1,225	1,225	0
Other	1,000	17,397	24,878	7,481
<i>Total Revenues</i>	<u>1,416,282</u>	<u>1,433,904</u>	<u>1,441,410</u>	<u>7,506</u>
<b>Expenditures</b>				
Current:				
Security of Persons and Property:				
Fire	5,300,802	5,484,609	5,012,220	472,389
<i>Total Expenditures</i>	<u>5,300,802</u>	<u>5,484,609</u>	<u>5,012,220</u>	<u>472,389</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(3,884,520)</u>	<u>(4,050,705)</u>	<u>(3,570,810)</u>	<u>479,895</u>
<b>Other Financing Sources</b>				
Proceeds from Sale of Capital Assets	0	3,300	3,303	3
Transfers In	3,874,520	4,017,796	4,017,796	0
<i>Total Other Financing Sources</i>	<u>3,874,520</u>	<u>4,021,096</u>	<u>4,021,099</u>	<u>3</u>
<i>Net Change in Fund Balance</i>	(10,000)	(29,609)	450,289	479,898
<i>Fund Balance Beginning of Year</i>	29,608	29,608	29,608	0
Prior Year Encumbrances Appropriated	1,975	1,975	1,975	0
<i>Fund Balance End of Year</i>	<u>\$21,583</u>	<u>\$1,974</u>	<u>\$481,872</u>	<u>\$479,898</u>

See accompanying notes to the basic financial statements

This Page Intentionally Left Blank

**City of Zanesville, Ohio**  
*Statement of Fund Net Assets*  
*Proprietary Funds*  
*December 31, 2011*  
 Business Type Activities - Enterprise Funds

	Sanitation	Sewer	Water	Total	Governmental Activities - Internal Service Funds
<b>Assets</b>					
Current:					
Equity in Pooled Cash and Cash Equivalents	\$302,653	\$1,274,225	\$931,473	\$2,508,351	\$902,647
Cash and Cash Equivalents in Segregated Accou	0	62,710	0	62,710	0
Accounts Receivable	348,265	813,337	802,109	1,963,711	1,295
Intergovernmental Receivable	0	0	0	0	83,098
Interfund Receivable	0	0	0	0	40,050
Special Assessments Receivable	0	95,521	0	95,521	0
Materials and Supplies Inventory	0	318,898	514,487	833,385	264,281
Restricted Assets:					
Customer Deposits:					
Equity in Pooled Cash and Cash Equivalents	0	0	301,165	301,165	0
Prepaid Items	2,266	14,912	12,677	29,855	674
<i>Total Current Assets</i>	<u>653,184</u>	<u>2,579,603</u>	<u>2,561,911</u>	<u>5,794,698</u>	<u>1,292,045</u>
Noncurrent:					
Non-Depreciable Capital Assets	0	144,997	17,449,832	17,594,829	0
Depreciable Capital Assets, Net	168,512	41,377,873	5,920,234	47,466,619	3,817
<i>Total Noncurrent Assets</i>	<u>168,512</u>	<u>41,522,870</u>	<u>23,370,066</u>	<u>65,061,448</u>	<u>3,817</u>
<i>Total Assets</i>	<u>821,696</u>	<u>44,102,473</u>	<u>25,931,977</u>	<u>70,856,146</u>	<u>1,295,862</u>
<b>Liabilities</b>					
Current:					
Accounts Payable	34,082	69,709	76,103	179,894	19,122
Contracts Payable	0	8,017	204,021	212,038	0
Accrued Wages Payable	25,749	64,908	71,541	162,198	17,835
Intergovernmental Payable	23,158	55,908	59,973	139,039	13,749
Accrued Interest Payable	0	0	1,579	1,579	0
Claims Payable	0	0	0	0	404,700
Interfund Payable	3,966	4,799	11,953	20,718	0
Compensated Absences Payable	68,015	148,444	136,521	352,980	53,189
General Obligation Bonds Payable	0	0	66,000	66,000	0
OPWC Loans Payable	0	0	36,309	36,309	0
OWDA Loans Payable	0	1,672,806	377,579	2,050,385	0
Current Liabilities Payable from Restricted Assets:					
Customer Deposits	0	0	301,165	301,165	0
<i>Total Current Liabilities</i>	<u>154,970</u>	<u>2,024,591</u>	<u>1,342,744</u>	<u>3,522,305</u>	<u>508,595</u>
Long-Term:					
Compensated Absences Payable	18,131	12,156	53,450	83,737	0
Notes Payable	0	0	439,500	439,500	0
OPWC Loans Payable	0	0	74,823	74,823	0
OWDA Loans Payable	0	15,264,293	11,364,998	26,629,291	0
<i>Total Long-Term Liabilities</i>	<u>18,131</u>	<u>15,276,449</u>	<u>11,932,771</u>	<u>27,227,351</u>	<u>0</u>
<i>Total Liabilities</i>	<u>173,101</u>	<u>17,301,040</u>	<u>13,275,515</u>	<u>30,749,656</u>	<u>508,595</u>
<b>Net Assets</b>					
Invested in Capital Assets, Net of Related Debt	168,512	24,585,771	12,210,130	36,964,413	3,817
Unrestricted	480,083	2,215,662	446,332	3,142,077	783,450
<i>Total Net Assets</i>	<u>\$648,595</u>	<u>\$26,801,433</u>	<u>\$12,656,462</u>	<u>\$40,106,490</u>	<u>\$787,267</u>

See accompanying notes to the basic financial statements

**City of Zanesville, Ohio**  
*Statement of Revenues, Expenses  
and Changes in Fund Net Assets  
Proprietary Funds  
For the Year Ended December 31, 2011*

	Business Type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Sanitation	Sewer	Water	Total	
<b>Operating Revenues</b>					
Charges for Services	\$1,619,660	\$6,514,057	\$5,385,784	\$13,519,501	\$5,582,243
Other Operating Revenues	43	0	6,759	6,802	1,831
<i>Total Operating Revenues</i>	<u>1,619,703</u>	<u>6,514,057</u>	<u>5,392,543</u>	<u>13,526,303</u>	<u>5,584,074</u>
<b>Operating Expenses</b>					
Salaries and Wages	546,989	1,319,653	1,363,837	3,230,479	318,200
Fringe Benefits	391,818	680,345	657,290	1,729,453	135,032
Contractual Services	582,267	1,654,315	558,590	2,795,172	369,941
Materials and Supplies	18,823	314,717	255,393	588,933	846,440
Claims	0	0	0	0	3,566,848
Other Operating Expenses	0	0	0	0	2,000
Depreciation	49,508	1,159,623	224,985	1,434,116	0
<i>Total Operating Expenses</i>	<u>1,589,405</u>	<u>5,128,653</u>	<u>3,060,095</u>	<u>9,778,153</u>	<u>5,238,461</u>
<i>Operating Income</i>	<u>30,298</u>	<u>1,385,404</u>	<u>2,332,448</u>	<u>3,748,150</u>	<u>345,613</u>
<b>Non-Operating Revenues (Expenses)</b>					
Investment Earnings	467	282	364	1,113	0
Grants	4,000	100,000	0	104,000	0
Intergovernmental	0	22,270	4,303	26,573	0
Gain on Sale of Capital Assets	0	143	700	843	0
Other Non-Operating Revenues	0	36,906	11,480	48,386	0
Interest and Fiscal Charges	0	(807,478)	(89,350)	(896,828)	0
<i>Total Non-Operating Revenues (Expenses)</i>	<u>4,467</u>	<u>(647,877)</u>	<u>(72,503)</u>	<u>(715,913)</u>	<u>0</u>
<i>Income Before Transfers</i>	<u>34,765</u>	<u>737,527</u>	<u>2,259,945</u>	<u>3,032,237</u>	<u>345,613</u>
Transfers In	60,895	0	0	60,895	190,629
<i>Change in Net Assets</i>	<u>95,660</u>	<u>737,527</u>	<u>2,259,945</u>	<u>3,093,132</u>	<u>536,242</u>
<i>Net Assets Beginning of Year - Restated (See Note 4)</i>	<u>552,935</u>	<u>26,063,906</u>	<u>10,396,517</u>	<u>37,013,358</u>	<u>251,025</u>
<i>Net Assets End of Year</i>	<u>\$648,595</u>	<u>\$26,801,433</u>	<u>\$12,656,462</u>	<u>\$40,106,490</u>	<u>\$787,267</u>

