

CITY OF ZANESVILLE
ANNUAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2018

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

OHIO AUDITOR OF STATE
KEITH FABER



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

We have reviewed the *Independent Auditors' Report* of the City of Zanesville, Muskingum County, prepared by Wilson, Phillips & Agin, CPA's, Inc., for the audit period January 1, 2018 through December 31, 2018. 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 'Keith Faber'.

Keith Faber
Auditor of State
Columbus, Ohio

October 3, 2019

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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, 2018.....	14
Statement of Activities Year Ended December 31, 2018.....	15
Fund Financial Statements:	
Governmental Funds	
Balance Sheet, Year Ended December 31, 2018.....	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, 2018.....	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, 2018.....	20
Statement of Revenues, Expenditures and Changes in Fund Balances- Budget and Actual (Non-GAAP Budgetary Basis) - Police Expenditure Fund, Year Ended December 31, 2018.....	21
Statement of Revenues, Expenditures and Changes in Fund Balances- Budget and Actual (Non-GAAP Budgetary Basis) - Fire Operating Fund, Year Ended December 31, 2018.....	22
Proprietary Funds	
Statement of Fund Net Position, Year Ended December 31, 2018.....	23
Statement of Revenues, Expenses and Changes in Fund Net Position, Year Ended December 31, 2018.....	24
Statement of Cash Flows, Year Ended December 31, 2018.....	25
Fiduciary Funds	
Statement of Fiduciary Net Position, Year Ended December 31, 2018.....	26
Statement of Changes in Fiduciary Net Position, For the Year Ended December 31, 2018.....	27
Notes to the Financial Statements.....	28
Required Supplementary Information.....	89
Notes to Required Supplementary Information.....	98
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required By Government Auditing Standards.....	101
Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance Required By The Uniform Guidance.....	103
Schedule of Findings.....	105
Schedule of Federal Awards Expenditures.....	106
Notes to the Schedule of Federal Awards Expenditures.....	107

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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, 2018, 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 audited 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, 2018, 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 discussed in Note 3 to the financial statements, during 2018, the City adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 85, *Omnibus 2017*; Statement No. 87, *Leases*; Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*; Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*; and related guidance from (GASB) Implementation Guide No. 2017-03, *Accounting and Financial Reporting for Postemployment Benefits other Than Pensions (and Certain Issues Related to OPEB Plan Reporting)*. 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 and other post-employment benefit liabilities and pension and other post-employment benefit contribution listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We 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.

Supplementary and Other Information

Our audit was conducted to opine on the City's basic financial statements taken as a whole.

The Schedule of Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

The schedule is management's responsibility, and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated August 28, 2019, 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 28, 2019

City of Zanesville, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2018
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, 2018. 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 2018 are as follows:

- In total, net position increased \$790,726. Net position of governmental activities decreased \$25,554. The business-type activities increased \$816,280.
- General governmental revenues accounted for \$24,368,553 in revenue or 81 percent of all revenues in governmental activities. Program specific revenues in the form of charges for services, operating and capital grants, contributions, and interest accounted for \$5,877,282 or 19 percent of total revenues of \$30,245,835.
- The City had \$30,271,389 in expenses related to governmental activities; only \$5,877,282 of which was offset by program specific charges of services, and operating and capital grants, contributions and interest. General revenues in the amount of \$24,368,553 were not adequate to provide for these programs.

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 2018?" 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.

City of Zanesville, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2018
Unaudited

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's capital assets and changes in the City's property tax base will also need to be evaluated.

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 capital expenditures associated with these facilities and equipment.

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, 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.

City of Zanesville, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2018
Unaudited

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 2018 compared to 2017.

(Table 1)
Net Position

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Assets						
Current and Other Assets	\$20,775,700	\$20,045,058	\$8,646,628	\$7,342,401	\$29,422,328	\$27,387,459
Capital Assets, Net	23,780,095	22,145,914	64,156,503	64,311,954	87,936,598	86,457,868
<i>Total Assets</i>	<u>44,555,795</u>	<u>42,190,972</u>	<u>72,803,131</u>	<u>71,654,355</u>	<u>117,358,926</u>	<u>113,845,327</u>
Deferred Outflows of Resources						
Deferred Charge on Refunding	0	973	0	777	0	1,750
Pension	4,037,585	6,863,355	938,970	2,195,829	4,976,555	9,059,184
OPEB	1,973,267	93,064	197,738	37,504	2,171,005	130,568
<i>Total Deferred Outflows of Resources</i>	<u>6,010,852</u>	<u>6,957,392</u>	<u>1,136,708</u>	<u>2,234,110</u>	<u>7,147,560</u>	<u>9,191,502</u>
Liabilities						
Current and Other Liabilities	2,735,604	2,854,783	1,235,862	792,284	3,971,466	3,647,067
Long-term Liabilities						
Due Within One Year	1,092,891	1,269,132	2,042,838	2,005,821	3,135,729	3,274,953
Due in More Than One Year:						
Net Pension Liability	24,304,792	28,066,787	3,893,432	5,728,465	28,198,224	33,795,252
Net OPEB Liability	20,840,808	18,052,318	2,615,802	2,465,614	23,456,610	20,517,932
Other Amounts	7,905,617	7,906,748	23,135,341	23,754,867	31,040,958	31,661,615
<i>Total Liabilities</i>	<u>56,879,712</u>	<u>58,149,768</u>	<u>32,923,275</u>	<u>34,747,051</u>	<u>89,802,987</u>	<u>92,896,819</u>
Deferred Inflows of Resources						
Property Taxes	1,164,863	1,102,101	0	0	1,164,863	1,102,101
Payment in Lieu of Taxes	679,814	661,802	0	0	679,814	661,802
Leases	914,974	1,015,078	0	0	914,974	1,015,078
Pension	3,075,740	1,035,958	1,004,725	162,786	4,080,465	1,198,744
OPEB	693,441	0	216,931	0	910,372	0
<i>Total Deferred Inflows of Resources</i>	<u>6,528,832</u>	<u>3,814,939</u>	<u>1,221,656</u>	<u>162,786</u>	<u>7,750,488</u>	<u>3,977,725</u>
Net Position						
Net Investment in Capital Assets	16,515,248	14,572,745	39,084,583	39,078,236	55,599,831	53,650,981
Restricted	5,178,681	5,118,218	0	0	5,178,681	5,118,218
Unrestricted (Deficits)	<u>(34,535,826)</u>	<u>(32,507,306)</u>	<u>710,325</u>	<u>(99,608)</u>	<u>(33,825,501)</u>	<u>(32,606,914)</u>
<i>Total Net Position</i>	<u><u>(\$12,841,897)</u></u>	<u><u>(\$12,816,343)</u></u>	<u><u>\$39,794,908</u></u>	<u><u>\$38,978,628</u></u>	<u><u>\$26,953,011</u></u>	<u><u>\$26,162,285</u></u>

City of Zanesville, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2018
Unaudited

The net pension liability (NPL) is the largest single liability reported by the City at December 31, 2018, and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." For 2018, the City adopted GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). 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 OPEB, the net pension liability, and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB 27) and postemployment benefits (GASB 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability* or *net OPEB liability*. GASB 68 and GASB 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB 68 and GASB 75 require the net pension liability and the net OPEB liability to equal the City's proportionate share of each plan's collective:

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

GASB notes that pension and OPEB 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 and other postemployment benefits. GASB noted that the unfunded portion of this 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 these liabilities. 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 Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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 retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan *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 retirement system is responsible for the administration of the pension and OPEB plans.

City of Zanesville, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2018
Unaudited

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 or the net OPEB liability. As explained above, changes in benefits, contribution rates, and return on investments affect the balance of these liabilities, 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 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 and the net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68 and GASB 75, the City's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's *change* in net pension liability and net OPEB liability, respectively, not accounted for as deferred inflows/outflows.

As a result of implementing GASB 75, the City is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting. This implementation had the effect of restating net position at December 31, 2017, from \$5,142,911 to (\$12,816,343) for governmental activities and from \$41,406,179 to \$38,978,628 for business-type activities.

Total assets increased \$3,513,599. Governmental activities increased \$2,364,823 and the business-type activities increased \$1,148,776. Total liabilities decreased \$3,093,832. Governmental activities decreased \$1,270,056, while the business-type activities decreased \$1,823,776.

Notable changes in the governmental activities assets are a net increase in capital assets of \$1,634,181, an increase in equity in pooled cash and cash equivalents in the amount of \$1,564,121, and an increase in intergovernmental receivables of \$842,107. Capital assets increased due to the completion of airport and paving projects as well as the purchase of radio equipment for safety services during 2018. The increase in intergovernmental receivables was primarily due to an increase in community development grants during 2018. These increases were offset by a municipal income tax receivable of \$168,284. The significant decrease in total deferred outflow of resources in 2018 was due to a decrease in the difference between projected and actual earnings on investments related to the City's net pension liability for OPERS. Changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability. The net pension liability alone decreased \$3,761,995. Most of this was offset by an increase in the OPEB liability of \$2,788,490.

Total assets of business-type activities increased \$1,148,776. Current and other assets increased in the amount of \$1,304,227, primarily due to increases of cash and cash equivalents due to the implementation of rate increases for Sewer, Water, and Sanitation services during 2018. Total liabilities of business-type activities decreased \$1,823,776. Current liabilities increased \$443,578 due mainly to increases in contracts and retainage payables due to the water replacement and sewer separation projects.

City of Zanesville, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2018
Unaudited

Table 2 shows the changes in net position for the year ended December 31, 2018, and comparisons to 2017.

(Table 2)
 Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues						
Program Revenues:						
Charges for Services	\$2,017,532	\$1,815,839	\$15,023,013	\$14,638,546	\$17,040,545	\$16,454,385
Operating Grants, Contributions and Interest Capital Grants and Contributions	1,873,568	2,182,199	525,596	187,530	2,399,164	2,369,729
Total Program Revenues	<u>5,877,282</u>	<u>5,091,543</u>	<u>15,636,448</u>	<u>14,826,076</u>	<u>21,513,730</u>	<u>19,917,619</u>
General Revenues:						
Property Taxes	1,114,596	1,143,848	0	0	1,114,596	1,143,848
Income Tax	17,810,308	17,537,779	0	0	17,810,308	17,537,779
Payments in Lieu of Taxes	578,834	491,271	0	0	578,834	491,271
Franchise Tax	186,695	342,585	0	0	186,695	342,585
Grants and Entitlements	3,980,571	2,796,440	0	0	3,980,571	2,796,440
Investment Earnings	201,844	116,026	0	0	201,844	116,026
Gain on Sale of Capital Assets	1,637	25,358	16,391	1,120	18,028	26,478
Other	494,068	441,376	137,852	86,560	631,920	527,936
Total General Revenues	<u>24,368,553</u>	<u>22,894,683</u>	<u>154,243</u>	<u>87,680</u>	<u>24,522,796</u>	<u>22,982,363</u>
<i>Total Revenues</i>	<u>30,245,835</u>	<u>27,986,226</u>	<u>15,790,691</u>	<u>14,913,756</u>	<u>46,036,526</u>	<u>42,899,982</u>
Program Expenses						
General Government:						
Legislative and Executive	6,267,568	6,093,128	0	0	6,267,568	6,093,128
Court	545,895	632,493	0	0	545,895	632,493
Security of Persons and Property:						
Police	10,764,376	10,201,006	0	0	10,764,376	10,201,006
Fire	6,679,153	6,020,763	0	0	6,679,153	6,020,763
Other	32,845	19,273	0	0	32,845	19,273
Public Health Services	431,284	538,880	0	0	431,284	538,880
Community Environment	1,093,107	1,172,523	0	0	1,093,107	1,172,523
Transportation	3,317,936	3,876,129	0	0	3,317,936	3,876,129
Leisure Time Activities	925,271	913,377	0	0	925,271	913,377
Interest and Fiscal Charges	213,954	233,068	0	0	213,954	233,068
Sewer	0	0	6,799,815	6,544,435	6,799,815	6,544,435
Water	0	0	6,062,114	6,160,416	6,062,114	6,160,416
Nonmajor Enterprise	0	0	2,112,482	1,869,735	2,112,482	1,869,735
<i>Total Program Expenses</i>	<u>30,271,389</u>	<u>29,700,640</u>	<u>14,974,411</u>	<u>14,574,586</u>	<u>45,245,800</u>	<u>44,275,226</u>
<i>Increase (Decrease) in Net Position</i>	(25,554)	(1,714,414)	816,280	339,170	790,726	(1,375,244)
Net Position (Deficit)						
Beginning of Year	<u>(12,816,343)</u>	N/A	<u>38,978,628</u>	N/A	<u>26,162,285</u>	N/A
End of Year	<u>(\$12,841,897)</u>	<u>(\$12,816,343)</u>	<u>\$39,794,908</u>	<u>\$38,978,628</u>	<u>\$26,953,011</u>	<u>\$26,162,285</u>

