

CITY OF ZANESVILLE
ANNUAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2015

Wilson, Phillips & Agin, CPA's, Inc.
1100 Brandywine Blvd. Building G
Zanesville, Ohio 43701



Dave Yost • Auditor of State

City Council
City of Zanesville
401 Market St.
Zanesville, OH 43701

We have reviewed the *Independent Auditor's Report* of the City of Zanesville, Muskingum County, prepared by Wilson, Phillips & Agin, CPA's, Inc., for the audit period January 1, 2015 through December 31, 2015. 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". The signature is written in a cursive, flowing style.

Dave Yost
Auditor of State

November 8, 2016

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**CITY OF ZANESVILLE
MUSKINGUM COUNTY**

TABLE OF CONTENTS

<u>Title</u>	<u>Page</u>
Independent Auditors' Report.....	1
Management Discussion and Analysis.....	4
Government-wide Financial Statements:	
Statement of Net Position Year Ended December 31, 2015.....	14
Statement of Activities Year Ended December 31, 2015.....	15
Fund Financial Statements:	
Governmental Funds	
Balance Sheet, Year Ended December 31, 2015.....	16
Reconciliation of Total Government Fund Balances to Net Position of Governmental Activities.....	17
Statement of Revenues, Expenditures and Changes in Fund Balance, Year Ended December 31, 2015.....	18
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities.....	19
Statement of Revenues, Expenditures and Changes in Fund Balances- Budget and Actual (Non-GAAP Budgetary Basis) - General Fund, Year Ended December 31, 2015.....	20
Statement of Revenues, Expenditures and Changes in Fund Balances- Budget and Actual (Non-GAAP Budgetary Basis) - Police Expenditure Fund, Year Ended December 31, 2015.....	21
Statement of Revenues, Expenditures and Changes in Fund Balances- Budget and Actual (Non-GAAP Budgetary Basis) - Fire Operating Fund, Year Ended December 31, 2015.....	22
Proprietary Funds	
Statement of Fund Net Position, Year Ended December 31, 2015.....	23
Statement of Revenues, Expenses and Changes in Fund Net Position, Year Ended December 31, 2015.....	24
Statement of Cash Flows, Year Ended December 31, 2015.....	25
Fiduciary Funds	
Statement of Fiduciary Net Position, Year Ended December 31, 2015.....	26
Statement of Changes in Fiduciary Net Position, For the Year Ended December 31, 2015.....	27
Notes to the Financial Statements.....	28
Required Supplementary Information.....	74
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required By Government Auditing Standards.....	80

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**WILSON, PHILLIPS & AGIN, CPA'S, INC.
1100 BRANDYWINE BLVD. BUILDING G
ZANESVILLE, OHIO 43701**

INDEPENDENT AUDITORS' REPORT

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

To the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Zanesville, Muskingum City, , Ohio as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the City's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Zanesville, Muskingum County, Ohio as of December 31, 2015, and the respective changes in financial position and where applicable, cash flows, thereof, and the respective budgetary comparison for the General Fund, Police Expenditure Fund and Fire Operating Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 3 to the financial statements, during the year ended December 31, 2015, the City implemented GASB Statement No. 68, "*Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27*" and GASB Statement No. 71, "*Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68*". We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's Discussion and Analysis*, required budgetary comparison schedules and schedules of net pension liabilities and pension contributions 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 the placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated August 18, 2016, on our consideration of the City of Zanesville's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Zanesville's internal control over financial reporting and compliance.

Wilson, Phillips & Agin, CPA's, Inc.

Zanesville, Ohio
August 18, 2016

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City of Zanesville, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2015
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, 2015. 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 2015 are as follows:

- In total, net position increased \$198,150. Net position of governmental activities increased \$554,109. The business-type activities decreased \$355,959.
- General governmental revenues accounted for \$22,786,235 in revenue or 85 percent of all revenues in governmental activities. Program specific revenues in the form of charges for services, grants, contributions, and interest accounted for \$4,094,187 or 15 percent of total revenues of \$26,880,422.

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 Position 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 Position 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 2015?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets and deferred outflows of resources and all liabilities and deferred inflows of resources 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 position and the changes in net position. This change in net position 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, 2015
Unaudited

In the Statement of Net Position 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 Sewer, Water, and Sanitation 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 16. 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 Fund, the Police Expenditure and Fire Operating Special Revenue Funds, the Auditorium/City Jail Capital Projects Fund, and the Sewer and Water Enterprise 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 Position 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 position looks at the City as a whole. Table 1 provides a summary of the City's net position for 2015 compared to 2014.

City of Zanesville, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2015
Unaudited

(Table 1)
Net Position

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Assets						
Current and Other Assets	\$19,433,093	\$17,702,789	\$5,478,169	\$6,468,940	\$24,911,262	\$24,171,729
Capital Assets, Net	20,488,997	19,048,533	67,627,605	68,058,469	88,116,602	87,107,002
<i>Total Assets</i>	<u>39,922,090</u>	<u>36,751,322</u>	<u>73,105,774</u>	<u>74,527,409</u>	<u>113,027,864</u>	<u>111,278,731</u>
Deferred Outflows of Resources						
Deferred Charge on Refunding	3,095	4,156	2,473	3,321	5,568	7,477
Pension	2,925,997	1,910,118	587,399	401,376	3,513,396	2,311,494
<i>Total Deferred Outflows of Resources</i>	<u>2,929,092</u>	<u>1,914,274</u>	<u>589,872</u>	<u>404,697</u>	<u>3,518,964</u>	<u>2,318,971</u>
Liabilities						
Current and Other Liabilities	5,323,049	2,483,060	890,221	845,187	6,213,270	3,328,247
Long-term Liabilities						
Due Within One Year	1,059,446	1,010,660	2,215,570	2,431,716	3,275,016	3,442,376
Net Pension Liability	21,127,816	20,047,067	3,290,516	3,216,193	24,418,332	23,263,260
Other Amounts Due in More Than One Year	5,456,562	5,821,696	26,448,363	27,289,882	31,904,925	33,111,578
<i>Total Liabilities</i>	<u>32,966,873</u>	<u>29,362,483</u>	<u>32,844,670</u>	<u>33,782,978</u>	<u>65,811,543</u>	<u>63,145,461</u>
Deferred Inflows of Resources						
Property Taxes	1,077,924	1,137,550	0	0	1,077,924	1,137,550
Pension	86,713	0	57,807	0	144,520	0
<i>Total Deferred Inflows of Resources</i>	<u>1,164,637</u>	<u>1,137,550</u>	<u>57,807</u>	<u>0</u>	<u>1,222,444</u>	<u>1,137,550</u>
Net Position						
Net Investment in Capital Assets	14,694,946	14,028,304	39,418,954	38,809,539	54,113,900	52,837,843
Restricted	4,420,141	4,736,838	0	0	4,420,141	4,736,838
Unrestricted	(10,395,415)	(10,599,579)	1,374,215	2,339,589	(9,021,200)	(8,259,990)
<i>Total Net Position</i>	<u>\$8,719,672</u>	<u>\$8,165,563</u>	<u>\$40,793,169</u>	<u>\$41,149,128</u>	<u>\$49,512,841</u>	<u>\$49,314,691</u>

During 2015, the City adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27," which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the City's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's net pension liability. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

City of Zanesville, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2015
Unaudited

Under the new standards required by GASB 68, the net pension liability equals the City's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service
2. Minus plan assets available to pay these benefits

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the City is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68, the City's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability not accounted for as deferred inflows/outflows.

As a result of implementing GASB 68, the City is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at December 31, 2014, from \$26,409,945 to \$8,165,563 for governmental activities and from \$43,856,512 to \$41,149,128 for business-type activities.

City of Zanesville, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2015
Unaudited

Total assets increased \$1,749,133. Governmental activities increased \$3,170,768 and the business-type activities decreased \$1,421,635. Total liabilities increased \$2,666,082. Governmental activities increased \$3,604,390 while the business-type activities decreased \$938,308.

For governmental activities, both equity in pooled cash and cash equivalents increased \$1,143,762 and municipal income tax receivable of \$490,179. The increase in cash and cash equivalents was due mainly to unspent note proceeds in the amount of \$1,340,156. Capital assets also increased \$1,440,464 due mainly to construction in progress additions for the Secrest Auditorium renovations. Current liabilities increased \$2,839,989. The increase in current liabilities was due mainly to the issuance of a notes payable in the amount of \$2,500,000 for the purpose of renovating Secrest Auditorium and replacement of the boiler in the City Jail. Long-term liabilities increased \$764,401 due mainly to an increase in the net pension liability.

For business-type activities, equity in pooled cash and cash equivalents decreased \$744,614, accounts receivables decreased \$188,916, and capital assets decreased \$430,864. The decreases in pooled cash and cash equivalents and accounts receivable are directly due to a decrease in the number of utility customers in 2015 compared to 2014. Current liabilities increased \$45,034 mainly due to an increase in accounts payable from 2014 to 2015. Long-term liabilities decreased \$983,342 due mainly to the debt retirements exceeding the issuance of new loans during the year.

Table 2 shows the changes in net position for the year ended December 31, 2015, and comparisons to 2014.

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City of Zanesville, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2015
Unaudited

(Table 2)
Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Revenues						
Program Revenues						
Charges for Services	\$1,453,736	\$1,390,364	\$12,246,743	\$12,921,063	\$13,700,479	\$14,311,427
Operating Grants, Contributions and Interest	1,537,821	1,848,822	7,430	0	1,545,251	1,848,822
Capital Grants and Contributions	1,102,630	440,651	0	0	1,102,630	440,651
Total Program Revenues	4,094,187	3,679,837	12,254,173	12,921,063	16,348,360	16,600,900
General Revenues						
Property Taxes	990,736	1,125,890	0	0	990,736	1,125,890
Income Tax	17,749,486	16,220,280	0	0	17,749,486	16,220,280
Payments in Lieu of Taxes	540,357	624,096	0	0	540,357	624,096
Franchise Tax	289,671	299,113	0	0	289,671	299,113
Grants and Entitlements	2,586,524	2,734,519	0	0	2,586,524	2,734,519
Unrestricted Contribution	300,000	0	0	0	300,000	0
Investment Earnings	127,298	52,244	0	1,213	127,298	53,457
Gain on Sale of Capital Assets	500	0	26,744	0	27,244	0
Other	201,663	319,074	121,539	98,300	323,202	417,374
Total General Revenues	22,786,235	21,375,216	148,283	99,513	22,934,518	21,474,729
Total Revenues	26,880,422	25,055,053	12,402,456	13,020,576	39,282,878	38,075,629
Program Expenses						
General Government:						
Legislative and Executive	4,633,922	4,647,917	0	0	4,633,922	4,647,917
Court	683,034	594,149	0	0	683,034	594,149
Security of Persons and Property:						
Police	9,132,536	8,399,391	0	0	9,132,536	8,399,391
Fire	6,068,035	5,773,793	0	0	6,068,035	5,773,793
Other	130,942	137,805	0	0	130,942	137,805
Public Health Services	386,614	502,857	0	0	386,614	502,857
Community Environment	858,040	1,005,308	0	0	858,040	1,005,308
Transportation	3,548,993	3,651,975	0	0	3,548,993	3,651,975
Leisure Time Activities	769,444	739,516	0	0	769,444	739,516
Interest and Fiscal Charges	114,753	155,546	0	0	114,753	155,546
Sewer	0	0	5,775,336	5,756,637	5,775,336	5,756,637
Water	0	0	5,311,315	5,276,000	5,311,315	5,276,000
Nonmajor Enterprise	0	0	1,671,764	1,514,304	1,671,764	1,514,304
Total Program Expenses	26,326,313	25,608,257	12,758,415	12,546,941	39,084,728	38,155,198
Increase (Decrease) in Net Position	554,109	(553,204)	(355,959)	473,635	198,150	(79,569)
Net Position Beginning of Year	8,165,563	N/A	41,149,128	N/A	49,314,691	N/A
Net Position End of Year	\$8,719,672	\$8,165,563	\$40,793,169	\$41,149,128	\$49,512,841	\$49,314,691

The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, 2014 functional expenses still include pension expense of \$1,910,118 for governmental activities and \$401,376 for business-type activities computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required

City of Zanesville, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2015
Unaudited

contribution is no longer a component of pension expense. Under GASB 68, the 2015 statements report pension expense of \$2,116,360 for governmental activities and \$357,934 for business-type activities. Consequently, in order to compare 2015 total program expenses to 2014, the following adjustments are needed:

	Governmental Activities	Business-Type Activities	Total
Total 2015 program expenses under GASB 68	\$26,326,313	\$12,758,415	\$39,084,728
Pension expense under GASB 68	(2,116,360)	(357,934)	(2,474,294)
2015 contractually required contribution	1,964,777	411,827	2,376,604
Adjusted 2015 program expenses	26,174,730	12,812,308	38,987,038
Total 2014 program expenses under GASB 27	25,608,257	12,546,941	38,155,198
Increase in program expenses not related to pension	\$566,473	\$265,367	\$831,840

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 grants and entitlements general revenues represent 66 and 10 percent, respectively, of all revenues in the governmental activities.

Operating and capital grants, contributions, and interest accounted for 10 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.

Security of persons and property is the largest activity of the City, comprising 58 percent of the governmental expenses. During 2015, expenses for police and fire operations amounted to \$9,132,536 and \$6,068,035, 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.

Another major 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.

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. During 2015, the City collected \$674,320 less in charges for services and spent \$211,474 more than the previous year. Over the past few years, the City has lost customers to Muskingum County as a result of the County completing construction of their own water plant.

City of Zanesville, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2015
Unaudited

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 \$26,644,853 and expenditures of \$28,272,088.