See accompanying notes to the basic financial statements

**City of Zanesville, Ohio**  
*Statement of Cash Flows*  
*Proprietary Funds*  
For the Year Ended December 31, 2011

	Business Type Activities - Enterprise Funds			Total Funds
	Sanitation	Sewer	Water	
<b>Increase (Decrease) in Cash and Cash Equivalents</b>				
<b>Cash Flows from Operating Activities:</b>				
Cash Received from Customers	\$1,638,759	\$6,668,404	\$5,344,584	\$13,651,747
Cash Received from Transactions with Other Funds	0	0	0	0
Cash Payments for Employee Services and Benefits	(961,464)	(2,014,242)	(2,053,274)	(5,028,980)
Cash Payments to Suppliers for Goods and Services	(615,554)	(1,979,039)	(612,602)	(3,207,195)
Other Operating Revenues	43	0	0	43
Other Non-Operating Revenues	0	36,906	16,834	53,740
Other Operating Expenses	0	0	0	0
Cash Payments for Claims	0	0	0	0
Customer Deposits Received	0	0	2,643	2,643
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u>61,784</u>	<u>2,712,029</u>	<u>2,698,185</u>	<u>5,471,998</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>				
Acquisition of Capital Assets	0	(721,367)	(10,704,642)	(11,426,009)
Capital Grants	0	122,270	0	122,270
Proceeds from Sale of Capital Assets	0	143	700	843
Loan Proceeds	0	193,204	8,834,004	9,027,208
Principal Paid on Debt	0	(1,636,140)	(620,441)	(2,256,581)
Interest Paid on Debt	0	(802,124)	(88,839)	(890,963)
<i>Net Cash Used for Capital and Related Financing Activities</i>	<u>0</u>	<u>(2,844,014)</u>	<u>(2,579,218)</u>	<u>(5,423,232)</u>
<b>Cash Flows from Non-Capital and Related Financing Activities:</b>				
Operating Grants	4,000	0	4,303	8,303
Operating Transfers In	60,895	0	0	60,895
<i>Net Cash Provided by Non-Capital and Related Financing Activities</i>	<u>64,895</u>	<u>0</u>	<u>4,303</u>	<u>69,198</u>
<b>Cash Flows from Investing Activities:</b>				
Investment Earnings	467	282	364	1,113
<i>Net Cash Provided by Investing Activities</i>	<u>467</u>	<u>282</u>	<u>364</u>	<u>1,113</u>
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	127,146	(131,703)	123,634	119,077
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>175,507</u>	<u>1,468,638</u>	<u>1,109,004</u>	<u>2,753,149</u>
<i>Cash and Cash Equivalents End of Year</i>	<u>\$302,653</u>	<u>\$1,336,935</u>	<u>\$1,232,638</u>	<u>\$2,872,226</u>
<b>Reconciliation of Operating Income to Net Cash Provided by (Used for) Operating Activities:</b>				
<i>Operating Income</i>	\$30,298	\$1,385,404	\$2,332,448	\$3,748,150
Adjustments:				
Depreciation	49,508	1,159,623	224,985	1,434,116
Other Non-Operating Revenues	0	36,906	16,834	53,740
(Increase)/Decrease in Assets:				
Accounts Receivable	19,099	159,385	(41,200)	137,284
Intergovernmental Receivable	0	0	0	0
Interfund Receivable	0	0	0	0
Special Assessments Receivable	0	(5,038)	0	(5,038)
Materials and Supplies Inventory	0	(44,648)	74,189	29,541
Prepaid Items	1,612	(7,043)	5,792	361
Increase/(Decrease) in Liabilities:				
Accounts Payable	(10,757)	32,631	(82,404)	(60,530)
Contracts Payable	0	8,017	204,021	212,038
Accrued Wages Payable	(5,786)	9,344	8,990	12,548
Intergovernmental Payable	(7,210)	(11,606)	(12,983)	(31,799)
Claims Payable	0	0	0	0
Matured Compensated Absences Payable	(8,246)	0	0	(8,246)
Interfund Payable	(5,319)	132	(492)	(5,679)
Customer Deposits Payable	0	0	(4,116)	(4,116)
Compensated Absences Payable	(1,415)	(11,078)	(27,879)	(40,372)
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u>\$61,784</u>	<u>\$2,712,029</u>	<u>\$2,698,185</u>	<u>\$5,471,998</u>

See accompanying notes to the basic financial statement

Governmental

Activities - Internal Service Funds
\$0
5,513,377
(455,845)
(1,236,824)
536
0
(2,000)
(3,834,048)
<u>0</u>
(14,804)
<u>0</u>
<u>0</u>
<u>0</u>
<u>0</u>
<u>0</u>
<u>0</u>
<u>0</u>
<u>0</u>
0
190,629
<u>190,629</u>
<u>0</u>
<u>0</u>
175,825
726,822
<u>\$902,647</u>
\$345,613
0
0
(1,295)
(83,098)
14,232
0
(22,257)
973
841
0
2,126
(3,361)
(267,200)
0
0
0
(1,378)
<u>(\$14,804)</u>

**City of Zanesville, Ohio**  
*Statement of Fiduciary Net Assets*  
*Fiduciary Funds*  
*December 31, 2011*

	<u>Private Purpose Trust Funds</u>	<u>Agency</u>
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$13,451	\$43,552
Investments	10,000	0
Accrued Interest	<u>6</u>	<u>0</u>
<i>Total Assets</i>	<u>23,457</u>	<u><u>\$43,552</u></u>
<b>Liabilities</b>		
Undistributed Monies	0	\$42,800
Deposits Held and Due to Others	<u>0</u>	<u>\$752</u>
<i>Total Liabilities</i>	<u>0</u>	<u><u>\$43,552</u></u>
<b>Net Assets</b>		
Held in Trust for Private Purposes	<u>23,457</u>	
Total Net Assets	<u><u>\$23,457</u></u>	

See accompanying notes to the basic financial statements



**City of Zanesville, Ohio**  
*Statement of Changes in Fiduciary Net Assets*  
*Private Purpose Trust Funds*  
*December 31, 2011*

<b>Additions</b>	
Interest	\$80
<b>Deletions</b>	
Other	<u>0</u>
<i>Change in Net Assets</i>	80
<i>Net Assets Beginning of Year</i>	<u>23,377</u>
<i>Net Assets End of Year</i>	<u><u>\$23,457</u></u>

See accompanying notes to the basic financial statements

**City of Zanesville, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2011*

---

**NOTE 1 - DESCRIPTION OF THE CITY AND REPORTING ENTITY**

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 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.

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 following have been excluded from the financial reporting entity:

Muskingum County Public Library  
Zanesville City School District  
Muskingum Community Action Group, Inc.  
Muskingum University  
Zane State College  
Zanesville/Muskingum Convention and Visitors Bureau  
Zanesville City Chamber of Commerce  
East Muskingum Water Authority  
East Muskingum Local School District

The City is involved with the following organizations which are defined as jointly governed organizations. Additional information concerning the jointly governed organizations is presented in Note 18.

Ohio Mid-Eastern Governments Association (OMEGA)  
Zanesville/Muskingum County Port Authority  
Zanesville/Muskingum Conventions Facility Authority  
Zanesville Metropolitan Housing Authority  
Muskingum County Center for Seniors

**City of Zanesville, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2011*

---

The City is involved with the following organizations which are defined as joint ventures. Additional information concerning the joint ventures is presented in Note 19.

Zanesville, South Zanesville and Springfield Joint Economic Development District (JEDD)  
Zanesville-Washington Township Joint Economic Development District (JEDD)  
Zanesville-Newton Township Joint Economic Development District (JEDD)

The City is involved with the follow organization which is defined as a related organization. Additional information concerning the related organization is presented in Note 20.

The South East Area Transit Authority

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the City of Zanesville have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles. The City also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental and business-type activities and to its enterprise funds unless those pronouncements conflict with or contradict GASB pronouncements. The City has elected not to apply FASB statements and interpretations issued after November 30, 1989, to its business-type activities and enterprise funds. The more significant of the City's accounting policies are described below.

A. Basis of Presentation

The City's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

***Government-wide Financial Statements*** The statement of net assets and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities.

The statement of net assets presents the financial condition of the governmental and business-type activities of the City at year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities and for business-type activities of the City. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants, and contributions that are restricted to meeting the operational or capital requirements of a particular program, and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental program or business activity self-financing or draws from the general revenues of the City.

**City of Zanesville, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2011*

---

***Fund Financial Statements*** During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

**B. Fund Accounting**

The City uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary, and fiduciary.

***Governmental Funds*** Governmental funds are those through which most governmental functions of the City are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the City's major governmental funds:

***General Fund*** The General Fund accounts 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.

***Police Expenditure Fund*** The Police Expenditure Fund is used to account for that portion of income tax collections designated for security of persons and property within the City.

***Fire Operating Fund*** The Fire Operating Fund is used to account for that portion of income tax collections designated for operating costs of the City's three fire stations.

The other governmental funds of the City account for grants and other resources whose use is restricted to a particular purpose.

***Proprietary Funds*** Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position, and cash flows. Proprietary funds are classified as either enterprise or internal service. The City's proprietary funds are all classified as enterprise funds. Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. All of the City's enterprise funds are major funds.

***Sanitation Fund*** The Sanitation Fund is used to account for the revenues generated from the charges for refuse collection to the residential and commercial users of the City.

***Sewer Fund*** The Sewer Fund is used to account for the revenues generated from the charges for sanitary sewer services provided to the residential and commercial users of the City.

***Water Fund*** The Water Fund is used to account for the revenues generated from the charges for distribution of water to the residential and commercial users of the City.

**City of Zanesville, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2011*

---

**Internal Service Funds** Internal Service funds account for the financing of services provided by one department or agency to other departments or agencies of the City on a cost reimbursement basis. One internal service fund of the City accounts for self-insurance for health care claims and the other internal service fund accounts for vehicle maintenance costs.

**Fiduciary Funds** Fiduciary fund reporting focuses on net assets and changes in net assets. There are four categories of fiduciary funds; pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the City's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City's agency funds account for grant money passed through for a scenic route project, payroll activity, and mayor's court collections that are distributed to various local governments. The City's private purpose trust funds are used to hold in trust monies that do not benefit the City.

C. Measurement Focus

**Government-wide Financial Statements** The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the City are included on the statement of net assets. The statement of activities accounts for increases (i.e. revenues) and decreases (i.e. expenditures) in total net assets.

**Fund Financial Statements** All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Therefore, governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Like the government-wide statements, all proprietary funds are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of fund net assets. The statement of changes in revenues, expenses, and changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary activities.

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting; proprietary and fiduciary funds also use the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenues, and in the presentation of expenses versus expenditures.

**City of Zanesville, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2011*

---

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

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

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year end: municipal income taxes, hotel taxes, charges for services, state-levied locally shared taxes (including gasoline tax and motor vehicle license fees), interest, grants, fees, and rentals.

**Deferred Revenue** Deferred revenues arise when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of December 31, 2011, but which were levied to finance year 2012 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements were met also have been recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period also have been reflected as deferred revenue.

**Expenses/Expenditures** On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

**E. Budget Process**

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount Council may appropriate. The appropriations resolution is Council's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by Council. The legal level of control has been established by Council at the object level within each department. Any budgetary modifications at this level may only be made by resolution of the City

**City of Zanesville, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2011*

---

Council.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the City Auditor. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were adopted by Council.

The appropriation resolution is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts in the budgetary statements reflect the first appropriation resolution for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by Council during the year.

F. 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 are maintained in this account or temporarily used to purchase short term investments. Individual fund integrity is maintained through City records. Interest in the pool is presented as "equity in pooled cash and cash equivalents."

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest is credited to the General Fund, the Street and State Highway and Law Enforcement Special Revenue Funds. Interest revenue credited to the General Fund during 2011 amounted to \$95,054, which includes \$79,161 assigned from other City funds.