City of Zanesville, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2018
Unaudited

The information necessary to restate the 2017 beginning balances and the 2017 OPEB expense amounts for the effects of the initial implementation of GASB 75 is not available. Therefore, 2017 functional expenses still include OPEB expense of \$130,568 computed under GASB 45. GASB 45 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 75, OPEB expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of OPEB expense. Under GASB 75, the 2018 statements report negative OPEB expense of \$1,855,886. Consequently, in order to compare 2018 total program expenses to 2017, the following adjustments are needed:

	Governmental Activities	Business-type Activities	Total
Total 2018 program expenses under GASB 75	\$30,271,389	\$14,974,411	\$45,245,800
Negative OPEB expense under GASB 75	(1,643,759)	(212,127)	(1,855,886)
2018 contractually required contribution	42,031	5,242	47,273
Adjusted 2018 program expenses	28,669,661	14,767,526	43,437,187
Total 2017 program expenses under GASB 45	29,700,640	14,574,586	44,275,226
Changes in program expenses not related to OPEB	(\$1,030,979)	\$192,940	(\$838,039)

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 59 and 13 percent, respectively, of all revenues in the governmental activities.

Operating and capital grants, contributions, and interest accounted for 13 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 2018, expenses for police and fire operations amounted to \$10,764,376 and \$6,679,153, 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.

City of Zanesville, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2018
Unaudited

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 2018, the City collected \$384,467 more in charges for services and spent \$399,825 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 a County owned water plant. As a result, the City has begun implementing scheduled rate increases to increase fund balances to be able to effectively operate the enterprise funds.

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 \$30,317,595 and expenditures of \$29,903,708.

The fund balance of the General Fund increased \$400,858. The General Fund's Unassigned Fund Balance of \$401,911 represented 5 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 \$107,878. The Police Expenditure Fund's Restricted Fund Balance of \$650,049 represented 9 percent of current year expenditures.

The fund balance of the Fire Operating Fund decreased \$67,913. The Fire Operating Fund's Restricted Fund Balance of \$62,721 represented 1 percent of current year expenditures.

During 2018, the Sewer Fund had operating revenues of \$7,455,874 and operating expenses of \$6,289,245. The Water Fund had operating revenues of \$5,541,075 and operating expenses of \$5,747,488. The major expenses for these funds are salaries and wages, fringe benefits, and contractual services.

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 2018, 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.

City of Zanesville, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2018
Unaudited

Original budgeted revenues were increased \$1,510,820, with the largest increases in municipal income taxes and intergovernmental revenue sources. Actual revenues were under the final budget in the amount of \$286,284. The original appropriations were increased \$1,304,514; however, the actual expenditures were \$3,004,749 less than the final budget for expenditures.

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 2018 balances compared to 2017.

(Table 3)
Capital Assets at Year End

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	\$1,188,231	\$1,188,231	\$233,184	\$233,184	\$1,421,415	\$1,421,415
Buildings and Improvements	7,623,032	7,075,453	24,270,517	24,903,473	31,893,549	31,978,926
Machinery and Equipment	1,818,589	1,286,605	3,301,642	3,892,453	5,120,231	5,179,058
Vehicles	1,574,841	1,645,796	706,664	742,943	2,281,505	2,388,739
Intangible Right to Use Lease	0	0	47,240	94,479	47,240	94,479
Infrastructure	11,555,650	10,535,825	33,217,538	34,163,540	44,773,188	44,699,365
Construction in Progress	19,752	414,004	2,379,718	281,882	2,399,470	695,886
Totals	\$23,780,095	\$22,145,914	\$64,156,503	\$64,311,954	\$87,936,598	\$86,457,868

Note 11 (Capital Assets) provides capital asset activity during 2018.

City of Zanesville, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2018
Unaudited

Debt

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

(Table 4)
 Outstanding Debt, at Year End

	Governmental Activities		Business-Type Activities	
	2018	2017	2018	2017
2014 Capital Facilities Refunding Bonds	\$0	\$185,500	\$0	\$0
2016 Various Purpose Bonds	2,444,191	2,543,035	0	0
2010 Street Improvement Bonds	760,000	810,000	0	0
2005 Ohio Department of Transportation Loan	2,663,565	2,808,282	0	0
2013 Ohio Department of Transportation Loan	36,632	46,416	0	0
2016 OPWC Citywide Overlays Loan	289,401	327,988	0	0
2018 OPWC US 22/SR 666 Resurfacing Loan	9,805	0	0	0
2014 Capital Facilities Refunding Bonds	0	0	0	79,500
OPWC Sewer Loans	0	0	1,765,632	1,875,118
OWDA Water Loans	0	0	11,517,866	10,760,883
OWDA Sewer Loans	0	0	10,953,963	11,959,673
Lease Payable - Sewer	0	0	47,563	93,920
Financed Purchases	1,041,501	586,672	324,440	457,134
Totals	\$7,245,095	\$7,307,893	\$24,609,464	\$25,226,228

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, 2018, is \$35,425,139.

Additional information on the City's debt can be found in Note 17 of this report.

Current Financial Issues

Starting in 2017, the City made a commitment of approximately \$300,000 for new software for finance, payroll, utility, code enforcement, and jail systems. All of those systems went live at different times during 2018. In January of 2018, the contract for the Putnam Water Tower Replacement and the Heritage Water Tank Repairs was awarded for \$2,183,000. Phase II of the Storm Water Utility Program Analysis started at an approximate cost of \$225,000. Projects in excess of \$373,500 at the City Airport included Airfield/Runway Lighting, Security Fencing, and Runway Rehab. The fight against blight within the city limits continued with an additional \$150,000 being put into demolition of real property. Additionally during 2018, various public service and public safety departments invested more than \$150,000 in software and hardware and more than \$285,000 in vehicles and operating equipment.

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, 740-617-4873.

City of Zanesville, Ohio
Statement of Net Position
December 31, 2018

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$9,532,663	\$6,423,021	\$15,955,684
Cash and Cash Equivalents in Segregated Accounts	40,642	0	40,642
Investments	50,000	0	50,000
Accrued Interest Receivable	41,203	0	41,203
Accounts Receivable	88,027	1,733,497	1,821,524
Intergovernmental Receivable	1,718,645	88,068	1,806,713
Permissive Motor Vehicle Tax Receivable	8,042	0	8,042
Internal Balances	437,798	(437,798)	0
Municipal Income Taxes Receivable	2,255,676	0	2,255,676
Property Taxes Receivable	1,515,017	0	1,515,017
Payments in Lieu of Taxes Receivable	679,814	0	679,814
Loans Receivable	34,973	0	34,973
Special Assessments Receivable	2,917,543	10,119	2,927,662
Leases Receivable	914,974	0	914,974
Materials and Supplies Inventory	456,256	797,704	1,253,960
Prepaid Items	84,427	32,017	116,444
Non-Depreciable Capital Assets	1,207,983	2,612,902	3,820,885
Depreciable Capital Assets, Net	22,572,112	61,543,601	84,115,713
<i>Total Assets</i>	<u>44,555,795</u>	<u>72,803,131</u>	<u>117,358,926</u>
Deferred Outflows of Resources			
Pension	4,037,585	938,970	4,976,555
OPEB	1,973,267	197,738	2,171,005
<i>Total Deferred Outflows of Resources</i>	<u>6,010,852</u>	<u>1,136,708</u>	<u>7,147,560</u>
Liabilities			
Accounts Payable	840,094	151,843	991,937
Contracts Payable	19,752	333,716	353,468
Accrued Wages Payable	470,402	141,392	611,794
Accrued Interest Payable	12,813	0	12,813
Retainage Payable	0	160,712	160,712
Intergovernmental Payable	603,443	54,639	658,082
Claims Payable	789,100	0	789,100
Customer Deposits Payable	0	393,560	393,560
Long-Term Liabilities:			
Due Within One Year	1,092,891	2,042,838	3,135,729
Net Pension Liability (See Note 13)	24,304,792	3,893,432	28,198,224
Net OPEB Liability (See Note 14)	20,840,808	2,615,802	23,456,610
Other Amounts Due In More Than One Year	7,905,617	23,135,341	31,040,958
<i>Total Liabilities</i>	<u>56,879,712</u>	<u>32,923,275</u>	<u>89,802,987</u>
Deferred Inflows of Resources			
Property Taxes	1,164,863	0	1,164,863
Payments in Lieu of Taxes	679,814	0	679,814
Leases	914,974	0	914,974
Pension	3,075,740	1,004,725	4,080,465
OPEB	693,441	216,931	910,372
<i>Total Deferred Inflows of Resources</i>	<u>6,528,832</u>	<u>1,221,656</u>	<u>7,750,488</u>
Net Position			
Net Investment in Capital Assets	16,515,248	39,084,583	55,599,831
Restricted for:			
Street	1,177,328	0	1,177,328
Cemetery Operations	175,630	0	175,630
Community Development	873,910	0	873,910
Jail Operations	145,236	0	145,236
Police Operations	252,760	0	252,760
Court Operations	508,560	0	508,560
Police and Fire Pension	73,152	0	73,152
Airport Operations	391,147	0	391,147
Capital Improvements	889,721	0	889,721
Unclaimed Monies	19,356	0	19,356
Perpetual Care:			
Expendable	7,183	0	7,183
Non-expendable	664,698	0	664,698
Unrestricted (Deficit)	(34,535,826)	710,325	(33,825,501)
<i>Total Net Position</i>	<u>(\$12,841,897)</u>	<u>\$39,794,908</u>	<u>\$26,953,011</u>

See accompanying notes to the basic financial statements

City of Zanesville, Ohio
Statement of Activities
For the Year Ended December 31, 2018