The fund balance of the General Fund decreased \$155,661. The General Fund's Unassigned Fund Balance of \$4,187,609 represented 60 percent 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 decreased \$201,855. The Police Expenditure Fund had a restricted fund balance of \$668,621 at year end.

The fund balance of the Fire Operating Fund increased \$182,253. The Fire Operating Fund had an unassigned fund balance of (\$48,545) at year end.

The fund balance of the Auditorium/City Jail Fund decreased \$1,160,152. Bond anticipation notes were issued in the amount of \$2,500,000 to be used for the renovations of Secrest Auditorium and for the boiler replacement at the City Jail.

During 2015, the Sewer Fund had operating revenues of \$6,447,906 and operating expenses of \$5,136,338. The Water Fund had operating revenues of \$4,232,466 and operating expenses of \$5,038,250. 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 2015, 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 \$766,263 with the largest increases in municipal income taxes, intergovernmental, and other revenue sources. Actual revenues were under the final budget in the amount of \$427,834. The original appropriations were increased \$766,263; however, the actual expenditures were \$2,520,396 less than the final budget.

City of Zanesville, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2015
Unaudited

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.

Capital Assets and Debt Administration

Capital Assets

Table 3 shows year 2015 balances compared to 2014.

(Table 3)
Capital Assets at Year End

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land	\$1,188,231	\$1,188,231	\$233,184	\$233,184	\$1,421,415	\$1,421,415
Buildings and Improvements	5,903,416	6,159,937	26,207,304	23,423,173	32,110,720	29,583,110
Machinery and Equipment	638,184	535,277	5,292,513	6,034,305	5,930,697	6,569,582
Vehicles	1,376,906	1,313,272	291,289	316,654	1,668,195	1,629,926
Infrastructure	10,129,234	9,579,765	33,845,434	34,744,668	43,974,668	44,324,433
Construction in Progress	1,253,026	272,051	1,757,881	3,306,485	3,010,907	3,578,536
Totals	<u>\$20,488,997</u>	<u>\$19,048,533</u>	<u>\$67,627,605</u>	<u>\$68,058,469</u>	<u>\$88,116,602</u>	<u>\$87,107,002</u>

Note 10 (Capital Assets) provides capital asset activity during 2015.

Debt

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

City of Zanesville, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2015
Unaudited

(Table 4)
 Outstanding Debt, at Year End

	Governmental Activities		Business-Type Activities	
	2015	2014	2015	2014
2014 Capital Facilities Refunding Bonds	\$542,500	\$721,000	\$0	\$0
2010 Street Improvement Bonds	910,000	960,000	0	0
OPWC Bridge Replacement Loan	34,568	51,853	0	0
2005 Ohio Department of Transportation Loan	3,085,103	3,217,453	0	0
2013 Ohio Department of Transportation Loan	65,131	74,079	0	0
2015 Auditorium/City Jail Renovations Note	2,500,000	0	0	0
2014 Capital Facilities Refunding Water Bond	0	0	232,500	309,000
OPWC Sewer Loan	0	0	2,094,090	1,243,059
OWDA Water Loans	0	0	11,460,700	12,022,362
OWDA Sewer Loans	0	0	14,290,920	15,528,450
Capital Leases	0	0	59,007	87,130
Totals	<u>\$7,137,302</u>	<u>\$5,024,385</u>	<u>\$28,137,217</u>	<u>\$29,190,001</u>

The total amount of general obligation indebtedness outstanding at any one time shall not exceed 10.5 percent of the actual value of taxable real and personal property in the City. The City's overall debt limit at December 31, 2015, is \$35,295,777.

Additional information on the City's debt can be found in Notes 16, 17 and 18 of this report.

Current Financial Issues

The City of Zanesville has created a new position called the human resource director who will handle all personnel duties. Previously, four departments were handling these jobs. The City of Zanesville has hired five new firemen and four new policemen this year. The City is involving the citizens of Zanesville with the first stage of the Master Comprehensive Plan for the future of our city. There has been a lot of interest and meetings for this project. The City has invested \$500,000.00 of its local money for paving in addition to the \$1.5 million received through grants. The City is also planning on building a pickle ball court in one of our parks and the Kidsville in Riverside Park will be reconstructed at a cost of about \$150,000.00. The City is currently looking at new software that is more user friendly for paying utility bills and paying our bills with vendors faster.

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, 740-455-0601.

City of Zanesville, Ohio

Statement of Net Position

December 31, 2015

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$10,195,854	\$3,190,538	\$13,386,392
Cash and Cash Equivalents in Segregated Accounts	20,394	0	20,394
Investments	50,000	0	50,000
Accounts Receivable	101,172	1,432,103	1,533,275
Accrued Interest Receivable	23,324	0	23,324
Intergovernmental Receivable	1,524,782	0	1,524,782
Permissive Motor Vehicle Tax Receivable	8,894	0	8,894
Internal Balances	168,537	(168,537)	0
Municipal Income Tax Receivable	3,276,076	0	3,276,076
Loans Receivable	58,059	0	58,059
Special Assessments Receivable	2,217,711	8,886	2,226,597
Materials and Supplies Inventory	453,655	978,341	1,431,996
Prepaid Items	67,270	36,838	104,108
Property Taxes Receivable	1,267,365	0	1,267,365
Non-Depreciable Capital Assets	2,441,257	1,991,065	4,432,322
Depreciable Capital Assets, Net	18,047,740	65,636,540	83,684,280
<i>Total Assets</i>	<i>39,922,090</i>	<i>73,105,774</i>	<i>113,027,864</i>
Deferred Outflows of Resources			
Deferred Charge on Refunding	3,095	2,473	5,568
Pension	2,925,997	587,399	3,513,396
<i>Total Deferred Outflows of Resources</i>	<i>2,929,092</i>	<i>589,872</i>	<i>3,518,964</i>
Liabilities			
Accounts Payable	656,973	161,169	818,142
Contracts Payable	200,153	20,018	220,171
Matured Compensated Absences Payable	11,522	0	11,522
Accrued Wages Payable	700,988	232,704	933,692
Accrued Interest Payable	8,205	291	8,496
Intergovernmental Payable	778,471	101,139	879,610
Retainage Payable	34,204	54,707	88,911
Claims Payable	432,533	0	432,533
Customer Deposits Payable	0	320,193	320,193
Notes Payable	2,500,000	0	2,500,000
Long-Term Liabilities:			
Due Within One Year	1,059,446	2,215,570	3,275,016
Net Pension Liability (See Note 12)	21,127,816	3,290,516	24,418,332
Other Amounts Due In More Than One Year	5,456,562	26,448,363	31,904,925
<i>Total Liabilities</i>	<i>32,966,873</i>	<i>32,844,670</i>	<i>65,811,543</i>
Deferred Inflows of Resources			
Property Taxes	1,077,924	0	1,077,924
Pension	86,713	57,807	144,520
<i>Total Deferred Inflows of Resources</i>	<i>1,164,637</i>	<i>57,807</i>	<i>1,222,444</i>
Net Position			
Net Investment in Capital Assets	14,694,946	39,418,954	54,113,900
Restricted for:			
Street	888,891	0	888,891
Cemetery	118,658	0	118,658
Community Development	652,915	0	652,915
Jail Operations	484,301	0	484,301
Police Operations	320,109	0	320,109
Court Operations	415,912	0	415,912
Police and Fire Pension	43,851	0	43,851
Debt Service	8,153	0	8,153
Capital Outlay	804,075	0	804,075
Cemetery - Non-expendable	670,356	0	670,356
Unclaimed Monies	6,879	0	6,879
Other Purposes	6,041	0	6,041
Unrestricted (Deficit)	(10,395,415)	1,374,215	(9,021,200)
<i>Total Net Position</i>	<i>\$8,719,672</i>	<i>\$40,793,169</i>	<i>\$49,512,841</i>

See accompanying notes to the basic financial statements

City of Zanesville, Ohio
Statement of Activities
For the Year Ended December 31, 2015

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants, Contributions, and Interest	Capital Grants and Governmental Contributions	Activities	Business- Type Activities	Total
Governmental Activities							
General Government:							
Legislative and Executive	\$4,633,922	\$495,249	\$0	\$0	(\$4,138,673)	\$0	(\$4,138,673)
Court	683,034	445,686	0	0	(237,348)	0	(237,348)
Security of Persons and Property:							
Police	9,132,536	30,923	92,467	0	(9,009,146)	0	(9,009,146)
Fire	6,068,035	25,188	228,182	0	(5,814,665)	0	(5,814,665)
Other	130,942	0	0	0	(130,942)	0	(130,942)
Public Health Services	386,614	63,502	27,081	0	(296,031)	0	(296,031)
Community Environment	858,040	60,688	109,342	0	(688,010)	0	(688,010)
Transportation	3,548,993	197,772	1,072,011	977,630	(1,301,580)	0	(1,301,580)
Leisure Time Activities	769,444	134,728	8,738	125,000	(500,978)	0	(500,978)
Interest and Fiscal Charges	114,753	0	0	0	(114,753)	0	(114,753)
<i>Total Governmental Activities</i>	<u>26,326,313</u>	<u>1,453,736</u>	<u>1,537,821</u>	<u>1,102,630</u>	<u>(22,232,126)</u>	<u>0</u>	<u>(22,232,126)</u>
Business-Type Activities							
Sewer	5,775,336	6,447,906	537	0	0	673,107	673,107
Water	5,311,315	4,232,466	537	0	0	(1,078,312)	(1,078,312)
Nonmajor	1,671,764	1,566,371	6,356	0	0	(99,037)	(99,037)
<i>Total Business-Type Activities</i>	<u>12,758,415</u>	<u>12,246,743</u>	<u>7,430</u>	<u>0</u>	<u>0</u>	<u>(504,242)</u>	<u>(504,242)</u>
<i>Total</i>	<u>\$39,084,728</u>	<u>\$13,700,479</u>	<u>\$1,545,251</u>	<u>\$1,102,630</u>	<u>(22,232,126)</u>	<u>(504,242)</u>	<u>(22,736,368)</u>
General Revenues							
Property Taxes Levied for:							
General Purposes					814,121	0	814,121
Police and Fire Pension					175,950	0	175,950
Debt Service					665	0	665
Income Taxes Levied for:							
General Purposes					9,708,154	0	9,708,154
Police Operations					4,455,860	0	4,455,860
Jail Operations					1,792,736	0	1,792,736
Fire Operations					1,792,736	0	1,792,736
Payments in Lieu of Taxes					540,357	0	540,357
Franchise Taxes					289,671	0	289,671
Grants and Entitlements not Restricted to Specific Programs					2,586,524	0	2,586,524
Unrestricted Contribution					300,000	0	300,000
Investment Earnings					127,298	0	127,298
Gain on Sale of Capital Assets					500	26,744	27,244
Other					201,663	121,539	323,202
<i>Total General Revenues</i>					<u>22,786,235</u>	<u>148,283</u>	<u>22,934,518</u>
<i>Change in Net Position</i>					<u>554,109</u>	<u>(355,959)</u>	<u>198,150</u>
<i>Net Position Beginning of Year - Restated (Note 3)</i>					<u>8,165,563</u>	<u>41,149,128</u>	<u>49,314,691</u>
<i>Net Position End of Year</i>					<u>\$8,719,672</u>	<u>\$40,793,169</u>	<u>\$49,512,841</u>

See accompanying notes to the basic financial statements

City of Zanesville, Ohio

Balance Sheet

Governmental Funds

December 31, 2015

	General	Police Expenditure	Fire Operating	Auditorium/ City Jail	Other Governmental Funds	Total Governmental Funds
Assets						
Equity in Pooled Cash and Cash Equivalents	\$3,913,143	\$457,560	\$401,073	\$1,574,011	\$2,887,063	\$9,232,850
Cash and Cash Equivalents in Segregated Accounts	2,584	0	0	0	17,810	20,394
Restricted Cash	6,879	0	0	0	0	6,879
Investments	0	0	0	0	50,000	50,000
Receivables:						
Accrued Interest	21,741	0	0	0	1,583	23,324
Accounts	75,032	0	0	0	26,140	101,172
Interfund	84,712	0	0	0	365,000	449,712
Intergovernmental	440,273	0	0	125,000	952,306	1,517,579
Permissive Motor Vehicle Tax	0	0	0	0	8,894	8,894
Municipal Income Tax	1,724,198	861,936	344,971	0	344,971	3,276,076
Taxes	1,039,068	0	0	0	228,297	1,267,365
Loans	0	0	0	0	58,059	58,059
Special Assessments	2,216,772	0	0	0	939	2,217,711
Materials and Supplies Inventory	998	7,741	0	0	167,183	175,922
Prepaid Items	18,875	20,205	9,567	0	17,304	65,951
Total Assets	\$9,544,275	\$1,347,442	\$755,611	\$1,699,011	\$5,125,549	\$18,471,888
Liabilities						
Accounts Payable	\$541,410	\$9,612	\$18,046	\$0	\$71,038	\$640,106
Contracts Payable	85	0	0	199,651	377	200,113
Accrued Wages Payable	133,173	234,593	184,841	0	126,080	678,687
Matured Compensated Absences Payable	11,522	0	0	0	0	11,522
Retainage Payable	0	0	0	34,204	0	34,204
Accrued Interest Payable	0	0	0	308	0	308
Interfund Payable	67,484	99,408	399,140	0	72,272	638,304
Intergovernmental Payable	448,675	122,893	118,772	0	78,114	768,454
Notes Payable	0	0	0	2,500,000	0	2,500,000
Total Liabilities	1,202,349	466,506	720,799	2,734,163	347,881	5,471,698
Deferred Inflows of Resources						
Property Taxes	883,098	0	0	0	194,826	1,077,924
Unavailable Revenue	3,063,128	184,369	73,790	125,000	870,982	4,317,269
Total Deferred Inflows of Resources	3,946,226	184,369	73,790	125,000	1,065,808	5,395,193
Fund Balances						
Nonspendable	26,752	27,946	9,567	0	854,843	919,108
Restricted	0	668,621	0	0	2,526,931	3,195,552
Committed	62,085	0	0	0	330,086	392,171
Assigned	119,254	0	0	0	0	119,254
Unassigned (Deficits)	4,187,609	0	(48,545)	(1,160,152)	0	2,978,912
Total Fund Balances (Deficits)	4,395,700	696,567	(38,978)	(1,160,152)	3,711,860	7,604,997
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$9,544,275	\$1,347,442	\$755,611	\$1,699,011	\$5,125,549	\$18,471,888