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

Investments of the cash management pool and investments with an original maturity of three months or less are considered to be cash equivalents. Investments with an original maturity of more than three months are reported as investments.

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

The City invested funds in repurchase agreements, money market mutual funds, and U.S. Treasury Notes during 2011.

G. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation.

**City of Zanesville, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2011*

---

Restricted assets also represent utility deposits from customers that are classified as restricted because their use is limited to the payment of unpaid utility bills or refunding of the deposit to the customer. Unclaimed monies that are required to be held for five years before they may be utilized by the City are reported as restricted.

H. Inventory

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used. Inventory consists of expendable supplies held for consumption.

I. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2011, 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.

J. Capital Assets

General capital assets are capital assets which are associated with and generally arise from governmental activities. They generally result from expenditures in the governmental funds. General capital assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the enterprise funds are reported both in the business-type activities column of the government-wide statement of net assets and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The City was able to estimate the historical cost for the initial reporting of infrastructure by back trending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). Donated capital assets are recorded at their fair market value as of the date received. The City maintains a capitalization threshold of five thousand dollars. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All capital assets are depreciated, except for land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the City's historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method over the following useful lives:

Description	Governmental Activities	Business-Type Activities
Buildings and Improvements	10 - 100 years	10 - 100 years
Machinery and Equipment	4 - 20 years	4 - 20 years
Vehicles	3 - 10 years	3 - 10 years
Infrastructure	8 - 50 years	8 - 50 years



**City of Zanesville, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2011*

---

**K. Compensated Absences**

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. The liability for vacation benefits is recorded as part of long term obligations. The balances are to be used by employees following the year earned. 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 that the City has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employee wage rates at year end taking into consideration any limits specified in the City's termination policy. The City records a liability for accumulated unused sick leave for police and jail employees after ten 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.

**L. Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements. All payables, accrued liabilities, and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments, compensated absences, and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds and long-term loans are recognized as a liability on the governmental fund financial statements when due.

**M. Fund Balance**

Fund balance is divided into five classifications based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

***Nonspendable*** The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans, if any.

***Restricted*** Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions or enabling legislation (City ordinances).

Enabling legislation authorizes the City to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the City can be compelled by an external party-such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation.

**City of Zanesville, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2011*

---

**Committed** The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (ordinance or resolution) of City Council. Those committed amounts cannot be used for any other purpose unless City Council removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, the committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by City Council, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints are not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

**Assigned** Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by City Council or a City official delegated that authority by City Charter or ordinance, or by State Statute.

**Unassigned** Unassigned fund balance is the residual classification for the general fund and includes amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The City applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

N. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through constitutional provisions or enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

Net assets restricted for other purposes include activities related to community health and improvement, court and public safety, law enforcement, airport, and auditorium.

The City applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

**City of Zanesville, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2011*

---

O. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are charges for services for sanitation, sewer, and water utility services. Operating expenses are necessary costs that have been incurred in order to provide the good or service that is the primary activity of the fund. Revenues and expenses not meeting the definition are reported as non-operating.

P. Interfund Activity

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues. Transfers between governmental activities are eliminated on the government-wide financial statements. Internal allocations of overhead expenses from one program to another or within the same program are eliminated on the Statement of Activities. Payments of interfund services provided and used are not eliminated.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Q. Interfund Assets and Liabilities

On the fund financial statements, outstanding interfund loans and unpaid amounts for internal services are reported as "Interfund Receivables/Payables". Interfund balances are eliminated on the statement of net assets, except for any net residual amounts due between governmental and business-type activities, which are presented as internal balances.

R. Bond Premiums/Issuance Costs

On the government-wide financial statements, issuance costs and bond premiums are deferred and amortized over the term of the bonds. Issuance costs are recorded as deferred charges. Bond premiums are presented an addition to the face amount of the bonds payable.

S. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of management and that are either unusual in nature or infrequent in occurrence.

T. 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 may differ from those estimates.

**City of Zanesville, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2011*

---

**NOTE 3 - BUDGETARY BASIS OF ACCOUNTING**

While the City is reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual presented for the General Fund and each major special revenue fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are as follows:

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditures (budget) rather than restricted, committed, or assigned fund balance (GAAP).
4. Unrecorded cash and interest, segregated accounts, and prepaid items are reported on the balance sheet (GAAP) but not on the budgetary basis.

The following table summarizes the adjustments necessary to reconcile the GAAP basis statement to the budgetary basis statement for the General Fund and the Police Expenditure and Fire Operating Special Revenue Funds.

Net Change in Fund Balance

	<u>General</u>	<u>Police Expenditure</u>	<u>Fire Operating</u>
GAAP Basis	(\$204,797)	\$587,288	\$546,550
Net Adjustment for Revenue Accruals	(382,692)	(61,572)	(24,643)
End of Year:			
Unrecorded Cash	(20,127)	0	(114)
Unrecorded Interest	(27,375)	0	0
Prepaid Items	(17,025)	(18,676)	(8,464)
Segregated Accounts	(6,579)	0	0
Net Adjustment for Expenditure Accruals	308,824	(134)	(42,493)
Encumbrances	(71,288)	(5,877)	(20,547)
Budget Basis	<u>(\$421,059)</u>	<u>\$501,029</u>	<u>\$450,289</u>

**City of Zanesville, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2011*

**NOTE 4 - CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF PRIOR YEAR BALANCES**

A. Changes in Accounting Principles

For 2011, the City has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions".

GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

B. Restatement of Prior Year Balances

The implementation of GASB Statement No. 54 had the following effect on fund balances of the major and nonmajor funds as they were previously reported. In addition, in 2010 the City determined that capital assets and debt were misstated. These adjustments had the following effects on the financial statements as previously reported for the year ended December 31, 2010:

	General	Police	Fire	Other Nonmajor Governmental	Total
Fund Balance at December 31, 2010	\$3,079,058	\$334,831	(\$261,269)	\$2,838,727	\$5,991,347
GASB 54	20,657	0	0	(440,270)	(419,613)
Manuscript Debt	(223,630)	0	0	223,630	0
Adjusted Fund Balance at December 31, 2010	<u>\$2,876,085</u>	<u>\$334,831</u>	<u>(\$261,269)</u>	<u>\$2,622,087</u>	<u>\$5,571,734</u>

	Sanitation	Sewer	Water	Total
12/31/10 Net Assets	\$0	\$29,555,444	\$10,152,247	\$39,707,691
GASB 54	334,915	0	0	334,915
Debt	0	145,608	17,188	162,796
Capital Assets	218,020	(3,637,146)	227,082	(3,192,044)
Restated 12/31/10 Net Assets	<u>\$552,935</u>	<u>\$26,063,906</u>	<u>\$10,396,517</u>	<u>\$37,013,358</u>

Entity Wide:	Governmental
12/31/10 Net Assets	\$21,655,412
GASB 54	(2,282)
Manuscript Debt	(156,356)
Capital Assets, Net	1,659,205
Restated 12/31/10 Net Assets	<u>\$23,155,979</u>

**City of Zanesville, Ohio**  
*Notes to the Basic Financial Statements*  
For the Year Ended December 31, 2011

**NOTE 5 - FUND BALANCES**

Fund balance is classified as nonspendable, restricted, committed, assigned, and/or unassigned based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balances	General	Police Expenditure	Fire Operating	Other Governmental Funds	Total
<u>Nonspendable:</u>					
Prepays	\$17,025	\$18,676	\$8,464	\$11,780	\$55,945
Loans	0	0	0	119,399	119,399
Cemetery Endowments	0	0	0	663,769	663,769
Unclaimed monies	6,002	0	0	0	6,002
Inventory	192	2,818	0	43,565	46,575
<i>Total Nonspendable</i>	<u>23,219</u>	<u>21,494</u>	<u>8,464</u>	<u>838,513</u>	<u>891,690</u>
<u>Restricted for:</u>					
Street Improvements	0	0	0	441,202	441,202
Community Development	0	0	0	341,325	341,325
Cemetery	0	0	0	87,063	87,063
Litter Control	0	0	0	1,748	1,748
Fire Protection	0	0	276,817	0	276,817
Law Enforcement	0	900,625	0	372,358	1,272,983
Court Operations	0	0	0	385,492	385,492
Jail Operating	0	0	0	526,127	526,127
Police & Fire Pension	0	0	0	20,544	20,544
Airport Improvements	0	0	0	159,279	159,279
Capital Improvements	0	0	0	202,222	202,222
<i>Total Restricted</i>	<u>0</u>	<u>900,625</u>	<u>276,817</u>	<u>2,537,360</u>	<u>3,714,802</u>
<u>Committed to:</u>					
Capital Improvements	0	0	0	106,217	106,217
Auditorium Operating	0	0	0	19,408	19,408
<i>Total Committed</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>125,625</u>	<u>125,625</u>
<u>Assigned to:</u>					
Other purposes	50,610	0	0	0	50,610
<i>Total Assigned</i>	<u>50,610</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>50,610</u>
<u>Unassigned:</u>					
	2,597,459	0	0	(91,513)	2,505,946
<b>Total Fund Balances</b>	<u><u>\$2,671,288</u></u>	<u><u>\$922,119</u></u>	<u><u>\$285,281</u></u>	<u><u>\$3,409,985</u></u>	<u><u>\$7,288,673</u></u>

**City of Zanesville, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2011*

---

**NOTE 6 - DEPOSITS AND INVESTMENTS**

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 five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

Protection of the City's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the finance director 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 bills, bonds, notes, 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 obligation or security 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, and 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 the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;

**City of Zanesville, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2011*

---

6. No-load money market mutual funds consisting exclusively of obligations describe in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio);
8. Securities lending agreements in which the City lends securities and the eligible institution agrees to simultaneously exchange similar securities or cash, equal value for equal value;
9. Up to twenty-five percent of the City's average portfolio in either of the following:
  - a. commercial paper notes in entities incorporated under the laws of Ohio or any other State that have assets exceeding five hundred million dollars rated at the time of purchase, which are rated in the highest qualification established by two nationally recognized standard rating services, which do not exceed ten percent of the value of the outstanding commercial paper of the issuing corporation and which mature within 270 days after purchase.
  - b. bankers acceptances eligible for purchase by the federal reserve system and which mature within 180 days after purchase;
10. Fifteen percent of the City's average portfolio in notes issued by U.S. corporations or by depository institutions that are doing business under authority granted by the U.S. provided that the notes are rated in the second highest or higher category by at least two nationally recognized standard rating services at the time of purchase and the notes mature within two years from the date of purchase;
11. No-load money market mutual funds rated in the highest category at the time of purchase by at least one nationally recognized standard rating service consisting exclusively of obligations guaranteed by the United States, securities issued by a federal government agency or instrumentality, and/or highly rated commercial paper; and,
12. One percent of the City's average portfolio in debt interests rated at the time of purchase in the three highest categories by two nationally recognized standard rating services and issued by foreign nations diplomatically recognized by the United States government.