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants, Contributions, and Interest	Capital Grants and Contributions	Governmental Activities	Business- Type Activities	Total
Governmental Activities							
General Government:							
Legislative and Executive	\$6,267,568	\$985,189	\$17,197	\$0	(\$5,265,182)	\$0	(\$5,265,182)
Court	545,895	377,433	216	0	(168,246)	0	(168,246)
Security of Persons and Property:							
Police	10,764,376	95,681	224,300	0	(10,444,395)	0	(10,444,395)
Fire	6,679,153	120,629	27,973	0	(6,530,551)	0	(6,530,551)
Other	32,845	0	0	0	(32,845)	0	(32,845)
Public Health Services	431,284	65,073	70,865	0	(295,346)	0	(295,346)
Community Environment	1,093,107	39,899	248,133	0	(805,075)	0	(805,075)
Transportation	3,317,936	186,743	1,284,310	1,986,182	139,299	0	139,299
Leisure Time Activities	925,271	146,885	574	0	(777,812)	0	(777,812)
Interest and Fiscal Charges	213,954	0	0	0	(213,954)	0	(213,954)
<i>Total Governmental Activities</i>	<u>30,271,389</u>	<u>2,017,532</u>	<u>1,873,568</u>	<u>1,986,182</u>	<u>(24,394,107)</u>	<u>0</u>	<u>(24,394,107)</u>
Business-Type Activities							
Sewer	6,799,815	7,401,587	40,498	0	0	642,270	642,270
Water	6,062,114	5,541,075	485,098	87,839	0	51,898	51,898
Nonmajor	2,112,482	2,080,351	0	0	0	(32,131)	(32,131)
<i>Total Business-Type Activities</i>	<u>14,974,411</u>	<u>15,023,013</u>	<u>525,596</u>	<u>87,839</u>	<u>0</u>	<u>662,037</u>	<u>662,037</u>
<i>Total</i>	<u>\$45,245,800</u>	<u>\$17,040,545</u>	<u>\$2,399,164</u>	<u>\$2,074,021</u>	<u>(24,394,107)</u>	<u>662,037</u>	<u>(23,732,070)</u>

General Revenues

Property Taxes Levied for:			
General Purposes	912,823	0	912,823
Police and Fire Pension	201,773	0	201,773
Income Taxes Levied for:			
General Purposes	9,812,476	0	9,812,476
Police Operations	4,442,114	0	4,442,114
Jail Operations	1,777,859	0	1,777,859
Fire Operations	1,777,859	0	1,777,859
Payments in Lieu of Taxes	578,834	0	578,834
Franchise Taxes	186,695	0	186,695
Grants and Entitlements not Restricted to Specific Programs	3,980,571	0	3,980,571
Investment Earnings	201,844	0	201,844
Gain on Sale of Capital Assets	1,637	16,391	18,028
Other	494,068	137,852	631,920
<i>Total General Revenues</i>	<u>24,368,553</u>	<u>154,243</u>	<u>24,522,796</u>
<i>Change in Net Position</i>	<u>(25,554)</u>	<u>816,280</u>	<u>790,726</u>
<i>Net Position Beginning of Year - Restated (See Note 3)</i>	<u>(12,816,343)</u>	<u>38,978,628</u>	<u>26,162,285</u>
<i>Net Position End of Year</i>	<u>(\$12,841,897)</u>	<u>\$39,794,908</u>	<u>\$26,953,011</u>

See accompanying notes to the basic financial statements

City of Zanesville, Ohio

Balance Sheet

Governmental Funds

December 31, 2018

	General	Police Expenditure	Fire Operating	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	\$4,064,667	\$512,105	\$340,538	\$3,661,903	\$8,579,213
Cash and Cash Equivalents in Segregated Accounts	4,573	0	0	36,069	40,642
Restricted Cash	19,356	0	0	0	19,356
Investments	0	0	0	50,000	50,000
Receivables:					
Accrued Interest	39,743	0	0	1,460	41,203
Accounts	57,158	0	641	22,278	80,077
Interfund	56,656	0	0	215,000	271,656
Intergovernmental	449,892	0	175	1,260,948	1,711,015
Permissive Motor Vehicle Tax	0	0	0	8,042	8,042
Municipal Income Taxes	1,187,162	593,468	237,523	237,523	2,255,676
Property Taxes	1,241,743	0	0	273,274	1,515,017
Payments in Lieu of Taxes	0	0	0	679,814	679,814
Loans	0	0	0	34,973	34,973
Special Assessments	2,916,748	0	0	795	2,917,543
Leases	14,431	0	0	900,543	914,974
Materials and Supplies Inventory	1,430	552	0	144,812	146,794
Prepaid Items	18,520	34,926	15,894	13,501	82,841
Total Assets	\$10,072,079	\$1,141,051	\$594,771	\$7,540,935	\$19,348,836
Liabilities					
Accounts Payable	\$745,869	\$12,494	\$4,431	\$73,426	\$836,220
Contracts Payable	0	0	0	19,752	19,752
Accrued Wages Payable	90,859	170,598	127,851	67,832	457,140
Interfund Payable	52,919	78,597	253,683	64,412	449,611
Intergovernmental Payable	382,658	84,970	86,620	43,864	598,112
Total Liabilities	1,272,305	346,659	472,585	269,286	2,360,835
Deferred Inflows of Resources					
Property Taxes	954,425	0	0	210,438	1,164,863
Payments in Lieu of Taxes	0	0	0	679,814	679,814
Unavailable Revenue	3,818,512	108,865	43,571	1,181,054	5,152,002
Leases	14,431	0	0	900,543	914,974
Total Deferred Inflows of Resources	4,787,368	108,865	43,571	2,971,849	7,911,653
Fund Balances					
Nonspendable	39,306	35,478	15,894	823,011	913,689
Restricted	0	650,049	62,721	3,348,516	4,061,286
Committed	0	0	0	132,659	132,659
Assigned	3,571,189	0	0	0	3,571,189
Unassigned	401,911	0	0	(4,386)	397,525
Total Fund Balances	4,012,406	685,527	78,615	4,299,800	9,076,348
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$10,072,079	\$1,141,051	\$594,771	\$7,540,935	\$19,348,836

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, 2018*

Total Governmental Fund Balances \$9,076,348

*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. 23,780,095

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

Delinquent Property Taxes	350,154	
Municipal Income Taxes	413,779	
Charges for Services	2,920,896	
Franchise Tax	55,150	
Intergovernmental Revenues	1,380,924	
Investment Earnings	26,938	
Other Revenues	4,161	
Total	5,152,002	5,152,002

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). 702,190

An interfund payable is recorded in governmental activities to reflect overpayments to the internal service fund by the business-type activities. 362,718

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

Bonds Payable	(3,204,191)	
Accrued Interest Payable	(12,813)	
Loans Payable	(2,999,403)	
Workers' Compensation Claims Payable	(22,541)	
Financed Purchases Payable	(1,041,501)	
Compensated Absences Payable	(1,730,872)	
Total	(9,011,321)	(9,011,321)

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

Deferred Outflows - Pension	4,037,585	
Deferred Inflows - Pension	(3,075,740)	
Net Pension Liability	(24,304,792)	
Deferred Outflows - OPEB	1,973,267	
Deferred Inflows - OPEB	(693,441)	
Net OPEB Liability	(20,840,808)	
Total	(42,903,929)	(42,903,929)

Net Position of Governmental Activities **(\$12,841,897)**

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, 2018

	General	Police Expenditure	Fire Operating	Other Governmental Funds	Total Governmental Funds
Revenues					
Property Taxes	\$883,408	\$0	\$0	\$194,926	\$1,078,334
Permissive Motor Vehicle License	0	0	0	109,480	109,480
Municipal Income Taxes	9,791,935	4,431,846	1,773,749	1,773,749	17,771,279
Payments in Lieu of Taxes	0	0	0	578,834	578,834
Charges for Services	707,253	4,426	45,018	277,224	1,033,921
Fines, Licenses and Permits	354,550	19,785	0	180,838	555,173
Franchise Tax	253,024	0	0	0	253,024
Intergovernmental	3,941,331	129,710	12,249	3,990,136	8,073,426
Investment Earnings	205,976	0	0	47,065	253,041
Donations	0	16,067	0	0	16,067
Leases	14,010	0	0	85,394	99,404
Other	105,766	173,801	102,947	113,098	495,612
<i>Total Revenues</i>	<u>16,257,253</u>	<u>4,775,635</u>	<u>1,933,963</u>	<u>7,350,744</u>	<u>30,317,595</u>
Expenditures					
Current:					
General Government:					
Legislative and Executive	6,040,398	0	0	17,197	6,057,595
Court	443,083	0	0	61,969	505,052
Security of Persons and Property:					
Police	0	7,337,343	0	2,516,788	9,854,131
Fire	0	0	5,580,845	108,406	5,689,251
Other	75,101	0	0	0	75,101
Public Health Services	0	0	0	418,494	418,494
Community Environment	591,602	0	0	429,123	1,020,725
Transportation	358,586	0	0	2,121,623	2,480,209
Leisure Time Activities	546,435	0	0	281,531	827,966
Capital Outlay	71,293	0	0	1,954,581	2,025,874
Debt Service:					
Principal Retirement	0	81,801	59,235	590,634	731,670
Interest and Fiscal Charges	0	0	0	217,640	217,640
<i>Total Expenditures</i>	<u>8,126,498</u>	<u>7,419,144</u>	<u>5,640,080</u>	<u>8,717,986</u>	<u>29,903,708</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>8,130,755</u>	<u>(2,643,509)</u>	<u>(3,706,117)</u>	<u>(1,367,242)</u>	<u>413,887</u>
Other Financing Sources (Uses)					
Transfers In	0	2,151,143	3,359,781	2,136,784	7,647,708
Proceeds of OPWC Loans	0	0	0	9,805	9,805
Proceeds from Sale of Capital Assets	0	0	0	934	934
Inception of Financed Purchases	0	384,488	278,423	0	662,911
Transfers Out	(7,729,897)	0	0	(35,811)	(7,765,708)
<i>Total Other Financing Sources (Uses)</i>	<u>(7,729,897)</u>	<u>2,535,631</u>	<u>3,638,204</u>	<u>2,111,712</u>	<u>555,650</u>
<i>Net Change in Fund Balances</i>	400,858	(107,878)	(67,913)	744,470	969,537
<i>Fund Balances Beginning of Year</i>	<u>3,611,548</u>	<u>793,405</u>	<u>146,528</u>	<u>3,555,330</u>	<u>8,106,811</u>
<i>Fund Balances End of Year</i>	<u>\$4,012,406</u>	<u>\$685,527</u>	<u>\$78,615</u>	<u>\$4,299,800</u>	<u>\$9,076,348</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, 2018*

Net Change in Fund Balances - Total Governmental Funds \$969,537

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	3,535,579	
Depreciation	(1,901,398)	
Excess of Capital Outlay over Depreciation		1,634,181

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

Delinquent Property Taxes	36,262	
Municipal Income Taxes	39,029	
Charges for Services	220,254	
Franchise Tax	(66,329)	
Intergovernmental Revenues	(296,924)	
Investment Earnings	(3,445)	
Rent	(700)	
Other Revenues	(1,544)	
Total		(73,397)

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 bond premium	3,844	
Amortization of deferred amount on refunding	(973)	
Accrued interest	815	3,686

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	185,500	
General Obligation Bonds	145,000	
Long-Term Loans	193,088	
Financed Purchases	208,082	731,670

Long-term debt proceeds are other financing sources in the governmental funds, but the issuance increases the long-term liabilities on the statement of activities.