See accompanying notes to the basic financial statements

City of Zanesville, Ohio
*Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
December 31, 2015*

Total Governmental Fund Balances \$7,604,997

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

Capital assets used in governmental activities are not financial
resources and therefore are not reported in the funds. 20,488,997

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

Property Taxes	189,441	
Charges for Services	2,219,632	
Municipal Income Tax	700,756	
Intergovernmental Revenues	1,191,569	
Investment Earnings	15,844	
Other Revenues	27	
Total	4,317,269	4,317,269

Deferred outflows of resources represent deferred charges on refundings which
do not provide current financial resources and therefore are not reported in the funds. 3,095

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 position (excluding the capital assets reported above and the
compensated absences, deferred outflows - pension, net pension liability, and deferred
inflows - pension reported below). 1,055,040

An interfund payable is recorded in governmental activities to reflect
overpayments to the internal service fund by the business-type activities. 62,711

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

Bonds Payable	(1,452,500)	
Accrued Interest Payable	(7,897)	
Loans Payable	(3,184,802)	
Workers' Compensation Claims Payable	(157,911)	
Compensated Absences Payable	(1,720,795)	
Total	(6,523,905)	(6,523,905)

The net pension liability is not due and payable in the current period; therefore, the
liability and related deferred inflows/outflows are not reported in the governmental
funds:

Deferred Outflows - Pension	2,925,997	
Net Pension Liability	(21,127,816)	
Deferred Inflows - Pension	(86,713)	
	(18,288,532)	(18,288,532)

Net Position of Governmental Activities \$8,719,672

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, 2015

	General	Police Expenditure	Fire Operating	Auditorium/ City Jail	Other Governmental Funds	Total Governmental Funds
Revenues						
Property Taxes	\$900,242	\$0	\$0	\$0	\$195,052	\$1,095,294
Permissive Motor Vehicle License	0	0	0	0	167,805	167,805
Municipal Income Tax	9,596,267	4,399,927	1,770,350	0	1,770,350	17,536,894
Payments in Lieu of Taxes	0	0	0	0	540,357	540,357
Charges for Services	353,100	1,280	20,623	0	208,508	583,511
Fines, Licenses and Permits	426,327	5,620	0	0	130,064	562,011
Franchise Tax	289,671	0	0	0	0	289,671
Intergovernmental	2,578,196	4,147	219,015	0	2,328,136	5,129,494
Investment Earnings	127,918	0	0	0	33,973	161,891
Donations	308,738	9,908	0	0	0	318,646
Rent	34,442	0	0	0	17,869	52,311
Other	120,460	34,134	6,544	0	45,830	206,968
<i>Total Revenues</i>	<u>14,735,361</u>	<u>4,455,016</u>	<u>2,016,532</u>	<u>0</u>	<u>5,437,944</u>	<u>26,644,853</u>
Expenditures						
Current:						
General Government:						
Legislative and Executive	5,003,060	0	0	0	0	5,003,060
Court	539,416	0	0	0	163,155	702,571
Security of Persons and Property:						
Police	0	6,856,789	0	0	1,999,762	8,856,551
Fire	0	0	5,568,889	0	116,731	5,685,620
Other	131,805	0	0	0	0	131,805
Public Health Services	0	0	0	0	393,365	393,365
Community Environment	480,109	0	0	0	389,796	869,905
Transportation	405,972	0	0	0	2,806,663	3,212,635
Leisure Time Activities	426,500	0	0	0	208,917	635,417
Capital Outlay	9,563	0	0	1,159,844	1,059,658	2,229,065
Debt Service:						
Principal Retirement	0	0	0	0	387,083	387,083
Interest and Fiscal Charges	0	0	0	308	147,329	147,637
Issuance Costs	0	0	0	0	17,374	17,374
<i>Total Expenditures</i>	<u>6,996,425</u>	<u>6,856,789</u>	<u>5,568,889</u>	<u>1,160,152</u>	<u>7,689,833</u>	<u>28,272,088</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>7,738,936</u>	<u>(2,401,773)</u>	<u>(3,552,357)</u>	<u>(1,160,152)</u>	<u>(2,251,889)</u>	<u>(1,627,235)</u>
Other Financing Sources (Use)						
Premium on Notes Issued	0	0	0	0	33,425	33,425
Transfers In	0	2,199,918	3,734,610	0	2,112,095	8,046,623
Proceeds from Sale of Capital Assets	300,500	0	0	0	0	300,500
Transfers Out	(8,195,097)	0	0	0	0	(8,195,097)
<i>Total Other Financing Sources (Use)</i>	<u>(7,894,597)</u>	<u>2,199,918</u>	<u>3,734,610</u>	<u>0</u>	<u>2,145,520</u>	<u>185,451</u>
<i>Net Change in Fund Balances</i>	<u>(155,661)</u>	<u>(201,855)</u>	<u>182,253</u>	<u>(1,160,152)</u>	<u>(106,369)</u>	<u>(1,441,784)</u>
<i>Fund Balances (Deficit) Beginning of Year</i>	<u>4,551,361</u>	<u>898,422</u>	<u>(221,231)</u>	<u>0</u>	<u>3,818,229</u>	<u>9,046,781</u>
<i>Fund Balances (Deficits) End of Year</i>	<u>\$4,395,700</u>	<u>\$696,567</u>	<u>(\$38,978)</u>	<u>(\$1,160,152)</u>	<u>\$3,711,860</u>	<u>\$7,604,997</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, 2015*

Net Change in Fund Balances - Total Governmental Funds (\$1,441,784)

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	3,067,005	
Capital Contributions	300,000	
Depreciation	(1,626,541)	
Excess of Capital Outlay over Depreciation		1,740,464

Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the Statement of Activities, a gain or loss is reported for each disposal. This is the amount of the proceeds, and the loss on disposal of assets:

Proceeds from Sale of Capital Assets	(300,500)	
Loss on Disposal of Capital Assets	500	(300,000)

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

Property Taxes	(104,558)	
Charges for Services - Special Assessments	97,349	
Charges for Services	(9,251)	
Municipal Income Tax	212,592	
Intergovernmental Revenues	44,889	
Other Revenues	(5,924)	
Investment Earnings	(647)	
Total		234,450

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 governmental funds:

Amortization of deferred amount on refunding	(1,061)	
Accrued interest	520	(541)

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

Refunding Bonds	178,500	
General Obligation Bonds	50,000	
Long-Term Loans	158,583	387,083

The internal service funds used by management to charge the costs of issuance 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 change of the internal service funds is allocated among governmental activities.

162,144

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	(3,491)	
Claims Payable - BWC Retro	(67,244)	(70,735)

Contractually required contributions are reported as expenditures in the governmental funds; however, the statement of net position reports these amounts as deferred outflows.

Contractually Required Contributions	1,964,777	
Contractually Required Contributions - Internal Service Fund	(41,183)	1,923,594

Except for amounts reported as deferred inflows/outflows, changes in the net position liability are reported as pension expense in the statement of activities.

Pension Expense	(2,116,360)	
Pension Expense - Internal Service Fund	35,794	(2,080,566)

Change in Net Position of Governmental Activities \$554,109

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, 2015

	Budgeted Amounts			Variance with Final Budget Over (Under)
	Original	Final	Actual	
Revenues				
Property Taxes	\$892,396	\$900,234	\$900,242	\$8
Municipal Income Tax	8,635,148	8,947,148	9,440,526	493,378
Charges for Services	352,197	382,197	352,735	(29,462)
Fines, Licenses and Permits	373,658	419,858	417,723	(2,135)
Franchise Tax	315,000	315,000	292,268	(22,732)
Intergovernmental	2,363,787	2,618,272	2,594,023	(24,249)
Investment Earnings	20,000	20,000	12,214	(7,786)
Donations	0	8,740	8,738	(2)
Rent	34,602	35,602	34,242	(1,360)
Other	3,151	109,151	131,325	22,174
<i>Total Revenues</i>	<u>12,989,939</u>	<u>13,756,202</u>	<u>14,184,036</u>	<u>427,834</u>
Expenditures				
Current:				
General Government:				
Legislative and Executive	6,932,698	6,928,159	4,787,203	2,140,956
Court	539,686	548,317	505,362	42,955
Security of Persons and Property:				
Other	140,866	142,418	126,086	16,332
Community Environment	502,380	528,912	489,889	39,023
Transportation	476,253	476,253	415,392	60,861
Leisure Time Activities	508,997	541,292	384,446	156,846
Capital Outlay	76,037	76,037	12,018	64,019
<i>Total Expenditures</i>	<u>9,176,917</u>	<u>9,241,388</u>	<u>6,720,396</u>	<u>2,520,992</u>
<i>Excess of Revenues Over Expenditures</i>	<u>3,813,022</u>	<u>4,514,814</u>	<u>7,463,640</u>	<u>2,948,826</u>
Other Financing Source (Use)				
Proceeds from Sale of Capital Assets	330,000	330,000	300,000	(30,000)
Transfers Out	(8,171,139)	(8,872,931)	(8,195,097)	677,834
<i>Total Other Financing Source (Use)</i>	<u>(7,841,139)</u>	<u>(8,542,931)</u>	<u>(7,895,097)</u>	<u>647,834</u>
<i>Net Change in Fund Balance</i>	<u>(4,028,117)</u>	<u>(4,028,117)</u>	<u>(431,457)</u>	<u>3,596,660</u>
<i>Fund Balance Beginning of Year</i>	<u>3,895,581</u>	<u>3,895,581</u>	<u>3,895,581</u>	<u>0</u>
Prior Year Encumbrances Appropriated	132,536	132,536	132,536	0
<i>Fund Balance End of Year</i>	<u>\$0</u>	<u>\$0</u>	<u>\$3,596,660</u>	<u>\$3,596,660</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, 2015

	Budgeted Amounts			Variance with Final Budget Over (Under)
	Original	Final	Actual	
Revenues				
Municipal Income Tax	\$4,232,894	\$4,326,894	\$4,326,894	\$0
Charges for Services	6,000	6,000	1,280	(4,720)
Intergovernmental	0	12,000	4,147	(7,853)
Fines, Licenses and Permits	5,620	5,620	5,620	0
Donations	1,000	9,000	9,908	908
Other	13,680	35,680	34,134	(1,546)
<i>Total Revenues</i>	4,259,194	4,395,194	4,381,983	(13,211)
Expenditures				
Current:				
Security of Persons and Property:				
Police	6,984,104	7,486,904	6,913,690	573,214
<i>Excess of Revenues Under Expenditures</i>	(2,724,910)	(3,091,710)	(2,531,707)	560,003
Other Financing Source				
Transfers In	1,970,711	2,517,511	2,199,918	(317,593)
<i>Net Change in Fund Balance</i>	(754,199)	(574,199)	(331,789)	242,410
<i>Fund Balance Beginning of Year</i>	618,603	618,603	618,603	0
Prior Year Encumbrances Appropriated	135,596	135,596	135,596	0
<i>Fund Balance End of Year</i>	<u>\$0</u>	<u>\$180,000</u>	<u>\$422,410</u>	<u>\$242,410</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, 2015

	Budgeted Amounts			Variance with Final Budget Over Under)
	Original	Final	Actual	(Under)
Revenues				
Municipal Income Tax	\$1,694,120	\$1,741,120	\$1,741,120	\$0
Charges for Services	16,300	16,300	20,623	4,323
Intergovernmental	219,016	219,016	219,015	(1)
Donation	500	500	0	(500)
Other	8,600	8,600	6,544	(2,056)
<i>Total Revenues</i>	1,938,536	1,985,536	1,987,302	1,766
Expenditures				
Current:				
Security of Persons and Property:				
Fire	6,342,013	6,389,013	5,727,748	661,265
<i>Excess of Revenues Under Expenditures</i>	(4,403,477)	(4,403,477)	(3,740,446)	663,031
Other Financing Source				
Transfers In	4,074,121	4,074,121	3,734,610	(339,511)
<i>Net Change in Fund Balance</i>	(329,356)	(329,356)	(5,836)	323,520
<i>Fund Balance Beginning of Year</i>	92,179	92,179	92,179	0
Prior Year Encumbrances Appropriated	237,177	237,177	237,177	0
<i>Fund Balance End of Year</i>	<u>\$0</u>	<u>\$0</u>	<u>\$323,520</u>	<u>\$323,520</u>

See accompanying notes to the basic financial statements

City of Zanesville, Ohio
Statement of Fund Net Position
Proprietary Funds
December 31, 2015
 Business Type Activities - Enterprise Funds