Repurchase agreements, investments in derivatives, and investments in stripped principal or interest obligations that are not issued or guaranteed by the United States, are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. Other than corporate notes, commercial paper, and bankers' acceptances, an investment must mature within five years from the date of settlement unless matched to a specific obligation or debt of the City. Investments must be purchased with the expectation that they 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.



**City of Zanesville, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2011*

---

**Deposits**

Custodial credit risk for deposits is the risk that, in the event of bank failure, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, the carrying amount of the City's deposits was \$9,717,584 and the bank balance was \$9,931,011. Of the bank balance, \$5,816,522 was covered by Federal depository insurance and \$4,114,489 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

The City has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the City or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

**Investments**

The City had the following investments at December 31, 2011:

	<u>Fair Value</u>	<u>Weighted Average Maturity</u>
U.S. Treasury Notes	\$50,000	< 1 Year

Interest rate risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City has no policy specifically dealing with interest rate risk in accordance with the investment policy, the City manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to five years or less.

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City's investment policy allows the City to invest in accordance with the Ohio Revised Code (Ohio Law).

Concentration of credit risk – Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The City places no limit on the amount the City may invest in any on issuer.

**City of Zanesville, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2011*

---

**NOTE 7 - PROPERTY TAXES**

Property taxes include amounts levied against all real and public utility property located in the City. Property tax revenue received during 2011 for real and public utility property taxes represents collections of 2010 taxes.

2011 real property taxes are levied after October 1, 2011, on the assessed value as of January 1, 2011, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2011 real property taxes are collected in and intended to finance 2012.

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

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2011 public utility property taxes became a lien December 31, 2010, are levied after October 1, 2011, and are collected in 2012 with real property taxes.

The full tax rate for all City operations for the year ended December 31, 2011, was \$3.40 per \$1,000 of assessed value. The assessed values of real property and public utility tangible property upon which 2011 property tax receipts were based are as follows:

Real Property	\$366,905,010
Public Utility Property	<u>13,657,820</u>
	<u><u>\$380,562,830</u></u>

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the City of Zanesville. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real and tangible personal property taxes and public utility taxes which are measurable as of December 31, 2011, and for which there is an enforceable legal claim. In the governmental funds, the entire receivable has been offset by deferred revenue since the current taxes were not levied to finance 2011 operations and the collection of delinquent taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while the remainder of the receivable is deferred.

**City of Zanesville, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2011*

---

**NOTE 8 - RECEIVABLES**

Receivables at December 31, 2011, consisted of taxes, special assessments, accounts (billings for user charged services including unbilled utility services), interfund, accrued interest, loans, and intergovernmental receivables arising from grants, entitlements, and shared revenues. All receivables are considered collectible in full. Delinquent sewer accounts receivable (billings for user charged services) are certified and collected as a special assessment, subject to foreclosure for nonpayment. The financial statements reflect loans receivable of \$119,399. This amount is for the principal owed to the City for Federal Community Development Block Grant Program monies loaned to individuals for the demolition of condemned buildings and home improvements. The loans bear interest at annual rates of three and one-half to nine percent. The loans are to be repaid over periods ranging from two to fifteen years.

A summary of the principal items of intergovernmental receivables follows:

<b>Governmental Activities:</b>	<u>Amount</u>
Local Government	\$641,450
Community Development Block Grant	627,719
Gasoline Tax and Motor Vehicle License	475,119
Estate Taxes	143,728
Southeast Area Transit Authority Fuel Charges	83,098
Homestead and Rollback	62,121
Justice Assistance Grant	56,817
Probation Grant	30,010
Airport Layout Grant	14,273
Other	12,504
Permissive Tax	7,933
Clean Ohio Assistance Grant	<u>3,560</u>
Total Receivable	<u><u>\$2,158,332</u></u>

**NOTE 9 - INCOME TAX**

The City levies a municipal income tax of one and nine 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, .2% to Jail Operating Special Revenue Fund, and .2% to the Fire Operating Special Revenue Fund.

**City of Zanesville, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2011*

**NOTE 10 - CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2011, was as follows:

	Restated Balance 12/31/10	Increases	Decreases	Balance 12/31/11
<b>Governmental Activities:</b>				
Capital Assets not being Depreciated:				
Land	\$1,188,231	\$0	\$0	\$1,188,231
Construction in Progress	2,514,784	1,377,482	0	3,892,266
Total Capital Assets not being Depreciated	<u>3,703,015</u>	<u>1,377,482</u>	<u>0</u>	<u>5,080,497</u>
Capital Assets being Depreciated:				
Buildings and Improvements	17,934,949	0	0	17,934,949
Machinery and Equipment	2,284,417	107,139	21,839	2,369,717
Vehicles	3,579,858	82,518	180,541	3,481,835
Infrastructure	12,724,280	0	0	12,724,280
Total Capital Assets being Depreciated	<u>36,523,504</u>	<u>189,657</u>	<u>202,380</u>	<u>36,510,781</u>
Less Accumulated Depreciation:				
Buildings and Improvements	(11,931,022)	(301,261)	0	(12,232,283)
Machinery and Equipment	(1,870,814)	(106,049)	(21,839)	(1,955,024)
Vehicles	(1,203,650)	(178,256)	(180,541)	(1,201,365)
Infrastructure	(5,153,392)	(710,285)	0	(5,863,677)
Total Accumulated Depreciation	<u>(20,158,878)</u>	<u>(1,295,851) *</u>	<u>(202,380)</u>	<u>(21,252,349)</u>
Total Capital Assets being Depreciated, Net	<u>16,364,626</u>	<u>(1,106,194)</u>	<u>0</u>	<u>15,258,432</u>
Governmental Activities Capital Assets, Net	<u><u>\$20,067,641</u></u>	<u><u>\$271,288</u></u>	<u><u>\$0</u></u>	<u><u>\$20,338,929</u></u>

\* Depreciation expense was charged to governmental programs as follows:

General Government - Legislative and Executive	\$7,861
Security of Persons and Property:	
Police	206,512
Fire	206,512
Public Health Services	18,961
Community Environment	4,612
Transportation	758,668
Leisure Time Activities	92,725
Total Depreciation Expense	<u><u>\$1,295,851</u></u>

**City of Zanesville, Ohio**  
*Notes to the Basic Financial Statements*  
For the Year Ended December 31, 2011

	Restated Balance 12/31/10	Increases	Decreases	Balance 12/31/11
<b>Business-Type Activities:</b>				
Capital Assets not being Depreciated:				
Land	\$233,184	\$0	\$0	\$233,184
Construction in Progress	7,338,670	11,390,675	1,367,700	17,361,645
Total Capital Assets not being Depreciated	<u>7,571,854</u>	<u>11,390,675</u>	<u>1,367,700</u>	<u>17,594,829</u>
Capital Assets being Depreciated:				
Buildings and Improvements	20,728,396	0	0	20,728,396
Machinery and Equipment	7,977,167	35,334	0	8,012,501
Vehicles	1,496,233	0	32,254	1,463,979
Infrastructure	37,103,396	1,367,700	0	38,471,096
Total Capital Assets being Depreciated	<u>67,305,192</u>	<u>1,403,034</u>	<u>32,254</u>	<u>68,675,972</u>
Less Accumulated Depreciation:				
Buildings and Improvements	(5,636,543)	(385,306)	0	(6,021,849)
Machinery and Equipment	(6,065,123)	(215,373)	0	(6,280,496)
Vehicles	(1,157,481)	(76,137)	(32,254)	(1,201,364)
Infrastructure	(6,948,344)	(757,300)	0	(7,705,644)
Total Accumulated Depreciation	<u>(19,807,491)</u>	<u>(1,434,116)</u>	<u>(32,254)</u>	<u>(21,209,353)</u>
Total Capital Assets being Depreciated, Net	<u>47,497,701</u>	<u>(31,082)</u>	<u>0</u>	<u>47,466,619</u>
Business-Type Activities Capital Assets, Net	<u>\$55,069,555</u>	<u>\$11,359,593</u>	<u>\$1,367,700</u>	<u>\$65,061,448</u>

**NOTE 11 - RISK MANAGEMENT**

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, 2011, the City contracted with Argonaut Insurance Company for general liability insurance, EMT and Ambulance Malpractice liability, fire legal liability, personal injury and advertising injury. Bodily injury and property damage are covered for \$1,000,000 each occurrence, \$3,000,000 aggregate. The City has a \$5,000 deductible per occurrence for general liability insurance. Personal injury and advertising injury are covered up to \$1,000,000 for each occurrence, premises medical payments limit is \$10,000 per person and fire legal liability is covered \$500,000 per occurrence. Ohio Stop Gap insurance of \$1,000,000 per occurrence and \$3,000,000 aggregate employee benefit liability is also maintained with a \$1,000 deductible, cemetery professional and fire division liability insurance are covered up to \$1,000,000 per occurrence. Property and contents coverage is maintained per summary of values and cost of reproduction new, less exclusions, plus leased and rented items, with a \$1,000 deductible per occurrence. Earthquake coverage is maintained with a \$5,000,000 occurrence limit, \$5,000,000 policy year limit, with a \$50,000 deductible each occurrence. Police professional liability coverage is maintained with a \$1,000,000 each occurrence, \$3,000,000 aggregate limit with a \$10,000 deductible per claim, including loss adjustment expense. Inland Marine is maintained per schedule with a \$1,000 deductible.