Long-term Loans		(9,805)
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Inception of Financed Purchases are reported as other financing sources in the governmental funds, but the inception increases long-term liabilities on the statement of activities.

(662,911)

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.

(82,617)

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	(14,609)	
Claims Payable - BWC Retro	129,183	114,574

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

Pension	2,136,032	
OPEB	41,479	2,177,511

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

Pension	(3,206,553)	
OPEB	(1,621,430)	(4,827,983)

Change in Net Position of Governmental Activities (\$25,554)

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, 2018*

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
Revenues				
Property Taxes	\$1,042,785	\$883,785	\$883,408	(\$377)
Municipal Income Taxes	9,493,132	9,782,596	9,876,202	93,606
Charges for Services	600,539	719,435	707,942	(11,493)
Fines, Licenses and Permits	393,910	361,910	347,565	(14,345)
Franchise Tax	300,000	254,000	253,024	(976)
Intergovernmental	3,182,935	4,518,435	4,262,193	(256,242)
Investment Earnings	15,000	45,000	44,829	(171)
Leases	19,800	19,800	14,800	(5,000)
Other	223,244	197,204	105,918	(91,286)
<i>Total Revenues</i>	15,271,345	16,782,165	16,495,881	(286,284)
Expenditures				
Current:				
General Government:				
Legislative and Executive	6,680,202	8,067,642	5,906,293	2,161,349
Court	512,469	537,089	441,416	95,673
Security of Persons and Property:				
Other	124,413	125,470	77,315	48,155
Community Environment	738,714	772,291	582,146	190,145
Transportation	435,000	435,000	358,586	76,414
Leisure Time Activities	959,001	816,821	561,068	255,753
Capital Outlay	248,553	248,553	71,293	177,260
<i>Total Expenditures</i>	9,698,352	11,002,866	7,998,117	3,004,749
<i>Excess of Revenues Over Expenditures</i>	5,572,993	5,779,299	8,497,764	2,718,465
Other Financing Sources (Uses)				
Transfers In	4,000	4,000	0	(4,000)
Transfers Out	(8,380,314)	(8,586,620)	(7,729,897)	856,723
<i>Total Other Financing Sources (Uses)</i>	(8,376,314)	(8,582,620)	(7,729,897)	852,723
<i>Net Change in Fund Balance</i>	(2,803,321)	(2,803,321)	767,867	3,571,188
<i>Fund Balance Beginning of Year</i>	2,468,697	2,468,697	2,468,697	0
Prior Year Encumbrances Appropriated	334,624	334,624	334,624	0
<i>Fund Balance End of Year</i>	\$0	\$0	\$3,571,188	\$3,571,188

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, 2018

	<u>Budgeted Amounts</u>			Variance with Final Budget Over (Under)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Municipal Income Taxes	\$4,454,468	\$4,599,173	\$4,486,390	(\$112,783)
Charges for Services	3,676	3,676	4,426	750
Intergovernmental	0	129,710	129,710	0
Fines, Licenses and Permits	19,785	19,785	19,785	0
Donations	5,000	5,000	16,067	11,067
Other	163,215	286,105	146,801	(139,304)
<i>Total Revenues</i>	4,646,144	5,043,449	4,803,179	(240,270)
Expenditures				
Current:				
Security of Persons and Property:				
Police	7,345,091	7,755,033	7,002,658	752,375
<i>Excess of Revenues Under Expenditures</i>	(2,698,947)	(2,711,584)	(2,199,479)	512,105
Other Financing Sources				
Transfers In	2,138,506	2,151,143	2,151,143	0
<i>Net Change in Fund Balance</i>	(560,441)	(560,441)	(48,336)	512,105
<i>Fund Balance Beginning of Year</i>	543,281	543,281	543,281	0
Prior Year Encumbrances Appropriated	17,160	17,160	17,160	0
<i>Fund Balance End of Year</i>	<u>\$0</u>	<u>\$0</u>	<u>\$512,105</u>	<u>\$512,105</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, 2018

	<u>Budgeted Amounts</u>			Variance with Final Budget Over (Under)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Municipal Income Taxes	\$1,782,804	\$1,840,719	\$1,795,579	(\$45,140)
Charges for Services	23,300	45,300	45,550	250
Intergovernmental	14,700	14,700	12,249	(2,451)
Other	5,000	211,800	103,203	(108,597)
<i>Total Revenues</i>	1,825,804	2,112,519	1,956,581	(155,938)
Expenditures				
Current:				
Security of Persons and Property:				
Fire	5,819,928	6,000,445	5,404,635	595,810
<i>Excess of Revenues Under Expenditures</i>	(3,994,124)	(3,887,926)	(3,448,054)	439,872
Other Financing Sources				
Transfers In	3,565,398	3,459,200	3,359,781	(99,419)
<i>Net Change in Fund Balance</i>	(428,726)	(428,726)	(88,273)	340,453
<i>Fund Balance Beginning of Year</i>	397,927	397,927	397,927	0
Prior Year Encumbrances Appropriated	30,799	30,799	30,799	0
<i>Fund Balance End of Year</i>	<u>\$0</u>	<u>\$0</u>	<u>\$340,453</u>	<u>\$340,453</u>

See accompanying notes to the basic financial statements

City of Zanesville, Ohio
Statement of Fund Net Position
Proprietary Funds
December 31, 2018

	Business Type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Sewer	Water	Nonmajor	Total	
Assets					
Current:					
Equity in Pooled Cash and Cash Equivalents	\$4,359,409	\$1,251,163	\$418,889	\$6,029,461	\$934,094
Accounts Receivable	851,842	576,683	304,972	1,733,497	7,950
Intergovernmental Receivable	0	88,068	0	88,068	7,630
Interfund Receivable	0	0	0	0	254,221
Special Assessments Receivable	10,119	0	0	10,119	0
Materials and Supplies Inventory	240,857	556,847	0	797,704	309,462
Restricted Assets:					
Customer Deposits - Equity in Pooled Cash and Cash Equivalents	0	393,560	0	393,560	0
Prepaid Items	15,837	13,143	3,037	32,017	1,586
Total Current Assets	5,478,064	2,879,464	726,898	9,084,426	1,514,943
Noncurrent:					
Non-Depreciable Capital Assets	382,485	2,230,417	0	2,612,902	0
Depreciable Capital Assets, Net	41,456,122	19,493,966	593,513	61,543,601	3,817
Total Noncurrent Assets	41,838,607	21,724,383	593,513	64,156,503	3,817
Total Assets	47,316,671	24,603,847	1,320,411	73,240,929	1,518,760
Deferred Outflows of Resources					
Pension	370,646	396,062	173,277	939,985	99,015
OPEB	78,054	83,259	36,425	197,738	20,814
Total Deferred Outflows of Resources	448,700	479,321	209,702	1,137,723	119,829
Liabilities					
Current:					
Accounts Payable	76,688	54,935	20,220	151,843	3,874
Contracts Payable	49,312	284,404	0	333,716	0
Accrued Wages Payable	56,347	58,044	27,001	141,392	13,262
Intergovernmental Payable	22,585	22,787	9,267	54,639	5,331
Retainage Payable	0	160,712	0	160,712	0
Claims Payable	0	0	0	0	789,100
Interfund Payable	22,207	44,006	8,867	75,080	1,186
Compensated Absences Payable	57,768	84,343	45,090	187,201	14,748
OPWC Loans Payable	109,486	0	0	109,486	0
OWDA Loans Payable	1,045,529	517,451	0	1,562,980	0
Financed Purchases Payable	13,970	0	121,638	135,608	0
Leases Payable	47,563	0	0	47,563	0
Current Liabilities Payable from Restricted Assets:					
Customer Deposits	0	393,560	0	393,560	0
Total Current Liabilities	1,501,455	1,620,242	232,083	3,353,780	827,501
Long-Term:					
Compensated Absences Payable	137,233	166,316	77,965	381,514	37,154
OPWC Loans Payable	1,656,146	0	0	1,656,146	0
OWDA Loans Payable	9,908,434	11,000,415	0	20,908,849	0
Financed Purchases Payable	48,416	0	140,416	188,832	0
Net Pension Liability	1,536,880	1,639,341	717,211	3,893,432	409,833
Net OPEB Liability	1,032,554	1,101,391	481,857	2,615,802	275,346
Total Long-Term Liabilities	14,319,663	13,907,463	1,417,449	29,644,575	722,333
Total Liabilities	15,821,118	15,527,705	1,649,532	32,998,355	1,549,834
Deferred Inflows of Resources					
Pension	401,674	420,219	183,847	1,005,740	105,055
OPEB	85,631	91,339	39,961	216,931	22,835
Total Deferred Inflows of Resources	487,305	511,558	223,808	1,222,671	127,890
Net Position					
Net Investment in Capital Assets	28,991,723	9,761,401	331,459	39,084,583	3,817
Unrestricted (Deficits)	2,465,225	(717,496)	(674,686)	1,073,043	(42,952)
Total Net Position	\$31,456,948	\$9,043,905	(\$343,227)	40,157,626	(\$39,135)

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 (362,718)
\$39,794,908

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, 2018*

	Business Type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Sewer	Water	Nonmajor	Total	
Operating Revenues					
Charges for Services	\$7,401,587	\$5,541,075	\$2,080,351	\$15,023,013	\$7,055,344
Other Operating Revenues	54,287	0	19,275	73,562	20,428
<i>Total Operating Revenues</i>	<u>7,455,874</u>	<u>5,541,075</u>	<u>2,099,626</u>	<u>15,096,575</u>	<u>7,075,772</u>
Operating Expenses					
Salaries and Wages	1,438,093	1,561,675	686,635	3,686,403	336,410
Fringe Benefits	1,105,806	1,172,590	463,777	2,742,173	174,166
Contractual Services	1,888,646	1,505,051	791,889	4,185,586	1,134,509
Materials and Supplies	520,235	413,859	44,229	978,323	773,629
Claims	0	0	0	0	4,936,180
Depreciation and Amortization	1,336,465	1,094,313	100,373	2,531,151	0
<i>Total Operating Expenses</i>	<u>6,289,245</u>	<u>5,747,488</u>	<u>2,086,903</u>	<u>14,123,636</u>	<u>7,354,894</u>
<i>Operating Income (Loss)</i>	<u>1,166,629</u>	<u>(206,413)</u>	<u>12,723</u>	<u>972,939</u>	<u>(279,122)</u>
Non-Operating Revenues (Expenses)					
Intergovernmental	40,498	572,937	0	613,435	0
Gain on Sale of Capital Assets	6,290	8,690	1,411	16,391	703
Other Non-Operating Revenues	2,983	61,307	0	64,290	0
Interest and Fiscal Charges	(484,001)	(260,701)	0	(744,702)	0
<i>Total Non-Operating Revenues (Expenses)</i>	<u>(434,230)</u>	<u>382,233</u>	<u>1,411</u>	<u>(50,586)</u>	<u>703</u>
<i>Income (Loss) Before Transfers</i>	732,399	175,820	14,134	922,353	(278,419)
Transfers	(49,756)	0	49,756	0	118,000
<i>Change in Net Position</i>	682,643	175,820	63,890	922,353	(160,419)
<i>Net Position (Deficit) Beginning of Year - Restated (See Note 3)</i>	<u>30,774,305</u>	<u>8,868,085</u>	<u>(407,117)</u>		<u>121,284</u>
<i>Net Position (Deficit) End of Year</i>	<u><u>\$31,456,948</u></u>	<u><u>\$9,043,905</u></u>	<u><u>(\$343,227)</u></u>		<u><u>(\$39,135)</u></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 business-type activities