	Sewer	Water	Nonmajor	Total	Governmental Activities - Internal Service Funds
Assets					
Current:					
Equity in Pooled Cash and Cash Equivalents	\$2,331,290	\$109,533	\$429,522	\$2,870,345	\$956,125
Accounts Receivable	744,950	446,193	240,960	1,432,103	0
Intergovernmental Receivable	0	0	0	0	7,203
Interfund Receivable	33,602	0	0	33,602	302,752
Special Assessments Receivable	8,886	0	0	8,886	0
Materials and Supplies Inventory	407,386	570,955	0	978,341	277,733
Restricted Assets:					
Customer Deposits - Equity in Pooled Cash and Cash Equivalents	0	320,193	0	320,193	0
Prepaid Items	15,405	18,955	2,478	36,838	1,319
<i>Total Current Assets</i>	<u>3,541,519</u>	<u>1,465,829</u>	<u>672,960</u>	<u>5,680,308</u>	<u>1,545,132</u>
Noncurrent:					
Non-Depreciable Capital Assets	1,847,478	143,587	0	1,991,065	0
Depreciable Capital Assets, Net	42,845,474	22,585,763	205,303	65,636,540	3,817
<i>Total Noncurrent Assets</i>	<u>44,692,952</u>	<u>22,729,350</u>	<u>205,303</u>	<u>67,627,605</u>	<u>3,817</u>
<i>Total Assets</i>	<u>48,234,471</u>	<u>24,195,179</u>	<u>878,263</u>	<u>73,307,913</u>	<u>1,548,949</u>
Deferred Outflows of Resources					
Deferred Charge on Refunding Pension	0	2,473	0	2,473	0
	249,645	234,959	102,795	587,399	58,740
<i>Total Deferred Outflows of Resources</i>	<u>249,645</u>	<u>237,432</u>	<u>102,795</u>	<u>589,872</u>	<u>58,740</u>
Liabilities					
Current:					
Accounts Payable	107,543	31,922	21,704	161,169	16,867
Contracts Payable	19,518	308	192	20,018	40
Accrued Wages Payable	95,653	92,748	44,303	232,704	22,301
Intergovernmental Payable	43,176	40,563	17,400	101,139	10,017
Retainage Payable	54,707	0	0	54,707	0
Accrued Interest Payable	0	291	0	291	0
Claims Payable	0	0	0	0	432,533
Interfund Payable	29,745	96,056	13,627	139,428	8,334
Compensated Absences Payable	57,789	67,314	41,224	166,327	23,372
General Obligation Bonds Payable	0	76,500	0	76,500	0
Capital Leases Payable	29,033	0	0	29,033	0
OPWC Loans Payable	109,486	0	0	109,486	0
OWDA Loans Payable	1,309,042	525,182	0	1,834,224	0
Current Liabilities Payable from Restricted Assets:					
Customer Deposits	0	320,193	0	320,193	0
<i>Total Current Liabilities</i>	<u>1,855,692</u>	<u>1,251,077</u>	<u>138,450</u>	<u>3,245,219</u>	<u>513,464</u>
Long-Term:					
Compensated Absences Payable	120,800	165,220	74,369	360,389	56,141
Notes Payable	0	156,000	0	156,000	0
Capital Leases Payable	29,974	0	0	29,974	0
OPWC Loans Payable	1,984,604	0	0	1,984,604	0
OWDA Loans Payable	12,981,878	10,935,518	0	23,917,396	0
Net Pension Liability	1,398,469	1,316,206	575,841	3,290,516	329,051
<i>Total Long-Term Liabilities</i>	<u>16,515,725</u>	<u>12,572,944</u>	<u>650,210</u>	<u>29,738,879</u>	<u>385,192</u>
<i>Total Liabilities</i>	<u>18,371,417</u>	<u>13,824,021</u>	<u>788,660</u>	<u>32,984,098</u>	<u>898,656</u>
Deferred Inflows of Resources					
Pension	24,568	23,123	10,116	57,807	5,781
Net Position					
Net Investment in Capital Assets	28,175,028	11,038,623	205,303	39,418,954	3,817
Unrestricted (Deficits)	1,913,103	(453,156)	(23,021)	1,436,926	699,435
<i>Total Net Position</i>	<u>\$30,088,131</u>	<u>\$10,585,467</u>	<u>\$182,282</u>	<u>40,855,880</u>	<u>\$703,252</u>

Some amounts reported for business-type activities in the statement of net position are different because internal service fund assets and liabilities are included with business-type activities.

Net position of business-type activities	(62,711)
	<u>\$40,793,169</u>

See accompanying notes to the basic financial statements

City of Zanesville, Ohio
*Statement of Revenues, Expenses
and Changes in Fund Net Position
Proprietary Funds
For the Year Ended December 31, 2015*

	Business Type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Sewer	Water	Nonmajor	Total	
Operating Revenues					
Charges for Services	\$6,447,906	\$4,232,466	\$1,566,371	\$12,246,743	\$6,644,896
<i>Total Operating Revenues</i>	<u>6,447,906</u>	<u>4,232,466</u>	<u>1,566,371</u>	<u>12,246,743</u>	<u>6,644,896</u>
Operating Expenses					
Salaries and Wages	1,548,467	1,463,284	651,647	3,663,398	368,437
Fringe Benefits	560,284	869,661	316,390	1,746,335	191,909
Contractual Services	1,608,416	1,116,011	613,111	3,337,538	556,461
Materials and Supplies	169,542	503,122	34,833	707,497	635,554
Claims	0	0	0	0	4,882,803
Other Operating Expenses	0	0	0	0	3,461
Depreciation	1,249,629	1,086,172	47,102	2,382,903	0
<i>Total Operating Expenses</i>	<u>5,136,338</u>	<u>5,038,250</u>	<u>1,663,083</u>	<u>11,837,671</u>	<u>6,638,625</u>
<i>Operating Income (Loss)</i>	<u>1,311,568</u>	<u>(805,784)</u>	<u>(96,712)</u>	<u>409,072</u>	<u>6,271</u>
Non-Operating Revenues (Expenses)					
Grants	0	0	6,000	6,000	0
Intergovernmental	537	537	356	1,430	0
Gain on Sale of Capital Assets	3,718	23,026	0	26,744	0
Other Non-Operating Revenues	99,482	21,947	110	121,539	650
Interest and Fiscal Charges	(633,443)	(281,989)	0	(915,432)	0
<i>Total Non-Operating Revenues (Expenses)</i>	<u>(529,706)</u>	<u>(236,479)</u>	<u>6,466</u>	<u>(759,719)</u>	<u>650</u>
<i>Income (Loss) Before Transfers</i>	<u>781,862</u>	<u>(1,042,263)</u>	<u>(90,246)</u>	<u>(350,647)</u>	<u>6,921</u>
Transfers In	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>148,474</u>
<i>Change in Net Position</i>	<u>781,862</u>	<u>(1,042,263)</u>	<u>(90,246)</u>	<u>(350,647)</u>	<u>155,395</u>
<i>Net Position Beginning of Year - Restated (See Note 3)</i>	<u>29,306,269</u>	<u>11,627,730</u>	<u>272,528</u>		<u>547,857</u>
<i>Net Position End of Year</i>	<u>\$30,088,131</u>	<u>\$10,585,467</u>	<u>\$182,282</u>		<u>\$703,252</u>

Some amounts reported for business-type activities in the statement of activities are different because the net expense of the internal service fund is reported with business-type activities.

Change in net position of busniess-type activities	(5,312)
	<u>(\$355,959)</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, 2015

	Business Type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Sewer	Water	Nonmajor	Total Funds	
<i>Increase (Decrease) in Cash and Cash Equivalents</i>					
Cash Flows from Operating Activities:					
Cash Received from Customers	\$6,477,724	\$4,329,608	\$1,598,735	\$12,406,067	\$0
Cash Received from Transactions with Other Funds	0	0	0	0	6,571,982
Cash Payments for Employee Services and Benefits	(2,146,407)	(2,357,347)	(964,782)	(5,468,536)	(563,711)
Cash Payments to Suppliers for Goods and Services	(1,812,179)	(1,515,629)	(637,503)	(3,965,311)	(1,202,609)
Other Operating Expenses	0	0	(17,159)	(17,159)	(3,461)
Cash Payments for Claims	0	0	0	0	(4,897,014)
Other Non-Operating Revenues	116,418	63,783	110	180,311	688
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u>2,635,556</u>	<u>520,415</u>	<u>(20,599)</u>	<u>3,135,372</u>	<u>(94,125)</u>
Cash Flows from Capital and Related Financing Activities:					
Acquisition of Capital Assets	(1,828,168)	(109,129)	0	(1,937,297)	0
Proceeds from Sale of Capital Assets	3,718	24,651	0	28,369	0
Loan Proceeds	1,356,157	0	0	1,356,157	0
Principal Paid on Capital Lease	(28,123)	0	0	(28,123)	0
Interest Paid on Capital Lease	(2,821)	0	0	(2,821)	0
Principal Paid on Debt	(1,753,681)	(638,162)	0	(2,391,843)	0
Interest Paid on Debt	(630,622)	(281,236)	0	(911,858)	0
<i>Net Cash Used for Capital and Related Financing Activities</i>	<u>(2,883,540)</u>	<u>(1,003,876)</u>	<u>0</u>	<u>(3,887,416)</u>	<u>0</u>
Cash Flows from Non-Capital and Related Financing Activities:					
Operating Grants	537	537	6,356	7,430	0
Operating Transfers In	0	0	0	0	148,474
<i>Net Cash Provided by Non-Capital and Related Financing Activities</i>	<u>537</u>	<u>537</u>	<u>6,356</u>	<u>7,430</u>	<u>148,474</u>
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	<u>(247,447)</u>	<u>(482,924)</u>	<u>(14,243)</u>	<u>(744,614)</u>	<u>54,349</u>
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>2,578,737</u>	<u>912,650</u>	<u>443,765</u>	<u>3,935,152</u>	<u>901,776</u>
<i>Cash and Cash Equivalents End of Year</i>	<u><u>\$2,331,290</u></u>	<u><u>\$429,726</u></u>	<u><u>\$429,522</u></u>	<u><u>\$3,190,538</u></u>	<u><u>\$956,125</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:					
<i>Operating Income (Loss)</i>	\$1,311,568	(\$805,784)	(\$96,712)	\$409,072	\$6,271
Adjustments:					
Depreciation	1,249,629	1,086,172	47,102	2,382,903	0
Other Non-Operating Revenues	116,418	63,783	110	180,311	688
(Increase)/Decrease in Assets:					
Accounts Receivable	28,106	97,142	32,364	157,612	0
Intergovernmental Receivable	0	0	0	0	1,166
Interfund Receivable	0	0	0	0	(74,080)
Special Assessments Receivable	1,712	0	0	1,712	0
Materials and Supplies Inventory	(104,565)	57,365	0	(47,200)	(8,035)
Prepaid Items	2,640	1,586	1,486	5,712	(380)
Deferred Outflows - Pension	14,213	13,377	5,852	33,442	3,344
Increase/(Decrease) in Liabilities:					
Accounts Payable	49,449	(18,082)	1,758	33,125	(1,319)
Contracts Payable	0	(4,084)	192	(3,892)	40
Accrued Wages Payable	4,308	2,510	4,237	11,055	(1,927)
Intergovernmental Payable	(4,235)	(5,313)	(1,536)	(11,084)	(1,625)
Interfund Payable	18,255	66,719	(10,154)	74,820	3,239
Claims Payable	0	0	0	0	(14,211)
Deferred Inflows - Pension	(11,336)	(10,669)	(4,668)	(26,673)	(2,667)
Net Pension Liability	(25,782)	(24,265)	(10,615)	(60,662)	(6,066)
Compensated Absences Payable	(14,824)	(42)	9,985	(4,881)	1,437
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u><u>\$2,635,556</u></u>	<u><u>\$520,415</u></u>	<u><u>(\$20,599)</u></u>	<u><u>\$3,135,372</u></u>	<u><u>(\$94,125)</u></u>

See accompanying notes to the basic financial statements

City of Zanesville, Ohio
Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2015

	Private Purpose Trust Funds	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$23,528	\$46,819
Cash and Cash Equivalents in Segregated Accounts	0	2,208
Accrued Interest Receivable	6	0
	<hr/>	<hr/>
<i>Total Assets</i>	23,534	\$49,027
	<hr/>	<hr/>
Liabilities		
Undistributed Monies	0	\$42,800
Deposits Held and Due to Others	0	6,227
	<hr/>	<hr/>
<i>Total Liabilities</i>	0	\$49,027
	<hr/>	<hr/>
Net Position		
Held in Trust for Private Purposes	23,534	
	<hr/>	
Total Net Position	\$23,534	
	<hr/>	

See accompanying notes to the basic financial statements

City of Zanesville, Ohio
Statement of Changes in Fiduciary Net Position
Private Purpose Trust Funds
December 31, 2015

Additions

Interest	\$6
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Deletions

Other	<u>0</u>
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<i>Change in Net Position</i>	6
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<i>Net Position Beginning of Year</i>	<u>23,528</u>
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<i>Net Position End of Year</i>	<u><u>\$23,534</u></u>
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See accompanying notes to the basic financial statements

City of Zanesville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

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 financial reporting entity consists of the primary government, component units, and other governmental organizations that are included to ensure the financial statements are not misleading. The primary government of the City consists of all funds, departments, boards, and agencies that are not legally separate from the City. The City of Zanesville provides various services including police and fire protection, recreation (including parks), planning and zoning, street maintenance and repair, sanitation services, water and water pollution control, sewer, and general administrative services. The operation of each of these activities is directly controlled by the Council through the budgetary process and by the City Auditor and the City Mayor through administrative and managerial requirements and procedures and all are included as part of the reporting entity.

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing board and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the City is obligated for the debt of the organization. Component units also include organizations that are fiscally dependent upon the City in that the City approves the budget, the issuance of debt, or the levying of taxes, and there is a potential for the organization to provide specific financial benefit to, or impose specific financial burdens on, the primary government. No separate government units meet the criteria for inclusion as a component unit.

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 20.

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
Muskingum County Land Reutilization Corporation (Land Bank)

City of Zanesville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

The City is involved with the following organizations which are defined as joint ventures. Additional information concerning the joint ventures is presented in Note 21.

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 22.

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 governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles. 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 position 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 position 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 position 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.

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.

City of Zanesville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

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 deferred outflows of resources, and liabilities and deferred inflows of resources is reported as fund balance. The following are the City's major governmental funds:

General Fund The General Fund accounts for and reports all financial resources not 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.