Argonaut Insurance Company provides public official liability (claims made policy) with prior acts retroactive to June 1, 1986 which is maintained in the amount of \$1,000,000 per claim, \$1,000,000 aggregate, with a \$10,000 deductible, including loss adjustment expense.

Argonaut Insurance Company provides vehicle fleet insurance which is maintained in the amount of \$500,000 CSL covering bodily injury and property damage. Uninsured motorist is covered up to \$1,000,000 CSL. A \$1,000 deductible is effective for collision and comprehensive on certain vehicles.

**City of Zanesville, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2011*

---

Non-owned and hired vehicles are covered for bodily injury and property damage in the amount of \$50,000 CSL.

Boiler and machinery insurance is contracted with Argonaut Insurance Company with coverage included in property form and limit with a \$1,000 deductible.

Argonaut Insurance Company provides excess liability insurance over general liability, EMT, ambulance malpractice, fire division liability, public official liability, police professional liability, and auto liability which is maintained in an aggregate amount of \$6,000,000. Excess liability insurance excludes uninsured/underinsured motorist coverage.

The Argonaut Insurance Company provides crime insurance coverage for robbery and safe burglary with a \$25,000 per occurrence limit and a \$1,000 deductible.

Catlin Insurance Company provides airport liability coverage with a limit of \$2,000,000 per occurrence and aggregate.

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

The City maintains a limited risk health insurance program for employees. Premiums are paid to a third party administrator, Medical Benefits Administrators, 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 125% of estimated claims. Excess coverage is maintained for individual claims over \$160,000.

The claims liability of the Health Self-Insurance internal service fund of \$404,700 reported at December 31, 2011, 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 2010 and 2011 were:

	Balance at Beginning of Year	Current Year Claims	Claims Payments	Balance at End of Year
2010	\$481,600	\$4,573,256	\$4,382,956	\$671,900
2011	671,900	3,566,848	3,834,048	404,700

The City pays the State Workers' Compensation System a premium for employee injury coverage based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

**City of Zanesville, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2011*

---

**NOTE 12 - DEFINED BENEFIT PENSION PLANS**

**A. Ohio Public Employees Retirement System**

Plan Description – The City participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan. Under the combined plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, the traditional plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional and combined plans. Members of the member-directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 800-222-7377.

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions and currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll. Member contribution rates, as set in the Ohio Revised Code, are not to exceed 10 percent of covered payroll. For the year ended December 31, 2011, members in state and local classifications contributed 10.0 percent of covered payroll. For 2011, member and employer contribution rates were consistent across all three plans.

The City's 2011 contribution rate was 14.0 percent. The portion of employers contributions used to fund pension benefits is net of post-employment health care benefits. The portion of employer contributions used to fund pension benefits is net of post-employment health care benefits. The portion of employer contribution allocated to members allocated to health care for members in the traditional plan was 4 percent for 2011. The portion of employer contributions allocated to health care for members in the combined plan was 6.05 percent for 2011. Employer contribution rates are actuarially determined.

The City's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2011, 2010, and 2009, were \$718,890, \$1,384,456, and \$1,439,368, respectively. For 2011, 82.56 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2010 and 2009. Contributions to the Member-Directed Plan for 2011 were \$14,232 made by the City and \$10,166 made by plan members.

**B. Police and Firemen's Disability and Pension Fund**

Plan Description – The City contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to the Ohio

**City of Zanesville, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2011*

---

Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary, while employers are required to contribute 19.5 percent for police officers and 24.0 percent for firefighters.

The OP&F Pension Fund is authorized by the Ohio Revised Code to allocate a portion of the employer contributions used to retiree health care benefits. The portion of employer contributions used to fund pension benefits was 12.75 percent of covered payroll for police officers and 17.25 percent of covered payroll for firefighters. The City's contributions to OP&F for police and firefighters pension were \$371,224 and \$513,560 for the year ended December 31, 2011, \$526,409 and \$659,901 for the year ended December 31, 2010, and \$510,177 and \$648,044 for the year ended December 31, 2009, respectively. For 2011, 63.63 percent for police and 63.90 percent for firefighters has been contributed with the balance for both police and firefighters being report as an intergovernmental payable. The full amount has been contributed for 2010 and 2009.

**NOTE 13 - POSTEMPLOYMENT BENEFITS**

A. Ohio Public Employees Retirement System

Plan Description – Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the traditional pension plan – a cost-sharing, multiple-employer defined benefit pension plan; the member directed plan – a defined contribution plan; and the combined plan – a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan.

OPERS maintains a cost sharing multiple employer defined benefit post-employment health care plan for qualifying members of both the traditional and combined pension plans. Members of the member directed plan do not qualify for ancillary benefits, including post-employment health care. The plan includes a medical plan, a prescription drug program and Medicare Part B premium reimbursement.

In order to qualify for post-employment health care coverage, age and service retirees under the traditional and combined plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised Code permits, but does not mandate, OPERS to provide health care benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report which may be obtained by visiting <https://www.opers.org/investments/cafr.shtml>, writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 4642 or by calling (614) 222-5601 or 800-222-7377.

Funding Policy – The post-employment health care plan was established under, and is administered in accordance with, Internal Revenue Code 401 (h). The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through contributions to OPERS. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of post-retirement health care.



**City of Zanesville, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2011*

---

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2011, state and local government employers contributed 14.0 percent of covered payroll. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units.

Each year, the OPERS retirement board determines the portion of the employer contribution rate that will be set aside for funding post-employment health care benefits. The portion of employer contributions allocated to health care for members in the traditional plan was 4 percent for 2011. The portion of employer contributions allocated to health care for members in the combined plan was 6.05 percent for 2011.

The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits by the retiree or the retiree's surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the post-employment health care plan.

The City's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2011, 2010, and 2009, were \$287,556, \$543,953, and \$604,067, respectively. For 2011, 82.56 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2010 and 2009.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased on January 1 of each year from 2006 to 2008, which allowed additional funds to be allocated to the health care plan.

**B. Police and Firemen's Disability and Pension Fund**

Plan Description – The City contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored healthcare program, a cost-sharing multiple-employer defined post -employment healthcare plan administered by OP&F. OP&F provides healthcare benefits including coverage for medical, prescription drugs, dental, vision, Medicare Part B Premium reimbursement and long term care to retirees, qualifying benefit recipients and their eligible dependents.

OP&F provides access to post-retirement healthcare coverage for any person who receives or is eligible to receive a monthly service, disability, or survivor benefit check or is a spouse or eligible dependent child of such person. The health care coverage provided by OP&F meets the definition of an Other-Post Employment Benefit (OPEB) as described in GASB Statement No. 45.

The Ohio Revised Code allows, but does not mandate, OP&F to provide OPEB benefits. Authority for the OP&F Board of Trustees to provide healthcare coverage to eligible participants and to establish and amend benefits is codified in Chapter 742 of the Ohio Revised Code.

OP&F issues a publicly available financial report that includes financial information and required supplementary information for the Plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding policy – The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F defined benefit pension plan. Participating employers are required by the Ohio Revised Code to contribute to the pension plan at rates expressed as percentages of

**City of Zanesville, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2011*

---

the payroll of active pension plan members, currently, 19.5 percent and 24.0 percent of covered payroll for police and firefighters, respectively. Active members do not make contributions to the OPEB plan.

OP&F maintains funds for health care in two separate accounts. One for health care benefits under an IRS Code Section 115 trust and one for Medicare Part B reimbursements administered as an Internal Revenue Code 401(h) account, both of which are within the defined benefit pension plan, under authority granted by the Ohio Revised Code to the OP&F Board of Trustees.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree healthcare benefits. For the year ended December 31, 2011, the employer contribution allocated to the healthcare plan was 6.75% of covered payroll. The amount of employer contributions allocated to the healthcare plan each year is subject to the trustees' primary responsibility to ensure that pension benefits are adequately funded and also is limited by the provisions of Sections 115 and 401(h).

The OP&F Board of Trustees is also authorized to establish requirements for contributions to the healthcare plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The City's contributions to OP&F which were allocated to fund post-employment health care benefits for police and firefighters were \$196,530 and \$200,958 for the year ended December 31, 2011, \$182,218 and \$262,929 for the year ended December 31, 2010, and \$176,600 and \$182,263 for the year ended December 31, 2009. For 2011, 63.63 percent has been contributed for police and 63.90 percent has been contributed for firefighters with the balance for both police and firefighters being report as an intergovernmental payable. The full amount has been contributed for 2010 and 2009.

**NOTE 14 - OTHER EMPLOYEE BENEFITS**

**A. Other Insurance Benefits**

All employees are covered under a \$20,000 life insurance policy through Fort Dearborn Life Insurance except corrections officers and police officers (including sergeants, lieutenants, and captains). Correction officers are insured for \$10,000 and police officers are insured for \$30,000. 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 MedBen. Deductibles are \$350 for family coverage and \$150 for single coverage. Employees with family coverage are responsible for a \$35.00 payroll deduction, and employees with single coverage are responsible for a \$16.00 payroll deduction, per pay for the cost of health insurance.

**B. Compensated Absences**

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 percent of their sick leave up to a maximum of 500 hours. Assistant Fire Chiefs whose work week consists of 56 hours when averaged over a three week period shall receive, upon retirement, 33 percent of accrued sick leave up to a maximum of 700 hours. Upon retirement, 33 percent of balance with a maximum payment of 700 hours shall be made to firefighters. Police sergeants and lieutenants shall receive, upon retirement, 33 percent of sick leave balances with a maximum of 500 hours. All other

**City of Zanesville, Ohio**  
*Notes to the Basic Financial Statements*  
For the Year Ended December 31, 2011

uniformed police shall receive, upon retirement, 33 percent of their balance with a maximum of 500 hours. Corrections officers shall receive, upon retirement, 25 percent of their balance with a maximum of 240 hours of sick leave. Unaffiliated employees shall receive 33 percent of balance with a maximum of 500 hours. All employees are required to have ten or more years of service before any compensation for accumulated sick leave is paid upon retirement. Upon voluntary termination, death, or retirement, with the exception of AFSCME employees who have not been employed with the City for a full year, all other employees will receive 100% of vacation earned and not previously taken.