(106,073)
\$816,280

See accompanying notes to the basic financial statements

City of Zanesville, Ohio
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2018

	Business Type Activities - Enterprise Funds			Total Funds	Governmental Activities - Internal Service Funds
	Sewer	Water	Nonmajor		
Increase (Decrease) in Cash and Cash Equivalents					
Cash Flows from Operating Activities:					
Cash Received from Customers	\$7,382,765	\$5,748,907	\$2,085,126	\$15,216,798	\$0
Cash Received from Transactions with Other Funds	0	0	0	0	7,146,143
Cash Payments for Employee Services and Benefits	(2,345,231)	(2,515,847)	(1,044,085)	(5,905,163)	(490,471)
Cash Payments to Suppliers for Goods and Services	(2,437,985)	(1,872,660)	(853,000)	(5,163,645)	(1,965,924)
Other Operating Revenues	54,372	0	19,275	73,647	12,478
Cash Payments for Claims	0	0	0	0	(4,901,280)
Other Non-Operating Revenues	0	182,131	0	182,131	6,936
Customer Deposits Returned	0	(95,553)	0	(95,553)	0
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u>2,653,921</u>	<u>1,446,978</u>	<u>207,316</u>	<u>4,308,215</u>	<u>(192,118)</u>
Cash Flows from Capital and Related Financing Activities:					
Acquisition of Capital Assets	(175,080)	(1,666,726)	(65,763)	(1,907,569)	0
Capital Grants	0	538,964	0	538,964	0
Proceeds from Sale of Capital Assets	6,290	190	1,411	7,891	703
Loan Proceeds	0	1,266,741	0	1,266,741	0
Principal Paid on Financed Purchase	(13,596)	0	(119,098)	(132,694)	0
Principal Paid on Lease	(46,357)	0	0	(46,357)	0
Principal Paid on Debt	(1,115,196)	(589,258)	0	(1,704,454)	0
Interest Paid on Debt	(475,210)	(260,023)	0	(735,233)	0
<i>Net Cash Provided by (Used for) Capital and Related Financing Activities</i>	<u>(1,819,149)</u>	<u>(710,112)</u>	<u>(183,450)</u>	<u>(2,712,711)</u>	<u>703</u>
Cash Flows from Non-Capital and Related Financing Activities:					
Operating Grants	94,364	0	35,718	130,082	0
Operating Transfers In	0	0	0	0	118,000
<i>Net Cash Provided by Non-Capital and Related Financing Activities</i>	<u>94,364</u>	<u>0</u>	<u>35,718</u>	<u>130,082</u>	<u>118,000</u>
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	929,136	736,866	59,584	1,725,586	(73,415)
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>3,430,273</u>	<u>907,857</u>	<u>359,305</u>	<u>4,697,435</u>	<u>1,007,509</u>
<i>Cash and Cash Equivalents End of Year</i>	<u>\$4,359,409</u>	<u>\$1,644,723</u>	<u>\$418,889</u>	<u>\$6,423,021</u>	<u>\$934,094</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:					
<i>Operating Income (Loss)</i>	\$1,166,629	(\$206,413)	\$12,723	\$972,939	(\$279,122)
Adjustments:					
Depreciation and Amortization	1,336,465	1,094,313	100,373	2,531,151	0
Other Non-Operating Revenues	0	61,078	0	61,078	6,936
(Increase)/Decrease in Assets:					
Accounts Receivable	(23,549)	207,832	4,775	189,058	(7,950)
Intergovernmental Receivable	0	0	0	0	(885)
Interfund Receivable	0	0	0	0	91,684
Special Assessments Receivable	(1,154)	0	0	(1,154)	0
Materials and Supplies Inventory	110,429	40,413	0	150,842	6,636
Prepaid Items	(1,917)	4,122	(450)	1,755	133
Deferred Outflows - Pension	282,155	305,190	133,521	720,866	76,298
Deferred Outflows - OPEB	49,064	52,335	22,896	124,295	13,084
Increase/(Decrease) in Liabilities:					
Accounts Payable	(90,695)	18,586	(2,222)	(74,331)	(64,555)
Contracts Payable	17,752	(6,208)	0	11,544	0
Accrued Wages Payable	9,340	3,958	2,108	15,406	(1,330)
Intergovernmental Payable	1,957	909	236	3,102	(84)
Interfund Payable	(58,707)	(10,663)	(14,210)	(83,580)	(5,023)
Customer Deposits Payable	0	25,500	0	25,500	0
Claims Payable	0	0	0	0	34,900
Deferred Inflows - Pension	(241,778)	(208,696)	(91,304)	(541,778)	(52,175)
Deferred Inflows - OPEB	(23,395)	(24,955)	(10,917)	(59,267)	(6,239)
Net Pension Liability	33,425	35,654	15,598	84,677	8,913
Net OPEB Liability	55,997	59,729	26,131	141,857	14,932
Compensated Absences Payable	31,903	(5,706)	8,058	34,255	(28,271)
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u>\$2,653,921</u>	<u>\$1,446,978</u>	<u>\$207,316</u>	<u>\$4,308,215</u>	<u>(\$192,118)</u>

See accompanying notes to the basic financial statements

City of Zanesville, Ohio
Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2018

	Private Purpose Trust Funds	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$24,569	\$38,624
Cash and Cash Equivalents in Segregated Accounts	0	20,221
Accrued Interest Receivable	4	0
<i>Total Assets</i>	24,573	\$58,845
Liabilities		
Deposits Held and Due to Others	0	\$58,845
<i>Total Liabilities</i>	0	\$58,845
Net Position		
Held in Trust for Private Purposes	24,573	
Total Net Position	\$24,573	

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, 2018

Additions	
Interest	\$1,041
Deletions	
Other	<u>2</u>
<i>Change in Net Position</i>	1,039
<i>Net Position Beginning of Year</i>	<u>23,534</u>
<i>Net Position End of Year</i>	<u><u>\$24,573</u></u>

See accompanying notes to the basic financial statements

City of Zanesville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

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 19.

Ohio Mid-Eastern Governments Association (OMEGA)
Zanesville/Muskingum County Port Authority
Zanesville/Muskingum Convention Facility Authority
Zanesville Metropolitan Housing Authority
Muskingum County Center for Seniors
Muskingum County Land Reutilization Corporation (Land Bank)

The City is involved with the following organizations which are defined as joint ventures. Additional information concerning the joint ventures is presented in Note 20.

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)

City of Zanesville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

The City is involved with the following organization which is defined as a related organization. Additional information concerning the related organization is presented in Note 21.

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.

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.

City of Zanesville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

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.

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.

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.

City of Zanesville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

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.

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.

City of Zanesville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

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 pension and OPEB. The deferred outflows of resources related to pension and OPEB plans are explained in Notes 13 and 14.

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, OPEB, leases, and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2018, but which were levied to finance 2019 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. The deferred inflow for leases is related to the leases receivable and is being amortized to leases revenue in a systematic and rational manner over the term of the lease. 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, municipal income taxes, charges for services, franchise tax, intergovernmental revenues, investment earnings, and other revenues. 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 and OPEB plans are reported on the government-wide statement of net position. (See Notes 13 and 14)

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

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

E. Budget Process

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

City of Zanesville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

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.”

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

During 2018, investments were limited to federal agency securities, money markets, and the State Treasury Asset Reserve of Ohio (STAR Ohio).

During 2018, the City invested in STAR Ohio. STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer’s Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, *Certain External Investment Pools and Pool Participants*. The City measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For 2018, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, twenty-four hours advance notice is appreciated for deposits and withdrawals of \$25 million or more. STAR Ohio reserves the right to limit the transactions to \$100 million per day, requiring the excess amount to be transacted the following business day(s), but only to the \$100 million limit. All accounts of the participant will be combined for these purposes.

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 2018 amounted to \$205,976, which includes \$159,244 assigned from other City funds.

City of Zanesville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

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.

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, 2018, 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 acquisition 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.

City of Zanesville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

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

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

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 and compensated absences 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. Net pension/OPEB liability should be recognized in the governmental funds to the extent that benefit payments are due and payable and the pension/OPEB plan's fiduciary net position is not sufficient for payment of those benefits.

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:

City of Zanesville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

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.

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. The City Council assigned fund balance to cover the gap between the estimated resources and appropriations in the 2019’s appropriated budget.

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.

City of Zanesville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

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.

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/Other Postemployment Benefits (OPEB)

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

City of Zanesville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

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.

Under Ohio law, premiums on the original issuance of debt are to be deposited to the bond retirement fund to be used for debt retirement and are precluded from being applied to the project fund. Ohio law does allow premiums on refunding debt to be used as part of the payment to the bond escrow agent.

T. 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.

U. 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

For 2018, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 85, *Omnibus 2017*; Statement 87, *Leases*; Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*; Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*; and related guidance from (GASB) Implementation Guide No. 2017-3, *Accounting and Financial Reporting for Postemployment Benefits other Than Pensions (and Certain Issues Related to OPEB Plan Reporting)*.

For 2018, the City also implemented the Governmental Accounting Standards Board's (GASB) *Implementation Guide No. 2017-1*. These changes were incorporated in the City's 2018 financial statements; however, there was no effect on beginning net position/fund balance.

GASB 85 addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits (OPEB)). These changes were incorporated in the City's 2018 financial statements; however, there was no effect on beginning net position/fund balance.

GASB 87 enhances the relevance and consistency of information of the government's leasing activities. It establishes requirements for lease accounting based on the principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right to use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. These changes were incorporated in the City's 2018 financial statements and had an effect on the beginning net position of the Sewer Enterprise Fund. The City recognized \$1,015,078 in leases receivable at January 1, 2018, due to the implementation of GASB 87; however, this entire amount was offset by deferred inflows of resources for leases.

GASB 89 establishes accounting requirements for interest cost incurred before the end of a construction period. These changes were incorporated in the City's 2018 financial statements; however, there was no effect on beginning net position.

City of Zanesville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

GASB 75 established standards for measuring and recognizing postemployment benefit liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditure.

The implementation of GASB 75 and GASB 87 had the following effect on net position as reported December 31, 2017:

	Governmental Activities	Business - Type Activities
Net Position December 31, 2017	\$5,142,911	\$41,406,179
Adjustments:		
GASB 87 Leases	0	559
Net OPEB Liability	(18,052,318)	(2,465,614)
Deferred Outflow - Payments Subsequent to Measurement Date	93,064	37,504
Restated Net Position December 31, 2017	(\$12,816,343)	\$38,978,628

	Sewer	Water	Nonmajor	Total Enterprise	Internal Service
Net Position December 31, 2017	\$31,732,211	\$9,890,447	\$40,166	\$41,662,824	\$376,874
Adjustments:					
GASB 87 - Leases	559	0	0	559	0
Net OPEB Liability	(973,269)	(1,038,153)	(454,192)	(2,465,614)	(259,538)
Deferred Outflow - Payments Subsequent to Measurement Date	14,804	15,791	6,909	37,504	3,948
Restated Net Position December 31, 2017	\$30,774,305	\$8,868,085	(\$407,117)	\$39,235,273	\$121,284

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).