Auditorium/City Jail Fund The Auditorium/City Jail Fund is used to account for note proceeds designated for the renovation of Secrest Auditorium and the replacement of the boiler at the City Jail.

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 position, financial position, and cash flows. Proprietary funds are classified as either enterprise or internal service. 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.

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.

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.

City of Zanesville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

Fiduciary Funds Fiduciary fund reporting focuses on net position and changes in net position. 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 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 deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of the City are included on the statement of net position. The statement of activities accounts for increases (i.e. revenues) and decreases (i.e. expenditures) in total net position.

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 deferred outflows of resources and current liabilities and deferred inflows 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. Governmental fund financial statements therefore 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 deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of these funds are included on the statement of fund net position. The statement of changes in revenues, expenses, and changes in fund net position 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 inflows of resources, and in the presentation of expenses versus expenditures.

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.

City of Zanesville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

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, franchise taxes, charges for services, state-levied locally shared taxes (including gasoline tax and motor vehicle license fees), interest, grants, fees, and rentals.

Deferred Outflows/Inflows of Resources In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the City, deferred outflows of resources are reported on the government-wide statement of net position for deferred charges on refunding and pension. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded debt or refunding debt. The deferred outflows of resources related to pension are explained in Note 12.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the City, deferred inflows of resources include property taxes, pension, and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2015, but which were levied to finance 2016 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the City, unavailable revenue includes delinquent property taxes, investment earnings, income taxes, charges for services, miscellaneous revenues, and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The details of these unavailable revenues are identified on the Reconciliation of Total Governmental Fund Balances to Net Pension of Governmental Activities found on page 17. Deferred inflows of resources related to pension are reported on the government-wide statement of net position (See Note 12).

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.

City of Zanesville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

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 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. Monies for all funds are maintained in this pool, except for the investments of the Cemetery Trust which are invested separately. Individual fund integrity is maintained through City records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents."

During 2015, investments were limited to nonparticipating certificates of deposit and federal agency securities.

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.

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 2015 amounted to \$127,918, which includes \$92,736 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.

City of Zanesville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

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.

The Governmental Balance Sheet is showing restricted cash for unclaimed monies that are required to be held for five years before they may be utilized by the City. The Statement of Fund Net Position is showing restricted cash in the Water Enterprise Fund which represents cash held for utility deposits from customers whose use is limited to the payment of unpaid utility bills or refunding of the deposit to the customer.

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, 2015, 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 position 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 position 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:

City of Zanesville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

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

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. 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 ten years 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, prepaids, as well as inventory, unless the use of the collection of the loans, or from the use of the prepaids and inventory, is restricted, committed, or assigned.

City of Zanesville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

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 mandates 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.

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 resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

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 Position

Net position represents the difference between all other elements in a statement of financial position. Net investment in capital assets 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 position is 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 government.

City of Zanesville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

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

O. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

P. 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.

Q. Internal 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.

R. Interfund Balances

On the fund financial statements, receivables and payables resulting from short-term interfund loans or interfund services provided and used are reported as “Interfund Receivables/Payables”. The amounts are eliminated in the governmental and business-type activities columns of the statement of net position, except for any net residual amounts due between governmental and business-type activities, which are presented as internal balances.

S. Bond Premiums

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

City of Zanesville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

T. Deferred Charge on Refunding

On the government-wide financial statements, the difference between the reacquisition price (funds required to refund the old debt) and the net carrying amount of the old debt, the gain/loss on the refunding, is being amortized as a component of interest expense. This deferred amount is amortized over the life of the old or new debt, whichever is shorter, using the effective interest method and is presented as deferred outflows of resources on the Statement of Net Position.

U. 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.

V. 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.

NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF NET POSITION

For 2015, the City implemented the Governmental Accounting Standards Board (GASB) Statement No. 68, “Accounting and Financial Reporting for Pensions,” and GASB Statement No. 71, “Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68.” GASB Statement No. 68 established standards for measuring and recognizing pension liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditure. The implementation of this pronouncement had the following effect on net position as reported December 31, 2014:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Net Position December 31, 2014	\$26,409,945	\$43,856,512
Adjustments:		
Net Pension Liability	(20,047,067)	(3,216,193)
Deferred Outflow - Payments Subsequent to Measurement Date	1,910,118	401,376
Internal Balances	<u>(107,433)</u>	<u>107,433</u>
Restated Net Position December 31, 2014	<u><u>\$8,165,563</u></u>	<u><u>\$41,149,128</u></u>

City of Zanesville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

	Sewer Fund	Water Fund	Nonmajor Enterprise Fund	Total Enterprise	Internal Service Fund
Net Position December 31, 2014	\$ 30,502,566	\$ 12,753,657	\$ 765,121	\$ 44,021,344	\$ 829,338
Adjustments:					
Net Pension Liability	(1,366,882)	(1,286,477)	(562,834)	(3,216,193)	(321,619)
Deferred Outflow - Payments Subsequent to Measurement Date	170,585	160,550	70,241	401,376	40,138
Restated Net Position December 31, 2014	<u>\$29,306,269</u>	<u>\$11,627,730</u>	<u>\$272,528</u>	<u>\$41,206,527</u>	<u>\$547,857</u>

Other than employer contributions subsequent to the measurement date, the City made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

NOTE 4 - 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, fair market value adjustments, 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.

City of Zanesville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

Net Change in Fund Balance

	General	Police Expenditure	Fire Operating
GAAP Basis	(\$155,661)	(\$201,855)	\$182,253
Net Adjustment for Revenue Accruals	(416,961)	(73,033)	(29,230)
Beginning of Year:			
Unrecorded Cash	8,766	0	0
Unrecorded Interest	1,208	0	0
Difference in Fair Market Value	6,516	0	0
Prepaid Items	20,717	13,776	9,082
Segregated Accounts	2,462	0	0
End of Year:			
Unrecorded Cash	(27,295)	0	0
Unrecorded Interest	(730)	0	0
Difference in Fair Market Value	(123,207)	0	0
Prepaid Items	(18,875)	(20,205)	(9,567)
Segregated Accounts	(2,584)	0	0
Net Adjustment for Expenditure Accruals	446,317	(15,322)	(80,821)
Encumbrances	(172,130)	(35,150)	(77,553)
Budget Basis	<u>(\$431,457)</u>	<u>(\$331,789)</u>	<u>(\$5,836)</u>

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:

City of Zanesville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

Fund Balances	General	Police Expenditure	Fire Operating	Auditorium/ City Jail	Other Governmental Funds	Total
<u>Nonspendable:</u>						
Prepays	\$18,875	\$20,205	\$9,567	\$0	\$17,304	\$65,951
Cemetery Endowments	0	0	0	0	670,356	670,356
Unclaimed monies	6,879	0	0	0	0	6,879
Materials and Supplies						
Inventory	998	7,741	0	0	167,183	175,922
Total Nonspendable	26,752	27,946	9,567	0	854,843	919,108
<u>Restricted for:</u>						
Street Improvements	0	0	0	0	489,343	489,343
Community Development	0	0	0	0	253,847	253,847
Cemetery	0	0	0	0	136,660	136,660
Law Enforcement	0	668,621	0	0	116,920	785,541
Court Operations	0	0	0	0	415,128	415,128
Jail Operating	0	0	0	0	511,469	511,469
Police and Fire Pension	0	0	0	0	304	304
Airport Improvements	0	0	0	0	14,701	14,701
Debt Service	0	0	0	0	16,050	16,050
Capital Improvements	0	0	0	0	572,509	572,509
Total Restricted	0	668,621	0	0	2,526,931	3,195,552
<u>Committed to:</u>						
Capital Improvements	0	0	0	0	106,217	106,217
Purchases on Order:						
Engineering Services	62,085	0	0	0	0	62,085
Auditorium Operating	0	0	0	0	223,869	223,869
Total Committed	62,085	0	0	0	330,086	392,171
<u>Assigned to:</u>						
Purchases on Order:						
Street Lighting	9,966	0	0	0	0	9,966
Parks Maintenance	93	0	0	0	0	93
Code Enforcement	4,035	0	0	0	0	4,035
City Operations	28,120	0	0	0	0	28,120
City Maintenance	24,162	0	0	0	0	24,162
Contingencies	8,361	0	0	0	0	8,361
Park Improvement	44,517	0	0	0	0	44,517
Total Assigned	119,254	0	0	0	0	119,254
Unassigned (Deficits)	4,187,609	0	(48,545)	(1,160,152)	0	2,978,912
Total Fund Balances (Deficits)	\$4,395,700	\$696,567	(\$38,978)	(\$1,160,152)	\$3,711,860	\$7,604,997

NOTE 6 - DEPOSITS AND INVESTMENTS

Monies held by the City are classified by State statute into three categories.

City of Zanesville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

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.

Interim monies held by the City can 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 obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. No-load money market mutual funds consisting exclusively of obligations described in (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;
4. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
5. Bonds and other obligations of the State of Ohio, and with certain limitations bonds and other obligations of political subdivisions of the State of Ohio;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met; and
8. Written repurchase agreements in the securities described in (1) or (2) provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days.

City of Zanesville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

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. An investment must mature within five years from the date of purchase 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 for qualified trustee, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

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, \$3,706,240 of the City's bank balance of \$10,165,249 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

As of December 31, 2015, the County had the following investments:

	Fair Value	Maturity	Bond Ratings	Rating Agency
Federal Farm Credit Bank Notes	\$ 500,775	5/13/2019	Aaa	Moody's
Federal Home Loan Mortgage Corporation Notes	500,465	6/8/2018	Aaa	Moody's
Federal Home Loan Mortgage Corporation Notes	498,865	11/26/2018	Aaa	Moody's
Federal Home Loan Mortgage Corporation Notes	250,338	5/28/2019	Aaa	Moody's
Federal Home Loan Mortgage Corporation Notes	250,397	9/30/2020	Aaa	Moody's
Federal Home Loan Mortgage Corporation Notes	750,113	11/25/2020	Aaa	Moody's
Federal Home Loan Mortgage Corporation Notes	497,700	11/25/2020	Aaa	Moody's
Federal National Mortgage Association Notes	246,818	11/4/2019	Aaa	Moody's
Federal National Mortgage Association Notes	250,052	5/27/2020	Aaa	Moody's
Total	<u>\$ 3,745,523</u>			

City of Zanesville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

Interest Rate Risk

As a means of limiting its exposure to fair value losses caused by rising interest rates, the City's investment policy requires that operating funds be invested primarily in short-term investments maturing within five years from the date of purchase and that the City's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments. The Treasurer cannot make investments which he does not reasonably believe can be held until the maturity date.

Credit Risk

The Moody's ratings of the City's investments are listed in the table above. The City has no investment policy that would further limit its investment choices other than what has been approved by State statute.

Concentration of Credit Risk

Concentration of credit risk is defined by the Governmental Accounting Standards Board as having five percent or more invested in the securities of a single issuer. The City places no limit on the amount it may invest in any one issuer. The following is the City's allocation as of December 31, 2015:

<u>Investment Issuer</u>	<u>Percentage of Investments</u>
Federal Home Loan Mortgage Corporation Notes	73.36
Federal Farm Credit Bank Notes	13.37
Federal National Mortgage Association	13.27

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 2015 for real and public utility property taxes represents collections of 2014 taxes.

2015 real property taxes are levied after October 1, 2015, on the assessed value as of January 1, 2015, the lien date. Real property taxes which are levied in 2015 are collected in and intended to finance 2016. Assessed values are established by State law at 35 percent of appraised market value.

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. 2015 public utility property taxes which became a lien on December 31, 2014, were levied after October 1, 2015, and are collected with real property taxes.

The full tax rate for all City operations for the year ended December 31, 2015, was \$3.40 per \$1,000 of assessed value. The assessed values of real property and public utility property upon which 2015 property tax receipts were based are as follows:

City of Zanesville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

Real Property	\$358,641,440
Public Utility Property	16,506,930
	<u>\$375,148,370</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 public utility taxes which are measurable as of December 31, 2015, and for which there is an enforceable legal claim. In the governmental funds, the portion of the receivable not levied to finance 2015 operations is offset to deferred inflows of resources – property taxes. On the accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on the modified accrual basis the revenue has been reported as deferred inflows of resources – unavailable revenue.

NOTE 8 - RECEIVABLES

Receivables at December 31, 2015, 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 \$58,059. 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. The amount not scheduled for collection during the subsequent year is \$53,232.

A summary of the principal items of intergovernmental receivables follows:

Governmental Activities:	<u>Amount</u>
Gasoline Tax and Motor Vehicle License	\$479,600
Community Development Grants	418,231
Local Government	363,114
Ohio Facilities Construction Commission Grant	125,000
Homestead and Rollback	56,567
Probation Grant	33,510
Muskingum County Reimbursement	28,332
Airport Lay out Grant	10,104
Other	<u>10,324</u>
Total Receivable	<u><u>\$1,524,782</u></u>

City of Zanesville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

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. Mandatory income tax information was mailed out to citizens living in the City of Zanesville in the fall of 2015. As of January 1, 2016 all city residents age 16 and older who have or had earned income are required to file a city tax return for the tax year 2015. Income tax proceeds are distributed to funds in the following manner: 1 percent to General Fund, .5 percent to Police Expenditure Special Revenue Fund, .2 percent to Jail Operating Special Revenue Fund, and .2 percent to the Fire Operating Special Revenue Fund.