**NOTE 15 - CONTRACTUAL COMMITMENTS**

As of December 31, 2011, the City had contractual purchase commitments for projects in various funds. The amount for each project is as follows:

	Purchase Commitments	Amount Expended	Amount Remaining on Contracts
Y-Bridge Pump Station Rehabilitation - Sewer Fund	\$253,400	\$49,907	\$203,493
Water Treatment Plant Expansion - Water Fund	2,136,000	2,113,566	22,434
Total All Projects	\$2,389,400	\$2,163,473	\$225,927

**NOTE 16 - LONG-TERM OBLIGATIONS**

Changes in long-term obligations of the City for the year ended December 31, 2011, were as follows:

	Principal Outstanding 12/31/2010	Additions	Deletions	Principal Outstanding 12/31/2011	Amounts Due in One Year
<b>Governmental Activities:</b>					
<b>General Obligation Bonds</b>					
Ohio Government Building Bonds					
1986 - \$950,000 @ 7.375%	\$80,000	\$0	\$40,000	\$40,000	\$40,000
Capital Facilities Refunding Bonds					
2003 - \$5,490,000					
Jail Construction Refunding - \$2,362,500					
Serial/Term Bonds @ 1.2% - 4.00%	1,326,500	0	147,000	1,179,500	154,000
Premium Amortization	7,204	0	901	6,303	0
Street Improvement Bonds					
2010 - \$1,210,000 @ 4.138%	1,160,000	0	50,000	1,110,000	50,000
Total General Obligation Bonds	2,573,704	0	237,901	2,335,803	244,000
ODOT Loan	4,056,428	0	253,307	3,803,121	260,963
Compensated Absences	1,882,804	1,349,142	1,601,770	1,630,176	1,247,160
Total Governmental Activities	\$8,512,936	\$1,349,142	\$2,092,978	\$7,769,100	\$1,752,123

**City of Zanesville, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2011*

	Principal Outstanding 12/31/2010	Additions	Deletions	Principal Outstanding 12/31/2011	Amounts Due in One Year (continued)
<b>Business-Type Activities:</b>					
<b>Bonds:</b>					
Capital Facilities Refunding, 2003 \$5,490,000					
Water - \$1,371,250					
Serial/Term @ 1.2% - 4.00%	\$568,500	\$0	\$63,000	\$505,500	\$66,000
<b>Total General Obligation Bonds</b>	<b>568,500</b>	<b>0</b>	<b>63,000</b>	<b>505,500</b>	<b>66,000</b>
<b>Loans:</b>					
Water OPWC Loan					
2005 - \$346,035 @ .022%	146,726	0	35,594	111,132	36,309
<b>Total Water OPWC Loan</b>	<b>146,726</b>	<b>0</b>	<b>35,594</b>	<b>111,132</b>	<b>36,309</b>
Water OWDA Loan					
1988 - \$1,676,020 @ 7.36%	272,267	0	131,321	140,946	140,946
Water OWDA Loan					
1989 - \$885,000 @ 8.40%	187,641	0	70,864	116,777	76,816
Water OWDA Loan					
2004 - \$743,205 @ 4.90%	201,157	0	77,554	123,603	81,401
Water OWDA Loan					
2004 - \$752,750 @ 4.90%	454,903	0	74,666	380,237	78,416
Water OWDA Loan					
2009 - \$864,936 @ 0.00%	391,481	0	43,259	348,222	0
Water OWDA Loan					
2009 - \$895,477 @ 3.20%	696,669	21,915	0	718,584	0
Water OWDA Loan					
2009 - \$7,514,758 @ 3.65%	27,030	5,044,035	0	5,071,065	0
Water OWDA Loan					
2009 - \$9,197,325 @ 0.00%	1,199,272	3,768,054	124,183	4,843,143	0
<b>Total Water OWDA Loans</b>	<b>3,430,420</b>	<b>8,834,004</b>	<b>521,847</b>	<b>11,742,577</b>	<b>377,579</b>
Sewer OWDA Loan					
1988 - \$8,813,313 @ 7.65%	647,208	0	311,667	335,541	335,541
Sewer OWDA Loan					
1989 - \$117,351 @ 8.04%	19,989	0	9,658	10,331	10,331
Sewer OWDA Loan					
1988 - \$290,400 @ 7.73%	48,882	0	23,534	25,348	25,348
Sewer OWDA Loan					
1986 - \$1,042,000 @ 2.00%	26,398	0	26,398	0	0
Sewer OWDA Loan					
2002 - \$1,324,942 @ 3.59%	934,272	0	60,417	873,855	62,605
Sewer OWDA Loan					
2004 - \$1,268,110 @ 3.41%	718,865	23	42,737	676,151	44,207
Sewer OWDA Loan					
2004 - \$5,471,246 @ 4.10%	\$3,281,196	\$0	\$543,425	\$2,737,771	\$565,934

**City of Zanesville, Ohio**  
*Notes to the Basic Financial Statements*  
For the Year Ended December 31, 2011

	Principal Outstanding 12/31/2010	Additions	Deletions	Principal Outstanding 12/31/2011	Amounts Due in One Year (continued)
Sewer OWDA Loan 2007 - \$685,085 @ 4.17%	\$476,703	\$0	\$65,279	\$411,424	\$68,030
Sewer OWDA Loan 2007 - \$887,526 @ 4.47%	620,376	0	84,234	536,142	88,041
Sewer OWDA Loan 2007 - \$14,337,659 @ 4.47%	10,990,626	0	392,514	10,598,112	410,256
Sewer OWDA Loan 2007 - \$834,640 @ 4.47%	479,912	0	59,810	420,102	62,513
Sewer OWDA Loan 2009 - \$311,852 @ 3.43%	(5,354)	5,354	0	0	0
Sewer OWDA Loan 2009 - \$376,284 @ 3.25%	135,608	44,497	16,467	163,638	0
Sewer OWDA Loan 2011 - \$148,684 @ 3.95%	0	148,684	0	148,684	0
<b>Total Sewer OWDA Loans</b>	<b>18,374,681</b>	<b>198,558</b>	<b>1,636,140</b>	<b>16,937,099</b>	<b>1,672,806</b>
Compensated Absences	489,470	312,792	365,545	436,717	352,980
<b>Total Business-Type Activities</b>	<b>\$23,009,797</b>	<b>\$9,345,354</b>	<b>\$2,622,126</b>	<b>\$29,733,025</b>	<b>\$2,505,674</b>

**Compensated Absences** – The City will pay compensated absences from the General Fund, Street and State Highway, Law Enforcement, Police Expenditure, Jail Operating, Fire Operating, Court, Community Development, Airport, Cemetery and Auditorium Special Revenue Funds, Vehicle Maintenance fund, and the Sanitation, Sewer and Water Enterprise funds.

**1986 Ohio Government Building Bonds** – On August 13, 1986, the City of Zanesville issued \$950,000 of general obligation bonds. The bonds are serial bonds. These bonds were issued for governmental activities to construct a building to house government offices. These bonds are not subject to redemption prior to maturity. The bonds are being repaid through the debt service fund from tax revenues. Principal and interest requirements to retire these bonds are as follows:

Year	Governmental Activities	
	Principal	Interest
2012	\$40,000	\$2,950

**2003 Capital Facilities Refunding Bonds** – On December 1, 2003, the City of Zanesville issued \$5,490,000 of general obligation bonds and included serial and term bonds in the amount of \$4,245,000 and \$1,245,000 respectively. These capital facilities refunding bonds were issued for governmental and business type activities \$3,042,500 and \$2,447,500, respectively. The refunding bonds were issued with a premium of \$17,397 for governmental and \$13,993 for business type activities, which was reported as an increase to bonds payable. These amounts are being amortized to interest expense over the life of the bonds using the straight-line method. The issuance costs, \$60,883 for governmental and \$48,975 for business type activities, are reported as deferred charges and are being amortized over the life of the bonds using the straight-line method. The refunding, called and paid in February of 2004, resulted in a difference between the net carrying amount of the debt and the acquisition price, \$23,380 for

**City of Zanesville, Ohio**  
*Notes to the Basic Financial Statements*  
For the Year Ended December 31, 2011

governmental and \$10,020 for business type activities. These differences, were being reported as a decrease to bonds payable, and are being amortized to interest expense over the life of the bonds using the straightline method. These bonds are being repaid through a tax levy, and to the extent available, water and sewer revenues.

The bonds maturing on or after December 1, 2014, are subject to prior redemption on or any date after December 1, 2013, by and at the sole option of the City, either in whole or in part (as selected by the City) and in integral multiples of \$5,000, at par, plus accrued interest to the redemption date. Principal and interest requirements to retire the 2003 Capital Facilities Refunding Bonds outstanding at December 31, 2011 are as follows:

Year	Governmental Activities		Business Type Activities	
	Principal	Interest	Principal	Interest
2012	\$154,000	\$44,205	\$66,000	\$18,945
2013	154,000	38,815	66,000	15,635
2014	161,000	33,271	69,000	14,259
2015	168,000	27,475	72,000	11,775
2016	175,000	21,259	75,000	9,111
2017-2018	367,500	22,081	157,500	9,463
	<u>\$1,179,500</u>	<u>\$187,106</u>	<u>\$505,500</u>	<u>\$79,188</u>

**OWDA Loans** – The City has issued numerous OWDA Loans for various water and sewer projects. Six of the outstanding loans are not yet completed, and therefore the repayments schedules have not yet been issued, they are reflected as not yet scheduled payments in the table below. In connection with the loan funds received from the Ohio Water Development Authority, the City has pledged future customer revenues of the Water and Sewer Funds, net of specified operating expenses and net of debt service requirements on the general obligation bonds (which have first priority and a lien on net income available for debt service), to repay these loans. The loans will be repaid through charges for services revenue in the enterprise funds. On May 29, 2003, the OWDA Board authorized an interest rate subsidy program that became effective with the January 2004 payment. A summary of the principal and interest requirements to retire these loans are as follows:

Year	OWDA Loan		OWDA Loan	
	Water		Sewer	
	Principal	Interest	Principal	Interest
2012	\$377,579	\$41,502	\$1,672,806	\$806,278
2013	163,405	17,047	1,357,030	631,298
2014	85,305	8,957	1,414,843	573,480
2015	89,178	5,084	1,475,135	513,193
2016	46,096	1,035	1,201,785	450,321
2017-2021	0	0	3,656,818	1,769,880
2022-2026	0	0	3,787,775	916,874
2027-2029	0	0	2,058,585	140,061
	<u>\$761,563</u>	<u>\$73,625</u>	<u>\$16,624,777</u>	<u>\$5,801,385</u>

**City of Zanesville, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2011*

---

**ODOT Loan-** During 2005, the City entered into a loan agreement with the Ohio Department of Transportation. These proceeds are being used to complete a connector road project. The loan was issued at 3% and will mature in 2015. A summary of the principal and interest requirements to retire this loan is as follows:

Year	Principal	Interest
2012	\$260,963	\$128,798
2013	268,851	121,413
2014	276,976	113,806
2015	2,996,331	105,969
	\$3,803,121	\$469,986

**OPWC Loan-** During 2005, the City issued an OPWC loan in the amount of \$346,035. The loan was issued for the Blandy Water Tank Replacement Project. The loan was issued at .02% and will mature in 2014. A summary of the principal and interest requirements to retire this loan is as follows:

Year	Principal	Interest
2012	\$36,309	\$2,042
2013	37,039	1,312
2014	37,784	568
	\$111,132	\$3,922

**Street Improvement Bonds-** During 2010, the City entered into a Bond Purchase Agreement with Fifth Third Securities for Street Improvement Bonds in the amount of \$1,210,000. The bonds were issued at 4.138% and will mature in 2029. A summary of the principal and interest requirements to retire the bonds are as follows:

Year	Principal	Interest
2012	\$50,000	\$42,070
2013	50,000	41,070
2014	50,000	40,070
2015	50,000	38,820
2016	50,000	37,445
2017-2021	260,000	164,225
2022-2026	355,000	102,315
2027-2029	245,000	22,275
	\$1,110,000	\$488,290

The City has pledged future sewer customer revenues to repay the OWDA loans. The loans are payable solely from net revenues and are payable through 2029. Net revenues include all revenues received by the sewer utility less all operating expenses other than depreciation expense. The total principal and interest remaining to be paid on the loans is \$22,426,162. Principal and interest payments for the current year were \$6,438,263, net revenues were \$2,704,628, and total revenues were \$6,673,658.

**City of Zanesville, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2011*

The City has pledged future water customer revenues to repay the water system revenue refunding bonds. The bonds are payable solely from net revenues and are payable through 2016. Net revenues include all revenues received by the water utility less all operating expenses other than depreciation expense. The total principal and interest remaining to be paid on the bonds is \$835,188. Principal and interest payments for the current year were \$708,584, net revenues were \$2,574,280, and total revenues were \$5,409,390.

As of December 31, 2011, the City's overall legal debt margin (the ability to issue additional amounts of general obligation bonded debt) was \$33,826,476.

**NOTE 17 - INTERFUND TRANSFERS AND BALANCES**

Interfund transfers during 2011 consisted of the following:

	Transfers to					Total	
	Major Fund			Other Nonmajor Governmental	Internal Service Fund		Enterprise Fund
	Police Expenditure	Fire Operating			Vehicle Maintenance		Sanitation
Transfers from							
Major Fund:							
General	\$2,576,031	\$4,017,796	\$1,065,047	\$190,629	\$60,895	\$7,910,398	
Total All Funds	\$2,576,031	\$4,017,796	\$1,065,047	\$190,629	\$60,895	\$7,910,398	

Generally, transfers are used to move revenues from the fund that Statute or budget requires to collect them to the fund that Statute or budget requires to expend them; to move unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations; and to segregate money for anticipated capital projects.

Interfund balances, as of December 31, 2011, consist of the following individual interfund receivables and payables:



**City of Zanesville, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2011*

Interfund Payable	Interfund Receivable			Total
	Major Fund	Other	Internal	
	General	Governmental Funds	Service Fund Vehicle Maintenance	
Major Fund:				
General Fund	\$0	\$0	\$2,962	\$2,962
Police Expenditure	0	0	10,446	10,446
Fire Operating	51	0	4,050	4,101
Sanitation	0	0	3,966	3,966
Sewer	145	0	4,654	4,799
Water	3,700	0	8,253	11,953
Other Nonmajor				
Governmental	741	170,649	5,719	177,109
<b>Total All Funds</b>	<b>\$4,637</b>	<b>\$170,649</b>	<b>\$40,050</b>	<b>\$215,336</b>

The interfund payable in the Other Nonmajor Governmental Funds is a result of monies from the General Fund that were used to fund capital projects of the City. The interfund receivable in the Vehicle Maintenance Funds is a result of the liability from County Funds to those funds for services that were provided to the corresponding funds. These balances between funds are all considered to be current receivables/payables resulting from interfund activity and primarily represent reciprocal transactions between funds, for interfund services provide and used during the current year, for which billings and payments between funds did not occur until after year-end.

Certain interfund receivable/payables of a longer term repayment schedule also exist. The Cemetery Endowment Fund provided an interfund loan to the General Fund in the amount of \$223,260 in 2009 and \$238,860 in 2010 for the purchase of police cruisers. The Debt Service Fund will make repayments on the loan from portions of tax revenue.

**NOTE 18 - 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 a thirteen cent per capita membership fee based upon the most recent U.S. census. During 2011, OMEGA received \$3,838 from the City of Zanesville. The continued existence of OMEGA is not dependent on the City's continued participation and no equity interest exists. OMEGA has no outstanding debt. Financial information can be obtained from the Ohio Mid-Eastern Governments Association, Cambridge.

**City of Zanesville, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2011*

---

- B. The Zanesville/Muskingum County Port Authority is a separate legal entity. The Authority is governed by a five member board and was created by a resolution of the City of Zanesville and Muskingum County. The Authority is incorporated as a non-profit corporation under the laws of the State of Ohio. The City appoints two members to the Authority board and Muskingum County appoints two members. The fifth member is appointed jointly by the City and the County. The Authority board adopts its own budget, is its own contracting authority, hires and fires its own staff, authorizes all expenditures and does not rely on the City or the County to finance deficits. The Authority derives its revenues from lease/rental income, interest income, contributions from the City and County, and other miscellaneous revenue sources. The City and County leased the Anchor Glass Facilities from the Authority, and sublet the facilities to the Anchor Glass Corporation. The lease was a twenty year lease ending in 2008, wherein the lease was paid in full. The City and the County provide operating subsidies to the Authority. During 2011, the City provided \$100,000 in operating subsidies to the Authority. Financial information is available from the Zanesville/Muskingum County Port Authority, Zanesville, Ohio
- 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 2011 the Authority received \$405,577 from excise taxes and rental income. The Authority has no outstanding debt. Complete financial information can be obtained from the Zanesville/Muskingum Conventions Facility Authority, Zanesville, Ohio.
- D. The Zanesville Metropolitan Housing Authority was created in 1938, and currently operates pursuant to Revised Code Section 3735.27. The Authority is operated by a five member board. The City appoints two members and the County appoints three members. The board adopts their own appropriations, is their own contracting authority, hires and fires their own staff, authorizes all expenditures, and does not rely on the City or the County to finance deficits. The Authority receives funding from the federal government in the form of grants. All monies are received directly by the Authority in the Authority's name. Although the City appoints members to the board, the City is not financially accountable for the Authority, nor is the Authority fiscally dependent on the City. The Authority has no outstanding debt. Complete financial information can be obtained from the Zanesville Metropolitan Housing Authority, Zanesville, Ohio.
- E. The Muskingum County Center for Seniors (Center) is a jointly governed organization which operates as a not for-profit organization created under 501(c)(3) of the Internal Revenue Code. The Center provides various services to seniors, including transportation services, nutritional and physical fitness information and instruction, meals, and legal counseling. The Center is governed by a seven member board consisting of three members appointed by the Muskingum County Board of County Commissioners, three members appointed by the Mayor of the City of Zanesville, and one member appointed by the above appointed six members. The Center was the recipient of support from the Muskingum County Senior Services Levy. Additional revenue is provided through contracts with the Area Agency on Aging. Continued existence of the Center is not dependent upon the City's continued participation, no equity interest exists, and no debt is outstanding.

**NOTE 19 – JOINT VENTURES**

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

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

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

- C. Zanesville-Newton Township Joint Economic Development District (JEDD) was created by contract during 2002 pursuant to Revised Code Section 715.77. The JEDD was created to facilitate economic development to create or preserve jobs and employment opportunities and to improve the economic welfare of the people in the State, the County, the City, the Township and the JEDD. The JEDD is operated by a three member board. The City and Newton Township each appoint one member and these two JEDD members jointly appoint the third member of the JEDD. The JEDD's board exercises total control the budgeting, appropriation, contacting, and management. The JEDD's board, pursuant to Revised Code Section 715.74 has implemented a 1.7 percent income tax that will be used for the purposes of the JEDD. The continued existence of the JEDD is dependent upon the continued participation by the City and Township; however, the City or Township does not have an equity interest in the JEDD. The JEDD is not accumulating significant financial resources and is not experiencing fiscal distress that may cause an additional financial burden on the City. The financial activity of the JEDD is presented as an agency fund due the City serving as fiscal agent. Complete

**City of Zanesville, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2011*

---

financial information can be obtained from the Zanesville-Newton Township Joint Economic Development District, Zanesville, Ohio.

**NOTE 20 – RELATED PARTY ORGANIZATION**

The South East Area Transit Authority (hereinafter referred to as the “Authority”) was created pursuant to Sections 306.30 through 306.54 of the Ohio Revised Code for the purpose of providing public transportation in the City of Zanesville, Muskingum County, City of Cambridge, and Guernsey County, as well as the south east Ohio area. The Authority is an independent political subdivision of the State of Ohio and thus is not subject to federal or state income taxes.