City of Zanesville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

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.

	Net Change in Fund Balance		
	General	Police Expenditure	Fire Operating
GAAP Basis	\$400,858	(\$107,878)	(\$67,913)
Net Adjustment for Revenue Accruals	421,089	(356,944)	(255,805)
Beginning of Year:			
Unrecorded Cash	17,605	0	0
Unrecorded Interest	1,061	0	0
Difference in Fair Market Value	314,068	0	0
Prepaid Items	22,634	22,263	9,399
Segregated Accounts	2,212	0	0
End of Year:			
Unrecorded Cash	(46,736)	0	0
Unrecorded Interest	(19,114)	0	0
Difference in Fair Market Value	(446,984)	0	0
Prepaid Items	(18,520)	(34,926)	(15,894)
Segregated Accounts	(4,573)	0	0
Net Adjustment for Expenditure Accruals	124,267	429,149	242,025
Encumbrances	0	0	(85)
Budget Basis	<u>\$767,867</u>	<u>(\$48,336)</u>	<u>(\$88,273)</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, 2018

Fund Balances	General	Police Expenditures	Fire Operating	Other Governmental	Total
Nonspendable:					
Prepays	\$18,520	\$34,926	\$15,894	\$13,501	\$82,841
Cemetery Endowments	0	0	0	664,698	664,698
Unclaimed Monies	19,356	0	0	0	19,356
Materials and Supplies Inventory	1,430	552	0	144,812	146,794
<i>Total Nonspendable</i>	<u>39,306</u>	<u>35,478</u>	<u>15,894</u>	<u>823,011</u>	<u>913,689</u>
Restricted for:					
Street	0	0	0	823,669	823,669
Cemetery Operations	0	0	0	205,501	205,501
Community Development	0	0	0	226,066	226,066
Jail Operations	0	0	0	187,821	187,821
Police Operations	0	650,049	0	200,883	850,932
Fire Operations	0	0	62,721	0	62,721
Court Operations	0	0	0	508,560	508,560
Airport Operations	0	0	0	306,295	306,295
Capital Improvements	0	0	0	889,721	889,721
<i>Total Restricted</i>	<u>0</u>	<u>650,049</u>	<u>62,721</u>	<u>3,348,516</u>	<u>4,061,286</u>
Committed for:					
Capital Improvements	0	0	0	30,531	30,531
Auditorium Operating	0	0	0	102,128	102,128
<i>Total Committed</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>132,659</u>	<u>132,659</u>
Assigned to:					
Assigned to Subsequent Year's Appropriations	3,571,189	0	0	0	3,571,189
Unassigned:	401,911	0	0	(4,386)	397,525
<i>Total Fund Balances</i>	<u>\$4,012,406</u>	<u>\$685,527</u>	<u>\$78,615</u>	<u>\$4,299,800</u>	<u>\$9,076,348</u>

NOTE 6 - DEPOSITS AND INVESTMENTS

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

Active deposits are public monies determined to be necessary to meet current demands upon the City treasury. Active 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.

City of Zanesville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

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

Protection of the City's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, or by the financial institutions participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

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, and Government National Mortgage 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 including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances (for a period not to exceed one hundred eighty days) and commercial paper notes (for a period not to exceed two hundred seventy 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, 2018

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the City, and must be purchased with the expectation that it will be held to maturity.

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

Protection of the City's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, or by the financial institutions participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Investments

Investments are reported at fair value. As of December 31, 2018, the City had the following investments:

Measurement/Investment	Measurement Amount	Maturity	Moody's Ratings	Percent of Total Investments
Net Asset Value Per Share:				
Money Market Mutual Fund	\$ 2,514,674	Average 45 Days	Aaa	31.06%
Fair Value - Level One Inputs				
United States Money Market	516,266	Less than one year	n/a	6.38%
First American Treasury Money Market	35,273	Less than one year	n/a	0.44%
	<u>551,539</u>			
Fair Value - Level Two Inputs				
Federal Farm Credit Bank Bonds	498,670	Less than one year	Aaa	6.16%
Federal Home Loan Mortgage Corporation Notes	3,206,138	Less than five years	Aaa	39.62%
Federal Home Loan Bank Bonds	330,950	Less than one year	Aaa	4.09%
Federal National Mortgage Association Notes	991,095	Less than two years	n/a	12.25%
<i>Total Fair Value - Level Two Inputs</i>	<u>5,026,853</u>			
Total	<u>\$ 8,093,066</u>			

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The above chart identifies the City's recurring fair value measurements as of December 31, 2018. The Money Market Mutual Fund is measured at fair value and is valued using quoted market prices (Level 1 inputs). Other than STAR Ohio and the Money Markets, all of the City's remaining investments are measured at fair value and are valued using methodologies that incorporate market inputs such as benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers and reference data including market research publications. Market indicators and industry and economic events are also monitored, which could require the need to acquire further market data. (Level 2 inputs).

City of Zanesville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

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.

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 2018 for real and public utility property taxes represents collections of 2017 taxes.

2018 real property taxes are levied after October 1, 2018, on the assessed value as of January 1, 2018, the lien date. Real property taxes which are levied in 2018 are collected in and intended to finance 2019. 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 property tax revenues received in 2018 represent the collection of 2017 taxes. Public utility property taxes received in 2018 became a lien on December 31, 2017, were levied after October 1, 2018, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentage of true value.

The full tax rate for all City operations for the year ended December 31, 2018, was \$3.40 per \$1,000 of assessed value. The assessed values of real property and public utility property upon which 2018 property tax receipts were based are as follows:

Real Property	\$361,587,020
Public Utility Real Property	<u>18,668,570</u>
	<u><u>\$380,255,590</u></u>

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the City of Zanesville. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real and public utility taxes which are measurable as of December 31, 2018, and for which there is an enforceable legal claim. In the governmental funds, the portion of the receivable not levied to finance 2018 operations is offset to deferred inflows of resources – property taxes.

City of Zanesville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

On the accrual basis, delinquent collectible property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been reported as deferred inflows of resources – unavailable revenue.

NOTE 8 - TAX ABATEMENTS

As of December 31, 2018, the County provides tax abatements through two programs: The Community Reinvestment Area (CRA) Tax Abatements and Enterprise Zone Tax Exemptions.

Community Reinvestment Area (CRA)

Pursuant to Ohio Revised Code Chapter 5709, the City established one CRA to provide property tax abatements to encourage revitalization of existing buildings and the construction of new structures. Abatements are obtained through application by the property owner, including proof that the improvements have been made, and equal a 100 percent abatement of the additional property tax resulting from the increase in assessed value as a result of the improvement. The amount of the abatement is deducted from the recipient’s tax bill. If the property owner does not fulfill its obligation under the agreement, the abatement ceases in that immediate tax year and becomes fully taxable.

Enterprise Zone Tax Exemptions

Pursuant to Ohio Revised Code Chapter 5709, the City established three Enterprise Zone Agreements which provide property tax abatements to encourage economic development and create/preserve jobs. Abatements are obtained through application by the property owner, including proof that the improvements have been made, and equal a 75 percent and 100 percent of the additional property tax resulting from the increase in assessed value as a result of the improvement. The amount of the abatement is deducted from the recipient’s tax bill.

Below is the information relevant to the disclosure of those programs for the year ended December 31, 2018.

Tax Abatement Program	Amount of 2018 Taxes Abated
<i>Community Reinvestment Area (CRA)</i>	
Greenwood Homes LLC	\$31,749
 <i>Enterprise Zone Tax Exemptions</i>	
Time Warner	70,432
Economy Towel & Linen	13,130
Store IT	117

City of Zanesville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

NOTE 9 - RECEIVABLES

Receivables at December 31, 2018, consisted of taxes, payments in lieu of taxes, special assessments, accounts (billings for user charged services including unbilled utility services), interfund, accrued interest, loans, leases, 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 \$34,973. 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 \$29,942. A summary of the principal items of intergovernmental receivables follows:

Governmental Activities:	
Gasoline Tax and Motor Vehicle License	\$463,219
Local Government	345,671
Probation Grant	33,510
Community Development Block Grant	651,351
Environmental Protection Agency Brownfield Grant	4,185
Northpointe Drive Project Reimbursement	10,368
Homestead and Rollback	58,058
Estate Settlement - Muskingum County	39,464
Airport Grant	85,578
Miscellaneous	27,241
Total Governmental Activities	1,718,645
 Business-Type Activities:	
Community Development Block Grant	59,504
Appalachian Regional Commission Grant	28,335
Miscellaneous	229
Total Business-Type Activities	88,068
Total Intergovernmental Receivables	\$1,806,713

Payments in Lieu of Taxes

Historically, the City has entered into Tax Increment Financing Agreements with various developers for the purpose of constructing several retail and commercial centers.

To encourage these improvements, the property owners are granted an exemption from paying real property taxes on the new construction; however, the property owner is required to make payments in lieu of taxes. Payment in lieu of taxes are made to Muskingum County and distributed to the City in an amount equal to the real property taxes that otherwise would have been due in that current year. These payments are being used to finance public improvements, payment in lieu of taxes are receipted in the appropriate Tax Increment Financing Fund for the area in which the improvements can be made, and will continue over thirty years.

City of Zanesville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

A receivable of \$679,814 has been recorded for the City of Zanesville 146 Connector, Harbor Freight, We Luv Pets, and the Dutro Real Estate Tax Increment Financing Agreements. This amount represents the amount measurable at December 31, 2018. The City is not able to record a receivable for all future payments because payments are based upon projected collections.

Leases Receivable

The City is reporting Leases Receivable of \$914,974 at December 31, 2018. For 2018, the City reported lease revenue of \$99,404 and interest revenue of \$11,251 related to lease payments received. A description of the City's leasing arrangements is as follows:

Airport Lease - On July 18, 2003, the City entered into a thirty year lease agreement with Southeastern Ohio Air Service, Inc. for the lease of real property that is part of the Zanesville Municipal Airport. Based on this agreement, the City is receiving monthly payments through 2048.

A summary of the future principal and interest to be received is as follows:

Year	Principal	Interest
2019	\$7,483	\$917
2020	7,692	708
2021	7,905	494
2022	8,126	274
2023	7,983	817
2024-2028	39,409	9,591
2029-2033	44,392	8,509
2034-2038	38,644	8,356
2039-2043	44,335	7,665
2044-2048	47,250	6,651
	<u>\$253,219</u>	<u>\$43,982</u>

Freight Shop Lease - On November 15, 1989, the City entered into a fifty-one year lease agreement with JanEight, LLC for the lease of real property (land and buildings) for retail stores that were formerly used as the New York Central Freight Station. Based on this agreement, the City is receiving monthly payments through 2040.