NOTE 10 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2015, was as follows:

	Balance 12/31/14	Increases	Decreases	Balance 12/31/15
Governmental Activities:				
Capital Assets not being Depreciated:				
Land	\$1,188,231	\$0	\$0	\$1,188,231
Construction in Progress	272,051	1,501,376	(520,401)	1,253,026
Total Capital Assets not being Depreciated	<u>1,460,282</u>	<u>1,501,376</u>	<u>(520,401)</u>	<u>2,441,257</u>
Capital Assets being Depreciated:				
Buildings and Improvements	17,352,358	391,011	(306,911)	17,436,458
Machinery and Equipment	2,630,185	221,276	(67,500)	2,783,961
Vehicles	4,640,137	477,808	(14,985)	5,102,960
Infrastructure	17,719,657	1,295,935	0	19,015,592
Total Capital Assets being Depreciated	<u>42,342,337</u>	<u>2,386,030</u>	<u>(389,396)</u>	<u>44,338,971</u>
Less Accumulated Depreciation:				
Buildings and Improvements	(11,192,421)	(347,532)	6,911	(11,533,042)
Machinery and Equipment	(2,094,908)	(118,369)	67,500	(2,145,777)
Vehicles	(3,326,865)	(414,174)	14,985	(3,726,054)
Infrastructure	(8,139,892)	(746,466)	0	(8,886,358)
Total Accumulated Depreciation	<u>(24,754,086)</u>	<u>(1,626,541) *</u>	<u>89,396</u>	<u>(26,291,231)</u>
Total Capital Assets being Depreciated, Net	<u>17,588,251</u>	<u>759,489</u>	<u>(300,000)</u>	<u>18,047,740</u>
Governmental Activities Capital Assets, Net	<u>\$19,048,533</u>	<u>\$2,260,865</u>	<u>(\$220,401)</u>	<u>\$20,488,997</u>

* Depreciation expense was charged to governmental programs as follows:

City of Zanesville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

General Government - Legislative and Executive	\$78,406
Security of Persons and Property:	
Police	348,483
Fire	302,227
Public Health Services	21,717
Community Environment	1,209
Transportation	781,735
Leisure Time Activities	92,764
Total Depreciation Expense	<u>\$1,626,541</u>

During 2015, Army Reserve choose not to renew their land lease with the City and per the terms of the lease, any buildings and/or improvements made to the land would become the City's if the lease was terminated. After taking possession of the property, the City declared the property to be surplus and put it out for public bid. The City received \$300,000 from the sale of the property.

	Balance 12/31/14	Increases	Decreases	Balance 12/31/15
Business-Type Activities:				
Capital Assets not being Depreciated:				
Land	\$233,184	\$0	\$0	\$233,184
Construction in Progress	3,306,485	1,796,415	(3,345,019)	1,757,881
Total Capital Assets not being Depreciated	<u>3,539,669</u>	<u>1,796,415</u>	<u>(3,345,019)</u>	<u>1,991,065</u>
Capital Assets being Depreciated:				
Buildings and Improvements	30,974,533	3,399,819	(139,354)	34,234,998
Machinery and Equipment	14,114,493	55,854	(111,183)	14,059,164
Vehicles	1,611,622	46,595	(50,214)	1,608,003
Infrastructure	44,966,831	0	0	44,966,831
Total Capital Assets being Depreciated	<u>91,667,479</u>	<u>3,502,268</u>	<u>(300,751)</u>	<u>94,868,996</u>
Less Accumulated Depreciation:				
Buildings and Improvements	(7,551,360)	(615,688)	139,354	(8,027,694)
Machinery and Equipment	(8,080,188)	(796,021)	109,558	(8,766,651)
Vehicles	(1,294,968)	(71,960)	50,214	(1,316,714)
Infrastructure	(10,222,163)	(899,234)	0	(11,121,397)
Total Accumulated Depreciation	<u>(27,148,679)</u>	<u>(2,382,903)</u>	<u>299,126</u>	<u>(29,232,456)</u>
Total Capital Assets being Depreciated, Net	<u>64,518,800</u>	<u>1,119,365</u>	<u>(1,625)</u>	<u>65,636,540</u>
Business-Type Activities Capital Assets, Net	<u>\$68,058,469</u>	<u>\$2,915,780</u>	<u>(\$3,346,644)</u>	<u>\$67,627,605</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, 2015, the City contracted with U.S. Specialty 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 \$50,000 per occurrence and subject to \$5,000 deductible. Ohio Stop Gap insurance of \$1,000,000 per occurrence and \$1,000,000 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

City of Zanesville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

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 \$100,000 deductible each occurrence. Police professional liability coverage is maintained with a \$1,000,000 each occurrence, \$1,000,000 aggregate limit with a \$10,000 deductible per claim, including loss adjustment expense. Inland Marine is maintained per schedule with a \$1,000 deductible.

U.S. Specialty 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.

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

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

U.S. Specialty 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 U.S. Specialty Insurance Company provides crime insurance coverage for theft, disappearance, and destruction (both inside and outside) with a \$25,000 per occurrence limit and a \$250 deductible.

U.S. specialty Insurance Company provides railroad protective liability insurance with a limit of \$2,000,000.00 per occurrence and \$6,000,000 annual aggregate.

Ace Property & Casualty Insurance Company provides airport liability coverage with a limit of \$2,000,000 per occurrence and aggregate and a \$1,000 deductible.

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

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 percent 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 \$432,533 reported at December 31, 2015, 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 2014 and 2015 were:

City of Zanesville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

	Balance at Beginning of Year	Current Year Claims	Claims Payments	Balance at End of Year
2014	\$526,516	\$4,139,581	\$4,219,353	\$446,744
2015	446,744	4,882,803	4,897,014	432,533

The City participates in the State Workers' Compensation retrospective rating and payment program. Under the retrospective rating program, the City pays workers' compensation premiums based upon rates determined by their third party administrator. These premiums are paid to the State of Ohio to cover administrative fees and claims as they are billed by the State. Claims are billed to the City one year in arrears. Once the City receives notice of the 2015 claims paid by the Bureau of Workers' Compensation, the City will reimburse the State for claims paid on the City's behalf. This payable is reclassified from claims payable to intergovernmental payable.

Participation in the plan is approved on a yearly basis and is limited to entities that can meet the plan's selection criteria. The City contracts with the firm of Comp Management, Inc. to provide administrative, costs controls, and actuarial services for the plan. Incurred but not reported, incurred but not paid, and premiums have been accrued as liabilities at December 31, 2015, based on an estimate by the City Auditor's office and the Bureau of Workers' Compensation.

NOTE 12 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the City's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the City's obligation for this liability to annually required payments. The City cannot control benefit terms or the manner in which pensions are financed; however, the City does receive the benefit of employees' services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

City of Zanesville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description - City employees, other than full-time police and firefighters, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. City employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS' traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information):

Group A Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	Group B 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Group C Members not in other Groups and members hired on or after January 7, 2013
State and Local	State and Local	State and Local
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35

Final average Salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not

City of Zanesville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	<u>State and Local</u>
2015 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee	10.0 %
2015 Actual Contribution Rates	
Employer:	
Pension	12.0 %
Post-employment Health Care Benefits	<u>2.0</u>
Total Employer	<u>14.0 %</u>
Employee	<u>10.0 %</u>

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll.

The City's contractually required contribution was \$1,029,568 for 2015. Of this amount, \$98,209 is reported as an intergovernmental payable.

Plan Description – Ohio Police & Fire Pension Fund (OP&F)

Plan Description - City full-time police and firefighters participate in Ohio Police and Fire Pension Fund (OP&F), a cost-sharing, multiple-employer defined benefit pension plan administered by OP&F. OP&F provides retirement and disability pension 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 and detailed information about OP&F fiduciary net position. The report that may be obtained by visiting the OP&F website at www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Upon attaining a qualifying age with sufficient years of service, a member of OP&F may retire and receive a lifetime monthly pension. OP&F offers four types of service retirement: normal, service commuted, age/service commuted and actuarially reduced. Each type has different eligibility guidelines and is calculated using the member's average annual salary. The following discussion of the pension formula relates to normal service retirement.

City of Zanesville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

For members hired after July 1, 2013, the minimum retirement age is 52 for normal service retirement with at least 25 years of service credit. For members hired on or before after July 1, 2013, the minimum retirement age is 48 for normal service retirement with at least 25 years of service credit.

The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.5 percent for each of the first 20 years of service credit, 2.0 percent for each of the next five years of service credit and 1.5 percent for each year of service credit in excess of 25 years. The maximum pension of 72 percent of the allowable average annual salary is paid after 33 years of service credit.

Under normal service retirement, retired members who are at least 55 years old and have been receiving OP&F benefits for at least one year may be eligible for a cost-of-living allowance adjustment. The age 55 provision for receiving a COLA does not apply to those who are receiving a permanent and total disability benefit and statutory survivors.

Members retiring under normal service retirement, with less than 15 years of service credit on July 1, 2013, will receive a COLA equal to either three percent or the percent increase, if any, in the consumer price index (CPI) over the 12-month period ending on September 30 of the immediately preceding year, whichever is less. The COLA amount for members with at least 15 years of service credit as of July 1, 2013 is equal to three percent of their base pension or disability benefit.

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	<u>Police</u>	<u>Firefighters</u>
2015 Statutory Maximum Contribution Rates		
Employer	19.50 %	24.00 %
Employee:		
January 1, 2015 through July 1, 2015	11.50 %	11.50 %
July 2, 2015 through December 31, 2015	12.25 %	12.25 %
2015 Actual Contribution Rates		
Employer:		
Pension	19.00 %	23.50 %
Post-employment Health Care Benefits	0.50	0.50
Total Employer	<u>19.50 %</u>	<u>24.00 %</u>
Employee:		
January 1, 2015 through July 1, 2015	11.50 %	11.50 %
July 2, 2015 through December 31, 2015	12.25 %	12.25 %

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OP&F was \$1,347,036 for 2015. Of this amount \$120,444, is reported as an intergovernmental payable.

City of Zanesville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability for OPERS was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. OP&F's total pension liability was measured as of December 31, 2014, and was determined by rolling forward the total pension liability as of January 1, 2014, to December 31, 2014. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$8,226,286	\$16,192,046	\$24,418,332
Proportion of the Net Pension Liability	0.0682050%	0.3125626%	
Pension Expense	\$894,835	\$1,579,459	\$2,474,294

At December 31, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Deferred Outflows of Resources			
Net difference between projected and actual earnings on pension plan investments	\$438,930	\$697,862	\$1,136,792
City contributions subsequent to the measurement date	<u>1,029,568</u>	<u>1,347,036</u>	<u>2,376,604</u>
Total Deferred Outflows of Resources	<u><u>\$1,468,498</u></u>	<u><u>\$2,044,898</u></u>	<u><u>\$3,513,396</u></u>
Deferred Inflows of Resources			
Differences between expected and actual experience	<u>\$144,520</u>	<u>\$0</u>	<u>\$144,520</u>

\$3,376,604 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Year Ending December 31:			
2016	\$43,051	\$174,466	\$217,517
2017	43,051	174,466	217,517
2018	98,577	174,466	273,043
2019	<u>109,731</u>	<u>174,464</u>	<u>284,195</u>
Total	<u><u>\$294,410</u></u>	<u><u>\$697,862</u></u>	<u><u>\$992,272</u></u>

City of Zanesville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

Actuarial Assumptions - OPERS

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability in the December 31, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Wage Inflation	3.75 percent
Future Salary Increases, including inflation	4.25 to 10.05 percent including wage inflation
COLA or Ad Hoc COLA	3 percent, simple
Investment Rate of Return	8 percent
Actuarial Cost Method	Individual Entry Age

Mortality rates were based on the RP-2000 Mortality Table projected 20 years using Projection Scale AA. For males, 105 percent of the combined healthy male mortality rates were used. For females, 100 percent of the combined healthy female mortality rates were used. The mortality rates used in evaluating disability allowances were based on the RP-2000 mortality table with no projections. For males 120 percent of the disabled female mortality rates were used set forward two years. For females, 100 percent of the disabled female mortality rates were used.

The most recent experience study was completed for the five year period ended December 31, 2010.

The long-term rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

OPERS manages investments in four investment portfolios: the Defined Benefits portfolio, the Health Care portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan and the VEBA Trust. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The money weighted rate of return, net of investments expense, for the Defined Benefit portfolio is 6.95 percent for 2014.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2014 and the long-term expected real rates of return:

City of Zanesville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	23.00 %	2.31 %
Domestic Equities	19.90	5.84
Real Estate	10.00	4.25
Private Equity	10.00	9.25
International Equities	19.10	7.40
Other investments	18.00	4.59
Total	100.00 %	5.28 %

Discount Rate The discount rate used to measure the total pension liability was 8 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the City's proportionate share of the net pension liability calculated using the current period discount rate assumption of 8 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (7 percent) or one-percentage-point higher (9 percent) than the current rate:

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
City's proportionate share of the net pension liability	\$15,134,007	\$8,226,286	\$2,408,319

Actuarial Assumptions – OP&F

OP&F's total pension liability as of December 31, 2014 is based on the results of an actuarial valuation date of January 1, 2014, and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OP&F's actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

City of Zanesville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of January 1, 2014, are presented below:

Valuation Date	January 1, 2014
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8.25 percent
Projected Salary Increases	4.25 percent to 11 percent
Payroll Increases	3.75 percent
Inflation Assumptions	3.25 percent
Cost of Living Adjustments	2.60 percent and 3.00 percent

Rates of death are based on the RP2000 Combined Table, age-adjusted as follows. For active members, set back six years. For disability retirements, set forward five years for police and three years for firefighters. For service retirements, set back zero years for police and two years for firefighters. For beneficiaries, set back zero years. The rates are applied on a fully generational basis, with a base year of 2009, using mortality improvement Scale AA.

The most recent experience study was completed January 1, 2012.