The Authority is managed by a ten member Board of Trustees, who establishes policies and sets direction for the management of the Authority. Six of the members are appointed by the Mayor of Zanesville with the consent of City Council, two members are appointed by the Muskingum County Commissioners, and the remaining two members are appointed by the Guernsey County Commissioners and the Mayor of South Zanesville. Board members serve overlapping three-year terms.

Although, the City is responsible for appointing the majority of the Board of Directors, the City cannot influence operations, nor does the Authority represent a potential financial benefit or burden to the City and therefore is presented as a related organization. The City serves as the taxing authority and may issue tax related debt on behalf of the Authority, but its role is limited to a ministerial function. The Authority may issue debt and determine its own budget. Complete financial information can be obtained from the South East Area Transit Authority, Zanesville, Ohio.

**NOTE 21 - 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, 2011.

B. Litigation

The City of Zanesville is currently party to pending litigation as confirmed by the City Law Director. The City management is of opinion that ultimate disposition of these claims and legal proceeding will not have a material effect, if any, on the financial condition of the City.

**NOTE 22 - ACCOUNTABILITY AND COMPLIANCE**

The Debt Service Fund has a deficit fund balance of \$91,513 as of December 31, 2011. The deficit is the result of the recognition of interfund payable to the Cemetery Endowment Fund.

**WOLFE, WILSON, & PHILLIPS, INC.  
37 SOUTH SEVENTH STREET  
ZANESVILLE, OHIO 43701**

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

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

To City Council:

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Zanesville, Muskingum County as of and for the year ended December 31, 2011, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 22, 2012. We also noted the City adopted Governmental Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect and timely correct misstatements. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that material financial statement misstatements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purposes described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings that we consider a significant deficiency in internal control over financial reporting. We consider Finding 2011-01 to be a significant deficiency. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Zanesville's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that we must report under *Government Auditing Standard*.

The City of Zanesville's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the City of Zanesville's responses and, accordingly, we express no opinion on it.

We did note certain matters not requiring inclusion in this report that we reported the City of Zanesville's management in a separate letter dated June 22, 2012.

We intend this report solely for the information and use of management, the Auditor of State and federal awarding agencies and pass-through entities and others within the government. We intend it for no one other than these specified parties.

***Wolfe, Wilson, & Phillips, Inc.***  
Zanesville, Ohio  
June 22, 2012

**WOLFE, WILSON, & PHILLIPS, INC.  
37 SOUTH SEVENTH STREET  
ZANESVILLE, OHIO 43701**

**REPORT ON COMPLIANCE WITH REQUIREMENTS  
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE IN  
ACCORDANCE WITH OMB CIRCULAR A-133**

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

To City Council:

**Compliance**

We have audited the compliance of the City of Zanesville with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could directly and materially affect each of the City of Zanesville's major federal programs for the year ended December 31, 2011. The summary of auditor's results section of the accompanying schedule of findings and questioned costs identifies the City's major federal programs. The City of Zanesville's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major program. Our responsibility is to opine on the City's compliance based on our audit.

Our compliance audit followed auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether occurred with the compliance requirements referred to above that could directly and materially effect a major federal program. An audit includes examining, on a test basis, evidence about the City of Zanesville's compliance with these requirements and performing other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Zanesville's compliance with these requirements.

In our opinion, the City of Zanesville complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended December 31, 2011. compliance with those requirements.

**Internal Control Over Compliance**

The City of Zanesville's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered the City of Zanesville's internal control over compliance with requirements that could directly and materially affect on a major federal program, to determine our auditing procedures for the purpose of opining on compliance, and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the City of Zanesville's internal control over compliance.

### **Internal Control Over Compliance**

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent or to detect and timely correct noncompliance with a federal program compliance requirement. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified a deficiency in internal control over compliance that we consider to be a significant deficiency, described in the accompanying schedule of findings as item 2011-02. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a federal program compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

The City's response to the finding we identified is described in the accompanying schedule of findings. We did not audit the City's response and, accordingly, we express no opinion on it.

We intend this report solely for the information and use of management, the Auditor of State and federal awarding agencies and pass-through entities and others within the government. We intend it for no one other than these specified parties.

***Wolfe, Wilson, & Phillips, Inc.***

Zanesville, Ohio

June 22, 2012 and October 3, 2013 for Capitalization Grant for Clean Water



**CITY OF ZANESVILLE  
MUSKINGUM COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 SECTION 505**

**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 the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other significant deficiencies In internal control reported at the financial statement level (GAGAS)?	Yes
(d)(1)(iii)	Was there any reported non-compliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	NO
(d)(1)(iv)	Were there any other significant deficiencies In internal control reported for major federal programs?	Yes
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under section. 510?	Yes
(d)(1)(vii)	Major Programs:	Airport Imp. Grant; CFDA #20.106 Capitalization Grant CFDA #66.468
(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**  
**FINDING NUMBER 2011-01**

**Significant Deficiency**

The City's capital asset accounting records did not accurately and completely support capital assets reported in the annual financial report. Therefore prior period adjustments were made to the capital assets for the year ended December 31, 2011. Failure to maintain accurate and complete capital asset accounting records can lead to the City reporting misstated balances. The City should maintain a current and accurate capital asset listing each year.

**Client Response:** The computer codes have been adjusted and all future assets will be reported.

**CITY OF ZANESVILLE  
MUSKINGUM COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 SECTION 505**

**3. Findings and Questioned Costs for Federal Awards**

**FINDING NUMBER 2011-02**

Grant Title – Capitalization Grant for Clean Water State Revolving Funds  
CFDA #66.468  
Federal Agency – Environmental Protection Agency  
Pass Through Agency – Ohio Water Development Authority

Significant Deficiency – Reporting

Auditor of State Bulletin 2000-08 provides the recommended accounting treatment for on-behalf of grants. When a local government enters into an on-behalf-of program agreement with another local government or the State (or the federal government, if applicable), whereby the local government or its residents are the beneficiaries under the agreement, the cash value of the program received under the agreement should be recorded as memorandum receipts and disbursements in the year on-behalf-of disbursements are made.

The City was awarded a Capitalization Grant for Clean Water \$3,768,053 of this grant was paid by the Ohio Water Development Authority directly to the contractor on-behalf-of the City. The financial activity was recorded internally but was not reflected on the Schedule of Federal Award Expenditures. We adjusted the Schedule to reflect this activity.

Not recording this on-behalf-of grant activity on the Schedule of Federal Award Expenditures could result in an understatement of revenue and expenditures which in turn could result in inaccurate reporting to the grantor agency.

We recommend the City be aware of the receiving on-behalf-of grant from the State and Federal government, that the guidance of Auditor of State Bulletin 2000-08 is followed so the proper accounting treatment can be applied to the transaction.

**Client Response:** We will follow the guidance of Auditor of State Bulletin 2000-08 and make City employees who are responsible for grants to notify the City Auditor’s office if on-behalf-of grants are received so that they came to recorded correctly.

**CITY OF ZANESVILLE  
MUSKINGUM COUNTY  
SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 2011**

<b>Federal Grantor/ Sub-Grantor Program Title</b>	<b>Pass Through Entity Number</b>	<b>Federal CFDA Number</b>	<b>Receipts</b>	<b>Disbursements</b>
<b><u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:</u></b>				
(pass through Ohio Department of Development)				
Community Development Block Grant	A-F-09-2ES-1	14.228	17,019	17,022
	A-F-10-2ES-1		282,401	272,675
	A-F-11-2ES-1		8,000	8,000
	A-N-10-2ES-1		14,500	14,500
	A-Z-08-204-1		139,459	139,459
	Program income		27,181	82,650
			488,560	534,306
HOME Investment Partnership Program	A-C-10-2ES-1/2	14.239	201,704	201,557
			201,704	201,557
<b>Total U.S. Department of Housing and Urban Development</b>			690,264	735,863
<b><u>U.S. DEPARTMENT OF TRANSPORTATION:</u></b>				
Direct Award				
Airport Improvement Program	3-39-0097-0705	20.106	1,242,550	1,307,155
			1,242,550	1,307,155
Pass through Ohio Department of Transportation				
Highway Planning and Construction	MUSCR2002	20.205	175,984	175,984
			175,984	175,984
<b>Total U.S. Department of Transportation</b>			1,418,534	1,483,139
<b><u>U.S. DEPARTMENT OF JUSTICE:</u></b>				
Pass through Ohio Department of Justice				
Public Safety Grant	n/a	16.710	60,020	60,020
<b>Total U.S. Department of Justice</b>			60,020	60,020
<b><u>ENVIRONMENTAL PROTECTION AGENCY</u></b>				
Pass through Ohio Water Development Authority				
Capitalization Grant for Clean Water State Revolving Funds	n/a	66.468	3,768,053	3,768,053
<b>Total Environmental Protection Agency</b>			3,768,053	3,768,053
<b>Total Federal Awards Expenditures</b>			5,936,871	6,047,075

See notes to Schedule of Federal Awards Expenditures.

**CITY OF ZANESVILLE**  
**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES**

NOTES A – SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of federal awards expenditures is a summary of the activity of the City’s federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B - MATCHING REQUIREMENTS

Certain Federal programs require the City contribute non-Federal funds (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.

NOTE C - LOANS OUTSTANDING

The City has established a revolving loan program to provide low-interest loans to businesses to create jobs for persons from low to moderate income households. The U.S. Department of Housing and Urban Development (HUD) grants the money for these loans to the City, passed through the State Department of Development. The initial loan of this money is recorded as a disbursement on the schedule. Loans repaid, including interest, are used to make additional loans. Such subsequent loans are subject to certain compliance requirements imposed by HUD. Significant delinquencies existing at December 31, 2011 were \$21,176 in principal and related interest for outstanding Housing Program loans.

The City had the following loan balances outstanding at December 31, 2011:

<u>Program Title</u>	<u>CFDA Number</u>	<u>Amount Outstanding</u>
CDBG Economic Development Revolving Loan Fund Program	14.228	\$ 64,075
CDBG Housing Program	14.228	55,324
Total		<u>\$ 119,399</u>



# Dave Yost • Auditor of State

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  
NOVEMBER 7, 2013