A summary of the future principal and interest to be received is as follows:

Year	Principal	Interest
2019	\$1,427	\$3,594
2020	1,514	3,508
2021	1,606	3,416
2022	1,703	3,318
2023	1,806	3,215
2024-2028	10,813	14,294
2029-2033	14,512	10,595
2034-2038	19,477	5,628
2039-2040	8,707	501
	<u>\$61,565</u>	<u>\$48,069</u>

City of Zanesville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

Columbia Gas Lease - On January 1, 2016, the City entered into a ten year lease agreement with Columbia Gas of Ohio, Inc. for the lease of a building. Based on this agreement, the City is receiving monthly payments through 2025.

A summary of the future principal and interest to be received is as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2019	\$78,011	\$8,889
2020	80,384	6,516
2021	78,791	5,611
2022	80,815	5,269
2023	83,273	4,811
2024-2025	181,711	6,965
	<u>\$582,985</u>	<u>\$38,061</u>

Law Director Office Lease - On January 1, 2016, the City entered into a four year lease agreement with City Law Director for the lease of an office within the municipal building. Based on this agreement, the City is receiving monthly payments through 2019.

A summary of the future principal and interest to be received is as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2019	\$4,722	\$77

Kessler Sign Lease - On April 1, 2015, the City entered into a five year lease agreement with Kessler Sign Company for the lease of a land to place a billboard. Based on this agreement, the City is receiving monthly payments through 2019.

A summary of the future principal and interest to be received is as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2019	\$2,774	\$27

Softball Complex Lease - On January 1, 2017, the City entered into a three year lease agreement with District 11 Softball, LLC for the lease of a land and facilities at the City's Riverside Park Softball Complex. Based on this agreement, the City is receiving annual payments through 2019.

A summary of the future principal and interest to be received is as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2019	\$9,709	\$291

City of Zanesville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

NOTE 10 - 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. As of January 1, 2017, all city residents age 16 and older who have or had earned income are required to file a city tax return. 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 11 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2018, was as follows:

	Balance 12/31/17	Increases	Decreases	Balance 12/31/18
Governmental Activities:				
Capital Assets not being Depreciated:				
Land	\$1,188,231	\$0	\$0	\$1,188,231
Construction in Progress	414,004	1,804,083	(2,198,335)	19,752
Total Capital Assets not being Depreciated	<u>1,602,235</u>	<u>1,804,083</u>	<u>(2,198,335)</u>	<u>1,207,983</u>
Capital Assets being Depreciated:				
Buildings and Improvements	18,918,712	1,012,117	0	19,930,829
Machinery and Equipment	3,405,527	741,011	(51,607)	4,094,931
Vehicles	5,441,222	274,245	(20,927)	5,694,540
Infrastructure	21,068,735	1,902,458	0	22,971,193
Total Capital Assets being Depreciated	<u>48,834,196</u>	<u>3,929,831</u>	<u>(72,534)</u>	<u>52,691,493</u>
Less Accumulated Depreciation:				
Buildings and Improvements	(11,843,259)	(464,538)	0	(12,307,797)
Machinery and Equipment	(2,118,922)	(209,027)	51,607	(2,276,342)
Vehicles	(3,795,426)	(345,200)	20,927	(4,119,699)
Infrastructure	(10,532,910)	(882,633)	0	(11,415,543)
Total Accumulated Depreciation	<u>(28,290,517)</u>	<u>(1,901,398) *</u>	<u>72,534</u>	<u>(30,119,381)</u>
Total Capital Assets being Depreciated, Net	<u>20,543,679</u>	<u>2,028,433</u>	<u>0</u>	<u>22,572,112</u>
Governmental Activities Capital Assets, Net	<u>\$22,145,914</u>	<u>\$3,832,516</u>	<u>(\$2,198,335)</u>	<u>\$23,780,095</u>

City of Zanesville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

* Depreciation expense was charged to governmental programs as follows:

General Government - Legislative and Executive	\$90,716
Security of Persons and Property:	
Police	195,628
Fire	303,253
Public Health Services	32,484
Community Environment	496
Transportation	1,096,039
Leisure Time Activities	182,782
Total Depreciation Expense	\$1,901,398

	Restated Balance 12/31/17	Increases	Decreases	Balance 12/31/18
Business-Type Activities:				
Capital Assets not being Depreciated:				
Land	\$233,184	\$0	\$0	\$233,184
Construction in Progress	281,882	2,097,836	0	2,379,718
Total Capital Assets not being Depreciated	515,066	2,097,836	0	2,612,902
Capital Assets being Depreciated:				
Buildings and Improvements	34,234,998	20,800	0	34,255,798
Machinery and Equipment	14,217,925	157,363	(69,459)	14,305,829
Vehicles	2,154,859	99,701	(52,462)	2,202,098
Intangible Right to Use Lease - Vehicle	94,479	0	0	94,479
Infrastructure	47,156,051	0	0	47,156,051
Total Capital Assets being Depreciated	97,858,312	277,864	(121,921)	98,014,255
Less Accumulated Depreciation and Amortization:				
Buildings and Improvements	(9,331,525)	(653,756)	0	(9,985,281)
Machinery and Equipment	(10,325,472)	(748,174)	69,459	(11,004,187)
Vehicles	(1,411,916)	(135,980)	52,462	(1,495,434)
Intangible Right to Use Lease - Vehicle	0	(47,239)	0	(47,239)
Infrastructure	(12,992,511)	(946,002)	0	(13,938,513)
Total Accumulated Depreciation and Amortization	(34,061,424)	(2,531,151) **	121,921	(36,470,654)
Total Capital Assets being Depreciated, Net	63,796,888	(2,253,287)	0	61,543,601
Business-Type Activities Capital Assets, Net	\$64,311,954	(\$155,451)	\$0	\$64,156,503

**Of this amount, \$47,239 is presented as amortization expense on the Statement of Revenues, Expenses and Changes in Fund Net Position related to the City's intangible asset of a Vector Truck, which is included in the above table as Intangible Right to Use Lease. With the implementation of Governmental Accounting Standards Board Statement No. 87, *Leases*, a lease meeting the criteria of this statement requires the lessee to recognize a lease liability and an intangible right to use asset.

City of Zanesville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

NOTE 12 - 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, 2018, 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 \$3,000,000 aggregate employee benefit liability is also maintained with a \$1,000 deductible; cemetery professional and fire division liability insurance are covered up to \$1,000,000 per occurrence. Property and contents coverage is maintained per summary of values and cost of reproduction new, less exclusions, plus leased and rented items, with a \$1,000 deductible per occurrence. Earthquake coverage is maintained with a \$5,000,000 occurrence limit, \$5,000,000 policy year limit, with a \$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, covering bodily injury and property damage. Uninsured and underinsured motorist is covered up to \$1,000,000. 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.

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 \$500 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.

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

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

City of Zanesville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

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 \$789,100 reported at December 31, 2018, 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 2017 and 2018 were:

	Balance at Beginning of Year	Current Year Claims	Claims Payments	Balance at End of Year
2017	\$497,752	\$5,109,198	\$4,852,750	\$754,200
2018	754,200	4,936,180	4,901,280	789,100

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 2018 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, 2018, based on an estimate by the City Auditor's office and the Bureau of Workers' Compensation.

NOTE 13 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability

The Statewide retirement systems provide both pension benefits and other postemployment benefits (OPEB).

Net Pension Liability/Net OPEB Liability

The net pension liability and the net OPEB liability reported on the statement of net position represent liabilities to employees for pensions and OPEB, respectively. Pensions/OPEB are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions/OPEB 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.

City of Zanesville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

The net pension/OPEB liability represent the City's proportionate share of each pension/OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension/OPEB plan's fiduciary net position. The net pension/OPEB 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 these estimates 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 and OPEB.

GASB 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires funding to come from these employers. All pension contributions to date have come solely from these employers (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within 30 years. If the pension amortization period exceeds 30 years, each retirement system's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability. Resulting adjustments to the net pension/OPEB liability would be effective when the changes are legally enforceable. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients.

The proportionate share of each plan's unfunded benefits is presented as a long-term net pension/OPEB liability on the accrual basis of accounting. Any liability for the contractually-required pension/OPEB contribution outstanding at the end of the year is included in intergovernmental payable on both the accrual and modified accrual bases of accounting. The remainder of this note includes the required pension disclosures. See Note 14 for the required OPEB disclosures.

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 combination cost-sharing, multiple-employer defined benefit/defined contribution pension plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional and combined plans. 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.

City of Zanesville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members in the tradition and combined plans 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 and combined plans as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information, including requirements for reduced and unreduced benefits):

Group A	Group B	Group C
Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	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
Traditional Plan 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	Traditional Plan 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	Traditional Plan 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
Combined Plan Formula: 1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30	Combined Plan Formula: 1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30	Combined Plan Formula: 1% of FAS multiplied by years of service for the first 35 years and 1.25% 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 traditional plan 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 compounded. Members retiring under the combined plan receive a cost-of-living adjustment of the defined benefit portion of their pension benefit. 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.

Defined contribution plan benefits are established in the plan documents, which may be amended by the Board. Member-directed plan and combined plan members who have met the retirement eligibility requirements may apply for retirement benefits. The amount available for defined contribution benefits in the combined plan consists of the member's contributions plus or minus the investment gains or losses resulting from the member's investment selections. Combined plan members wishing to receive benefits must meet the requirements for both the defined benefit and defined contribution plans. Member-directed participants must have attained the age of 55, have money on deposit in the defined contribution plan and have terminated public service to apply for retirement benefits. The amount available for defined contribution benefits in the member-directed plan consists of the members' contributions, vested employer contributions and investment gains or losses resulting from the members' investment selections. Employer contributions and associated investment earnings vest over a five-year period, at a rate of 20 percent each year. At retirement, members may select one of several distribution options for payment of the vested

City of Zanesville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

balance in their individual OPERS accounts. Options include the purchase of a monthly defined benefit annuity from OPERS (which includes joint and survivor options), partial lump-sum payments (subject to limitations), a rollover of the vested account balance to another financial institution, receipt of entire account balance, net of taxes withheld, or a combination of these options.

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

	State and Local
2018 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee *	10.0 %
 2018 Actual Contribution Rates	
Employer:	
Pension ****	14.0 %
Post-employment Health Care Benefits ****	0.0
Total Employer	14.0 %
Employee	10.0 %

* Member contributions within the combined plan are not used to fund the defined benefit retirement allowance.

**** These pension and employer health care rates are for the traditional and combined plans. The employer contributions rate for the member-directed plan is allocated 4 percent for health care with the remainder going to pension.

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

For 2018, the City's contractually required contribution was \$1,236,058 for the traditional plan. Of this amount, \$128,369 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.

City of Zanesville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

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.

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 (see OP&F CAFR referenced above for additional information, including requirements for Deferred Retirement Option Plan provisions and reduced and unreduced benefits):

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, surviving beneficiaries, and statutory survivors. Members participating in the DROP program have separate eligibility requirements related to COLA.

Members retiring under normal service retirement, with less than 15 years of service credit on July 1, 2013, and members whose pension benefit became effective on or after July 1, 2013, will receive a COLA equal to a percentage of the member's base pension benefit where the percentage is the lesser of three percent or the percentage increase in the consumer price index, if any, over the 12 month period that ends on the thirtieth day of September of the immediately preceding year, rounded to the nearest one-tenth of one percent.