The long-term expected rate of return on pension plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes. Best estimates of the long-term expected geometric real rates of return for each major asset class included in OP&F's target asset allocation as of December 31, 2014 are summarized below:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Cash and Cash Equivalents	- %	(0.25) %
Domestic Equity	16.00	4.47
Non-US Equity	16.00	4.47
Core Fixed Income *	20.00	1.62
Global Inflation Protected *	20.00	1.33
High Yield	15.00	3.39
Real Estate	12.00	3.93
Private Markets	8.00	6.98
Timber	5.00	4.92
Master Limited Partnerships	8.00	7.03
Total	<u>120.00 %</u>	

* levered 2x

City of Zanesville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

OP&F's Board of Trustees has incorporated the "risk parity" concept into OP&F's asset liability valuation with the goal of reducing equity risk exposure, which reduces overall Total Portfolio risk without sacrificing return, and creating a more risk-balanced portfolio based on their relationship between asset classes and economic environments. From the notional portfolio perspective above, the Total Portfolio may be levered up to 1.2 times due to the application of leverage in certain fixed income asset classes.

Discount Rate The total pension liability was calculated using the discount rate of 8.25 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the longer-term assumed investment rate of return 8.25 percent. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, a long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 8.25 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (7.25 percent), or one percentage point higher (9.25 percent) than the current rate.

	1% Decrease (7.25%)	Current Discount Rate (8.25%)	1% Increase (9.25%)
City's proportionate share of the net pension liability	\$22,396,049	\$16,192,046	\$10,939,142

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 defined contribution plan.

OPERS maintains two cost-sharing multiple-employer defined benefit post-employment health care trusts, which fund multiple health care plans including medical coverage, prescription drug coverage, deposits in a Health Reimbursement Arrangement, and Medicare Part B premium reimbursements, to qualifying benefit recipients of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 20 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available.

City of Zanesville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

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>, by 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 the statutory authority requiring public employers to fund post-retirement health care through contributions to OPERS. A portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2015, state and local employers contributed at a rate of 14.0 percent of covered payroll. This is the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. The portion of employer contribution allocated to health care for members in both the Traditional and Combined Plans was 2.0 percent for 2015.

The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected

The City's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2015, 2014, and 2013, were \$171,595, \$166,424, and \$377,478, respectively. For 2015, 85.71 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2014 and 2013.

B. Police and Fire Pension Fund

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

OP&F provides access to post-retirement health care 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 health care coverage to eligible participants and to establish and amend benefits is codified in Chapter 742 of the Ohio Revised Code.

City of Zanesville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

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. That report is also available of OP&F's website at www.op-f.org.

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 Ohio Revised Code to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.5 percent and 24.0 percent of covered payroll for police and fire employers, 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 administrated as an Internal Revenue Code 401(h) account, both of which are within the defined benefit pension plan, under the 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 health care benefits. For 2015, the employer contribution allocated to the health care plan was .5 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

The OP&F Board of Trustees also is authorized to establish requirements for contributions to the health care 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 \$15,918 and \$15,790 for the year ended December 31, 2015, \$15,632 and \$15,378 for the year ended December 31, 2014, and \$72,411 and \$72,411 for the year ended December 31, 2013. For 2015, 92 percent has been contributed for police and 91.40 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 2014 and 2013.

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, police officers (including sergeants, lieutenants, and captains), fire lieutenants, and assistant fire chiefs. Correction officers are insured for \$10,000 and police officers, fire lieutenants, and assistant fire chiefs are insured for \$30,000. Police sergeants and lieutenants are insured for \$40,000. 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 and insurance premiums are paid at varying rates based on the City's current negotiated agreements and policies.

City of Zanesville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

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 750 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 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 percent of vacation earned and not previously taken.

NOTE 15 - SIGNIFICANT COMMITMENTS

A. Contractual Commitments

As of December 31, 2015, the City had contractual purchase commitments for projects in various funds. The amount for each project is as follows:

	<u>Purchase Commitments</u>	<u>Amount Expended</u>	<u>Amount Remaining on Contracts</u>
Military Bridge Engineering - State and Federal Infrastructure Fund	\$44,996	\$44,175	\$821
Dearborn Street Bridge Engineering - General Fund	34,412	33,082	1,330
Secrest Auditorium Renovation - Auditorium/City Jail Fund	1,862,200	1,125,641	736,559
Excavation Oversight - General	65,830	63,696	2,134
Total Governmental Funds	<u>2,007,438</u>	<u>1,266,594</u>	<u>740,844</u>
 Maysville Pike Engineering - Sewer Fund	 27,000	 7,380	 19,620
Sewer Separation Design Project - Sewer Fund	96,000	28,800	67,200
Linden Avenue Drainage Project - Sewer Fund	696,707	393,141	303,566
Putnam Water Tower Painting - Water Fund	27,200	6,500	20,700
Total Enterprise Funds	<u>846,907</u>	<u>435,821</u>	<u>411,086</u>
 Total All Projects	 <u><u>\$2,854,345</u></u>	 <u><u>\$1,702,415</u></u>	 <u><u>\$1,151,930</u></u>

City of Zanesville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

B. Encumbrances

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end, the amount of encumbrances expected to be honored upon performance by the vendor in the next year were as follows:

General Fund	\$172,130
Police Expenditure Fund	35,150
Fire Operating Fund	77,553
Auditorium/ City Jail Fund	989,936
Nonmajor Governmental Funds	231,564
Sewer Fund	632,832
Water Fund	115,378
Nonmajor Enterprise Fund	8,276
Internal Service Funds	56,910
Agency Funds	1,011
Total	<u>\$2,320,740</u>

NOTE 16 - CAPITAL LEASES – LESSEE DISCLOSURE

In prior years, the City entered into a lease for a sewer camera in the amount of \$144,545. The lease meets the criteria of a capital lease which is defined as a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments are reflected as debt service expenditures in the proprietary fund financial statements. Principal payments made in 2015 totaled \$28,123 in the Sewer Enterprise fund. The capital leases payable have been recorded on the proprietary fund statements. The agreement provides for minimum annual lease payments as follows:

<u>Year Ended</u>	<u>Amount</u>
2016	\$30,944
2017	<u>30,944</u>
Total Minimum Lease Payments	61,888
Less: Amount Representing Interest	<u>(2,881)</u>
Present Value of Net Minimum Lease Payments	<u>\$59,007</u>

The equipment has been capitalized in the amount of \$144,545, the present value of the minimum lease payments at the inception of the lease. The accumulated depreciation as of December 31, 2015, was \$30,114, leaving a remaining book value of \$114,431.

City of Zanesville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

NOTE 17 - LONG-TERM OBLIGATIONS

Changes in long-term obligations of the City for the year ended December 31, 2015, were as follows:

	Principal Outstanding 12/31/2014	Additions	Deletions	Principal Outstanding 12/31/2015	Amounts Due in One Year
<u>Governmental Activities:</u>					
<u>General Obligation Bonds:</u>					
Capital Facilities Refunding Bonds					
2014 - \$1,270,000					
Jail Construction Refunding - \$889,000					
Serial Bonds @ 1.5%	\$721,000	\$0	\$178,500	\$542,500	\$178,500
Street Improvement Bonds					
2010 - \$1,210,000 @ 4.138%	960,000	0	50,000	910,000	50,000
Total General Obligation Bonds	1,681,000	0	228,500	1,452,500	228,500
<u>Loans:</u>					
Bridge Replacement Loan - OPWC					
2012 - \$111,036 @0%	51,853	0	17,285	34,568	17,285
2005 ODOT Loan @ 3%	3,217,453	0	132,350	3,085,103	136,350
2013 ODOT Loan @ 3%	74,079	0	8,948	65,131	9,218
Total Long-Term Loans	3,343,385	0	158,583	3,184,802	162,853
<u>Net Pension Liability:</u>					
OPERS	4,824,288	111,482	0	4,935,770	0
OP&F	15,222,779	969,267	0	16,192,046	0
Total Long-Term Loans	20,047,067	1,080,749	0	21,127,816	0
Workers' Compensation Claims Payable	90,667	157,911	90,667	157,911	112,117
Compensated Absences	1,717,304	1,247,546	1,244,055	1,720,795	555,976
Total Governmental Activities	\$26,879,423	\$2,486,206	\$1,721,805	\$27,643,824	\$1,059,446

(continued)

City of Zanesville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

	Principal Outstanding 12/31/2014	Additions	Deletions	Principal Outstanding 12/31/2015	Amounts Due in One Year (continued)
Business-Type Activities:					
<u>Bonds:</u>					
Capital Facilities Refunding, 2014 \$1,270,000					
Water - \$381,000					
Serial/Term @ 1.2% - 4.00%	\$309,000	\$0	\$76,500	\$232,500	\$76,500
Total General Obligation Bonds	309,000	0	76,500	232,500	76,500
<u>Loans:</u>					
Sewer OPWC Loan					
2014 - \$1,274,932 @ 0.00%	1,243,059	0	63,746	1,179,313	63,747
Sewer OPWC Loan					
2015 - \$914,777 @ 0.00%	0	914,777	0	914,777	45,739
Total OPWC Loans	1,243,059	914,777	63,746	2,094,090	109,486
Water OWDA Loan					
2004 - \$752,750 @ 4.90%	135,276	0	89,179	46,097	46,097
Water OWDA Loan					
2009 - \$864,936 @ 0.00%	227,210	0	41,311	185,899	41,311
Water OWDA Loan					
2009 - \$895,477 @ 3.20%	637,624	0	28,746	608,878	29,673
Water OWDA Loan					
2009 - \$7,514,758 @ 3.65%	6,924,208	0	154,060	6,770,148	159,735
Water OWDA Loan					
2009 - \$9,197,325 @ 0.00%	4,098,044	0	248,366	3,849,678	248,366
Total Water OWDA Loans	12,022,362	0	561,662	11,460,700	525,182
Sewer OWDA Loan					
2002 - \$1,324,942 @ 3.59%	679,154	0	69,658	609,496	72,181
Sewer OWDA Loan					
2004 - \$1,268,110 @ 3.41%	538,917	0	48,926	489,991	50,609
Sewer OWDA Loan					
2004 - \$5,471,246 @ 4.10%	968,675	0	639,210	329,465	329,465
Sewer OWDA Loan					
2007 - \$685,085 @ 4.17%	198,615	0	76,996	121,619	80,240
Sewer OWDA Loan					
2007 - \$887,526 @ 4.47%	259,900	0	100,527	159,373	105,071
Sewer OWDA Loan					
2007 - \$14,337,659 @ 4.47%	9,310,875	0	468,439	8,842,436	489,612
Sewer OWDA Loan					
2007 - \$834,640 @ 4.47%	223,959	0	71,378	152,581	74,605
Sewer OWDA Loan					
2009 - \$376,284 @ 3.25%	\$110,928	\$0	\$18,734	\$92,194	\$19,348

(continued)

City of Zanesville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

	Principal Outstanding 12/31/2014	Additions	Deletions	Principal Outstanding 12/31/2015	Amounts Due in One Year (continued)
Sewer OWDA Loan					
2011 - \$148,684 @ 3.95%	\$62,984	\$0	\$30,876	\$32,108	\$32,108
Sewer OWDA Loan					
2012 - \$333,431 @ 3.17%	296,083	0	19,642	276,441	20,270
Sewer OWDA Loan					
2013 - \$2,625,195 @ 3.15%	2,517,253	56,201	111,369	2,462,085	0
Sewer OWDA Loan					
2013 - \$393,986 @ 3.92%	361,107	0	34,180	326,927	35,533
Sewer OWDA Loan					
2015 - \$738,063 @ 3.07%	0	396,204	0	396,204	0
Total Sewer OWDA Loans	15,528,450	452,405	1,689,935	14,290,920	1,309,042
Net Pension Liability - OPERS:					
Sewer	1,366,882	31,587	0	1,398,469	0
Water	1,286,477	29,729	0	1,316,206	0
Sanitation	562,834	13,007	0	575,841	0
Total Net Pension Liability	3,216,193	74,323	0	3,290,516	0
Sewer Capital Leases Payable	87,130	0	28,123	59,007	29,033
Compensated Absences Payable	531,597	298,094	302,975	526,716	166,327
Total Business-Type Activities	32,937,791	1,739,599	2,659,195	31,954,449	2,215,570
Total Long-Term Activities	\$59,817,214	\$4,225,805	\$4,444,746	\$59,598,273	\$3,275,016

Compensated Absences - The City will pay compensated absences from the General Fund; Street and State Highway, Law Enforcement, Police Expenditure, Jail Operating, Fire Operating, Community Development, Airport, Cemetery, and Auditorium Special Revenue Funds; Vehicle Maintenance Internal Service Fund; and the Sanitation, Sewer, and Water Enterprise Funds. The City pays obligations related to employee compensation from the fund benefitting from their service.

Workers' Compensation Claims Payable - The City has a liability for workers' compensation as part of the State Workers' Compensation retrospective rating and payment program. The City will pay the claims payable from the General Fund.

2014 Capital Facilities Refunding Bonds - On September 2, 2014, the City of Zanesville issued refunding bonds of \$1,270,000 consisting only of serial bonds. The capital facilities refunding bonds were issued for governmental and business type activities of \$889,000 and \$381,000, respectively. The refunding bonds will mature on December 1, 2018. These bonds were issued to current refund the 2003 Capital Facilities Refunding Bonds. The refunded bonds and unamortized premium were removed from the financial statements of the City. The refunding resulted in a difference between the net carrying amount of the debt and the acquisition price of \$4,510 for governmental type activities and \$3,604 for the Water Fund. The differences, reported in the accompanying financial statements as a deferred outflow of resources, is being amortized to interest expense over the life of the refunded bonds using the straight-line method. The amortization of this difference for 2015 was \$1,061 and \$848, respectively. The issuance resulted in a difference (savings) between the cash flows required to service the old debt and the cash

City of Zanesville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

flows required to service the new debt of \$56,370. The issuance resulted in an economic gain of \$54,095. The bonds are being repaid through a tax levy, and to the extent available, water revenues.

Principal and interest requirements to retire the refunding bonds outstanding at year end, were as follows:

Year	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2016	\$178,500	\$8,137	\$76,500	\$3,487
2017	178,500	5,460	76,500	2,340
2018	185,500	2,783	79,500	1,193
	<u>\$542,500</u>	<u>\$16,380</u>	<u>\$232,500</u>	<u>\$7,020</u>

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 percent and will mature in 2029. A summary of the principal and interest requirements to retire the bonds are as follows:

Year	Principal	Interest
2016	\$50,000	\$37,445
2017	50,000	35,945
2018	50,000	34,320
2019	50,000	32,570
2020	50,000	30,695
2021-2025	335,000	116,385
2026-2029	325,000	36,900
	<u>\$910,000</u>	<u>\$324,260</u>

OPWC Loan - During 2012, the City issued an OPWC loan in the amount of \$111,036. The loan was issued for the Muskingum Avenue Bridge Replacement Project. The loan was issued at 0 percent and will mature in 2017. A summary of the principal requirements to retire this loan is as follows:

Year	Principal
2016	\$17,285
2017	17,283
	<u>\$34,568</u>

ODOT Loan - During 2005, the City entered into a loan agreement with the Ohio Department of Transportation. These proceeds were used to complete a connector road project. The loan was issued at 3 percent and will mature in 2033. A summary of the principal and interest requirements to retire this loan is as follows:

City of Zanesville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2016	\$136,350	\$91,539
2017	140,471	87,417
2018	144,717	83,172
2019	149,091	78,797
2020	153,597	74,291
2021-2025	840,492	298,947
2026-2030	975,429	164,012
2031-2033	544,956	24,766
	<u>\$3,085,103</u>	<u>\$902,941</u>

ODOT Loan - During 2013, the City entered into a loan agreement with the Ohio Department of Transportation. These proceeds were used to complete the State Street Bridge project. The loan was issued at 3percent and will mature in 2022. A summary of the principal and interest requirements to retire this loan is as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2016	\$9,218	\$1,885
2017	9,497	1,607
2018	9,784	1,319
2019	10,080	1,023
2020	10,385	719
2021-2022	16,167	488
	<u>\$65,131</u>	<u>\$7,041</u>

OPWC Loan - During 2014, the City issued an OPWC loan in the amount of \$1,274,932. The loan was issued for the R-4 and R-5 Combined Sewer Separation Project. The loan was issued at 0 percent and will mature in 2034. A summary of the principal requirements to retire this loan is as follows:

<u>Year</u>	<u>Principal</u>
2016	\$63,747
2017	63,746
2018	63,746
2019	63,746
2020	63,746
2021-2025	318,733
2026-2030	318,733
2031-2034	223,116
	<u>\$1,179,313</u>

City of Zanesville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

OPWC Loan - During 2015, the City issued an OPWC loan in the amount of \$914,777. The loan was issued for the R-2 and R-7 Combined Sewer Separation Project. The loan was issued at 0 percent and will mature in 2035. A summary of the principal requirements to retire this loan is as follows:

<u>Year</u>	<u>Principal</u>
2016	\$45,739
2017	45,739
2018	45,739
2019	45,739
2020	45,739
2021-2025	228,694
2026-2030	228,694
2031-2035	228,694
	<u>\$914,777</u>

OWDA Loans - The City has issued numerous OWDA Loans for various water and sewer projects. Two of the outstanding loans are not yet completed, and therefore, the repayments schedules have not yet been issued and are not reflected as 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 Enterprise 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. 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:

<u>Year</u>	<u>Water</u>		<u>Sewer</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2016	\$525,182	\$265,837	\$1,309,042	\$486,855
2017	485,926	258,073	890,382	439,769
2018	493,015	250,986	747,152	406,080
2019	500,360	243,641	778,882	375,628
2020	487,313	236,030	800,885	393,455
2021-2025	2,457,453	1,055,991	4,043,926	1,217,944
2026-2030	2,693,578	819,864	2,862,362	271,926
2031-2035	1,651,023	546,085	0	0
2036-2040	1,772,280	254,724	0	0
2041	394,570	10,834	0	0
	<u>\$11,460,700</u>	<u>\$3,942,065</u>	<u>\$11,432,631</u>	<u>\$3,591,657</u>

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. Annual principal and interest payments on the loans as compared to net future revenues are not estimable but are expected to be less than net revenues in each year the loans are outstanding. The total principal and interest remaining to be paid on the loans is \$17,882,577. Principal and interest payments for the current year were \$2,320,557, net revenues were \$2,660,679, and total revenues were \$6,547,388.

City of Zanesville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

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 2041. Net revenues include all revenues received by the water utility less all operating expenses other than depreciation expense. Annual principal and interest payments on the loans as compared to net future revenues are not estimable but are expected to be less than net revenues in each year the loans are outstanding. The total principal and interest remaining to be paid on the bonds is \$15,402,765. Principal and interest payments for the current year were \$838,263, net revenues were \$302,335, and total revenues were \$4,254,413.

As of December 31, 2015, the City's overall legal debt margin (the ability to issue additional amounts of general obligation bonded debt) was \$35,295,777.

NOTE 18 – NOTES PAYABLE

Changes in short-term obligation, all bond anticipation notes, of the City for the year ended December 31, 2015 were as follows:

	Principal Outstanding 12/31/2014	Additions	Deletions	Principal Outstanding 12/31/2015
Governmental Activities:				
2015 Auditorium/City Jail Renovations Note - 2.25%	0	2,500,000	0	2,500,000

The note was issued to finance the renovation of Secrest Auditorium and to replace the boiler in the City Jail. The note will mature on December 30, 2016.

NOTE 19 - INTERFUND TRANSFERS AND BALANCES

A. Transfers

Interfund transfers during 2015 consisted of the following:

Transfers to					
Transfers from	Major Fund			Internal Service Fund	Total
	Police Expenditure	Fire Operating	Other Nonmajor Governmental	Vehicle Maintenance	
Major Fund:					
General	\$2,199,918	\$3,734,610	\$2,112,095	\$148,474	\$8,195,097

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.

B. Balances

Interfund balances, as of December 31, 2015, 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, 2015

Interfund Payable	Interfund Receivable				Total
	Major Fund	Other	Major Fund	Internal	
	General	Governmental	Sewer	Service	
Major Governmental Funds:					
General	\$0	\$0	\$0	\$67,484	\$67,484
Police Expenditure	38,664	0	0	60,744	99,408
Fire Operating	3,461	365,000	0	30,679	399,140
Other Governmental	24,324	0	33,602	14,346	72,272
Major Enterprise Funds:					
Sewer	1,724	0	0	28,021	29,745
Water	13,125	0	0	82,931	96,056
Nonmajor Enterprise	3,410	0	0	10,217	13,627
Internal Service	4	0	0	8,330	8,334
Total All Funds	\$84,712	\$365,000	\$33,602	\$302,752	\$786,066

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. The City is reflecting an interfund receivable in the General Fund that relates to the claims loss reimbursement related to the Bureau of Workers Compensation retro loss. The interfund receivable in the Vehicle Maintenance and Self Insurance Funds are a result of the liability from City Funds to those funds for services that were provided to the corresponding funds.

Certain interfund receivable/payables of a longer term repayment schedule also exist. The Cemetery Endowment Fund provided an interfund loan to the Fire Operating Special Revenue Fund in the amount of \$482,021 in 2013 for the purchase of a fire truck. As of December 31, 2015, the remaining balance is \$365,000. The Debt Service Fund will make repayments on the loan from portions of tax revenue.

NOTE 20 - JOINTLY GOVERNED ORGANIZATIONS

A. The Ohio Mid-Eastern Governments Association (OMEGA)

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 2015, OMEGA received \$3,823 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, 2015

B. The Zanesville/Muskingum County Port Authority

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 2015, the City provided \$100,000 in operating subsidies and \$50,000 to improve and maintain infrastructure to the Authority. Financial information is available from the Zanesville/Muskingum County Port Authority, Zanesville, Ohio.

C. The Zanesville/Muskingum Convention Facility Authority

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 2015, the Authority received \$523,140 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

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.

City of Zanesville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

E. The Muskingum County Center for Seniors

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.

F. The Muskingum County Land Reutilization Corporation

The Muskingum County Land Reutilization Corporation (Land Bank) is a body politic and corporate organized on June 1, 2012, by the Board of County Commissioners of Muskingum County (BOCC) under the authority of Chapters 1702 and 1724. Ohio Revised Code. The purpose of the Land Bank is to facilitate the acquisition, reclamation, rehabilitation, and reutilization of vacant abandoned tax foreclosed and/or other real properties. In addition, the Land Bank will assist governmental entities and non-profit and/or not-for-profit entities in the assembly of real property to further the Land Bank mission. The Land Bank is governed by a five member Board of Directors, consisting of two County Commissioners, the County Treasurer, one representative from the City of Zanesville, and one representative appointed by the Muskingum County Township Trustees Association from a township having a population of ten thousand or more. The Board of Directors has the authority to make, prescribe, and enforce all rules and regulations for the conduct of all business and affairs of the Land Bank and the management and control of its properties. Continued existence of the Land Bank is not dependent upon the City's continued participation, no equity interest exists, and no debt is outstanding.

NOTE 21 - JOINT VENTURES

A. Zanesville, South Zanesville and Springfield Joint Economic Development District

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 City serves as fiscal agent for the JEDD. Complete financial information can be obtained from the Zanesville, South Zanesville, Springfield Joint Economic Development District, Zanesville, Ohio.

City of Zanesville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

B. Zanesville-Washington Township Joint Economic Development District

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 City serves as fiscal agent for the JEDD. 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

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 City serves as fiscal agent for the JEDD. Complete financial information can be obtained from the Zanesville-Newton Township Joint Economic Development District, Zanesville, Ohio.

NOTE 22 - 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.

City of Zanesville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

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 23 - 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, 2015.

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 24 - ACCOUNTABILITY

The Fire Operating Special Revenue Fund and the Auditorium/City Jail Capital Projects Fund have deficit fund balances of \$38,978 and \$1,160,152, respectively as of December 31, 2015. The deficit in the Fire Operating Special Revenue Fund is the result of the recognition of interfund payable to the Cemetery Endowment Fund. The deficit in the Auditorium/City Jail Capital Projects Fund is the result of the recognition of a note payable. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

Required
Supplementary
Information

City of Zanesville, Ohio
Required Supplementary Information
Schedule of the City's Proportionate Share of the Net Pension Liability
Ohio Public Employees Retirement System - Traditional Plan
Last Two Years (1)

	2014	2013
City's Proportion of the Net Pension Liability	0.0682050%	0.0682050%
City's Proportionate Share of the Net Pension Liability	\$8,226,286	\$8,040,481
City's Covered-Employee Payroll	\$8,362,000	\$8,490,462
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	98.38%	94.70%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	86.45%	86.36%

(1) Information prior to 2013 is not available.

Amounts presented as of the City's measurement date which is the prior fiscal year end.

City of Zanesville, Ohio
Required Supplementary Information
Schedule of the City's Proportionate Share of the Net Pension Liability
Ohio Police and Fire Pension Fund
Last Two Years (1)

	2014	2013
City's Proportion of the Net Pension Liability	0.3125626%	0.3125626%
City's Proportionate Share of the Net Pension Liability	\$16,192,046	\$15,222,779
City's Covered-Employee Payroll	\$6,161,926	\$5,312,905
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	262.78%	286.52%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	72.20%	73.00%

(1) Information prior to 2013 is not available.

Amounts presented as of the City's measurement date which is the prior fiscal year end.

City of Zanesville, Ohio
Required Supplementary Information
Schedule of City Contributions
Ohio Public Employees Retirement System - Traditional Plan
Last Three Years (1)

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contribution	\$1,029,568	\$1,003,440	\$1,103,760
Contributions in Relation to the Contractually Required Contribution	<u>(1,029,568)</u>	<u>(1,003,440)</u>	<u>(1,103,760)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered-Employee Payroll	\$8,579,736	\$8,362,000	\$8,490,462
Contributions as a Percentage of Covered-Employee Payroll	12.00%	12.00%	13.00%

(1) Information prior to 2013 is not available.

City of Zanesville, Ohio
Required Supplementary Information
Schedule of City Contributions
Ohio Police and Fire Pension Fund
Last Ten Years

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually Required Contribution	\$1,347,036	\$1,308,054	\$963,099	\$794,724
Contributions in Relation to the Contractually Required Contribution	<u>(1,347,036)</u>	<u>(1,308,054)</u>	<u>(963,099)</u>	<u>(794,724)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered-Employee Payroll	\$6,341,695	\$6,161,926	\$5,312,905	\$5,276,839
Contributions as a Percentage of Covered-Employee Payroll:	21.24%	21.23%	18.13%	15.06%

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$884,784	\$972,504	\$981,902	\$932,177	\$857,446	\$741,776
<u>(884,784)</u>	<u>(972,504)</u>	<u>(981,902)</u>	<u>(932,177)</u>	<u>(857,446)</u>	<u>(741,776)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$5,888,720	\$6,546,036	\$6,610,389	\$6,317,416	\$5,848,248	\$5,438,438
15.03%	14.86%	14.85%	14.76%	14.66%	13.64%

**WILSON, PHILLIPS & AGIN, CPA'S, INC.
1100 BRANDYWINE BLVD. BUILDING G
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 the City Council:

We have audited, in accordance with auditing standards general accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the 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, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated August 18, 2016. We noted the City adopted Governmental Accounting Standards No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and GASB Statement No. 71, *"Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB No. 68"*.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the City of Zanesville's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the City's internal control. Accordingly, we have not opined on it.

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 internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the City's financial statements. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies.. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

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 tested its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Wilson, Phillips & Agin, CPA's, Inc..
Zanesville, Ohio
August 18, 2016

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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 22, 2016**