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

	Police	Firefighters
2018 Statutory Maximum Contribution Rates		
Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %
 2018 Actual Contribution Rates		
Employer:		
Pension	19.00 %	23.50 %
Post-employment Health Care Benefits	0.50	0.50
	19.50 %	24.00 %
Total Employer	19.50 %	24.00 %
 Employee	 12.25 %	 12.25 %

City of Zanesville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OP&F was \$1,419,118 for 2018. Of this amount, \$150,986 is reported as an intergovernmental payable.

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, 2017, 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, 2017, and was determined by rolling forward the total pension liability as of January 1, 2017, to December 31, 2017. 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 of the City's defined benefit pension plans:

	OPERS		
	<u>Traditional Plan</u>	<u>OP&F</u>	
Proportion of the Net Pension Liability/Asset:			
Current Measurement Date	0.06531000%	0.29250500%	
Prior Measurement Date	<u>0.06638500%</u>	<u>0.29555800%</u>	
Change in Proportionate Share	<u>-0.00107500%</u>	<u>-0.00305300%</u>	
			<u>Total</u>
Proportionate Share of the:			
Net Pension Liability	\$10,245,871	\$17,952,353	\$28,198,224
Pension Expense	2,061,983	1,960,515	4,022,498

At December 31, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to defined benefit pensions from the following sources:

City of Zanesville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

	OPERS		
	<u>Traditional Plan</u>	<u>OP&F</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$10,464	\$272,439	\$282,903
Changes of assumptions	1,224,450	782,279	2,006,729
Changes in proportion and differences between City contributions and proportionate share of contributions	11,121	20,626	31,747
City contributions subsequent to the measurement date	<u>1,236,058</u>	<u>1,419,118</u>	<u>2,655,176</u>
Total Deferred Outflows of Resources	<u><u>\$2,482,093</u></u>	<u><u>\$2,494,462</u></u>	<u><u>\$4,976,555</u></u>
Deferred Inflows of Resources			
Differences between expected and actual experience	\$201,914	\$32,476	\$234,390
Net difference between projected and actual earnings on pension plan investments	2,199,654	621,014	2,820,668
Changes in proportion and differences between City contributions and proportionate share of contributions	<u>231,513</u>	<u>793,894</u>	<u>1,025,407</u>
Total Deferred Inflows of Resources	<u><u>\$2,633,081</u></u>	<u><u>\$1,447,384</u></u>	<u><u>\$4,080,465</u></u>

\$2,655,176 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 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	OPERS		
	<u>Traditional Plan</u>	<u>OP&F</u>	<u>Total</u>
Year Ending December 31:			
2019	\$761,187	\$272,356	\$1,033,543
2020	(275,754)	109,086	(166,668)
2021	(968,611)	(534,135)	(1,502,746)
2022	(903,868)	(417,491)	(1,321,359)
2023	0	156,761	156,761
Thereafter	<u>0</u>	<u>41,383</u>	<u>41,383</u>
Total	<u><u>(\$1,387,046)</u></u>	<u><u>(\$372,040)</u></u>	<u><u>(\$1,759,086)</u></u>

City of Zanesville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

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 was determined by an actuarial valuation as of December 31, 2017, using the following actuarial assumptions applied to all periods included in the measurement in accordance with the requirements of GASB 67. Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, prepared as of December 31, 2017, are presented below.

	<u>OPERS Traditional Plan</u>	<u>OPERS Combined Plan</u>
Wage Inflation	3.25 percent	3.25 percent
Future Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation	3.25 to 8.25 percent including wage inflation
COLA or Ad Hoc COLA:		
Pre-January 7, 2013 Retirees	3 percent, simple	3 percent, simple
Post-January 7, 2013 Retirees	3 percent, simple through 2018, then 2.15 percent, simple	3 percent, simple through 2018, then 2.15 percent, simple
Investment Rate of Return	7.5 percent	7.5 percent
Actuarial Cost Method	Individual Entry Age	Individual Entry Age

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables.

The most recent experience study was completed for the five year period ended December 31, 2015.

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.

City of Zanesville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

During 2017, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets for the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. 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 annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was 16.82 percent for 2017.

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 2017 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	23.00 %	2.20 %
Domestic Equities	19.00	6.37
Real Estate	10.00	5.26
Private Equity	10.00	8.97
International Equities	20.00	7.88
Other investments	18.00	5.26
Total	100.00 %	5.66 %

Discount Rate The discount rate used to measure the total pension liability was 7.5 percent for the traditional plan and the combined plan. 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 contractually required rates, as actuarially determined. 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 7.5 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 (6.5 percent) or one-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
City's proportionate share of the net pension liability (asset)			
OPERS Traditional Plan	\$18,194,060	\$10,245,871	\$3,619,480

City of Zanesville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

Changes between Measurement Date and Report Date

In October 2018, the OPERS Board adopted a change in the investment return assumption, reducing it from 7.5 percent to 7.2 percent. This change will be effective for the 2018 valuation. The exact amount of the impact to the City's net pension liability is not known.

Actuarial Assumptions – OP&F

OP&F's total pension liability as of December 31, 2017, is based on the results of an actuarial valuation date of January 1, 2017, 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. Assumptions considered were: withdrawal rates, disability retirement, service retirement, DROP elections, mortality, percent married and forms of the payment, DROP interest rate, CPI-based COLA, investment returns, salary increases and payroll growth.

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, prepared as of January 1, 2017, compared with January 1, 2016, are presented below.

	January 1, 2017	January 1, 2016
Valuation Date	January 1, 2017, with actuarial liabilities rolled forward to December 31, 2017	January 1, 2016, with actuarial liabilities rolled forward to December 31, 2016
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Investment Rate of Return	8.0 percent	8.25 percent
Projected Salary Increases	3.75 percent to 10.5 percent	4.25 percent to 11 percent
Payroll Growth	Inflation rate of 2.75 percent plus productivity increase rate of 0.5 percent	Inflation rate of 3.25 percent plus productivity increase rate of 0.5 percent
Cost of Living Adjustments	3.00 percent simple; 2.2 percent simple for increased based on the lesser of the increase in CPI and 3 percent	3.00 percent simple; 2.6 percent simple for increased based on the lesser of the increase in CPI and 3 percent

For the January 1, 2017, valuation, mortality for non-disabled participants is based on the RP-2014 Total Employee and Healthy Annuitant Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Conduent Modified 2016 Improvement Scale. Rates for surviving beneficiaries are adjusted by 120 percent.

Age	Police	Fire
67 or less	77 %	68 %
68-77	105	87
78 and up	115	120

City of Zanesville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

For the January 1, 2017, valuation, mortality for disabled retirees is based on the RP-2014 Disabled Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Conduent Modified 2016 Improvement Scale.

<u>Age</u>	<u>Police</u>	<u>Fire</u>
59 or less	35 %	35 %
60-69	60	45
70-79	75	70
80 and up	100	90

For the January 1, 2016 valuation, rates of death were 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 for the five year period ended December 31, 2016, the prior experience study was completed December 31, 2011.

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 expected. 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, 2017, are summarized below:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash and Cash Equivalents	- %	0.00 %
Domestic Equity	16.00	5.21
Non-US Equity	16.00	5.40
Core Fixed Income *	20.00	2.37
Global Inflation Protected Securities*	20.00	2.33
High Yield	15.00	4.48
Real Estate	12.00	5.65
Private Markets	8.00	7.99
Timber	5.00	6.87
Master Limited Partnerships	8.00	7.36
Total	120.00 %	

Note: Assumptions are geometric.

* levered 2x

City of Zanesville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

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 For 2017, the total pension liability was calculated using the discount rate of 8.00 percent. The discount rate used for 2016 was 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 8.00 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 8.00 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 (7.00 percent), or one percentage point higher (9.00 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	\$24,886,668	\$17,952,353	\$12,296,784

NOTE 14 - DEFINED BENEFIT OPEB PLANS

See Note 13 for a description of the net OPEB liability.

Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description - The 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 a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the traditional pension and the combined plans. This trust is also used to fund health care for member-directed plan participants, in the form of a Retiree Medical Account (RMA). At retirement or refund, member directed plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

City of Zanesville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 75. See OPERS' CAFR referenced below for additional information.

The Ohio Revised Code permits, but does not require OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the Board in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.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 postemployment health care through their contributions to OPERS. When funding is approved by OPERS Board of Trustees, 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 earnable salary of active members. In 2018, state and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 1.0 percent during calendar year 2017. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2018 decreased to 0 percent for both plans. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2018 was 4.0 percent.

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

The City's contractually required contribution was \$13,794 for 2018. Of this amount, \$1,433 is reported as an intergovernmental payable.

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

Plan Description – The City contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored healthcare program, a cost-sharing, multiple-employer defined post-employment healthcare plan administered by a third-party provider. This program is not guaranteed and is subject to change at any time upon action of the Board of Trustees. OP&F provides health care benefits including coverage for medical, prescription drug, dental, vision, and Medicare Part B Premium to retirees, qualifying benefit recipients and their eligible dependents.

City of Zanesville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

OP&F provides access to postretirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or statutory survivor benefit, 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 Government Accounting Standards Board (GASB) Statement No. 75.

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.

OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. The report 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.

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 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 percent of covered payroll for police and fire employer units, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.5 percent of covered payroll for police employer units and 24 percent of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

OP&F maintains funds for health care in two separate accounts. There is one account for health care benefits and one account for Medicare Part B reimbursements. A separate health care trust accrual account is maintained for health care benefits under IRS Code Section 115 trust. An Internal Revenue Code 401(h) account is maintained for Medicare Part B reimbursements.

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 2018, the portion of employer contributions allocated to health care was 0.5 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 is also 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 contractually required contribution to OP&F was \$33,479 for 2018. Of this amount, \$3,559 is reported as an intergovernmental payable.

City of Zanesville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The net OPEB liability and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2016, rolled forward to the measurement date of December 31, 2017, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. OP&F's total OPEB liability was measured as of December 31, 2017, and was determined by rolling forward the total OPEB liability as of January 1, 2017, to December 31, 2017. The City's proportion of the net OPEB liability was based on the City's share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	<u>OPERS</u>	<u>OP&F</u>	
Proportion of the Net OPEB Liability:			
Current Measurement Date	0.063390%	0.2925050%	
Prior Measurement Date	<u>0.064240%</u>	<u>0.2955578%</u>	
Change in Proportionate Share	<u>-0.0008500%</u>	<u>-0.0030528%</u>	
			<u>Total</u>
Proportionate Share of the Net Pension Liability	\$6,883,686	\$16,572,924	\$23,456,610
OPEB Expense	\$558,229	\$1,297,657	\$1,855,886

At December 31, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$5,362	\$0	\$5,362
Changes of assumptions	501,205	1,617,165	2,118,370
City contributions subsequent to the measurement date	<u>13,794</u>	<u>33,479</u>	<u>47,273</u>
Total Deferred Outflows of Resources	<u>\$520,361</u>	<u>\$1,650,644</u>	<u>\$2,171,005</u>
Deferred Inflows of Resources			
Differences between expected and actual experience	\$0	\$83,587	\$83,587
Net difference between projected and actual earnings on OPEB plan investments	512,789	109,090	621,879
Changes in proportion and differences between City contributions and proportionate share of contributions	<u>58,083</u>	<u>146,823</u>	<u>204,906</u>
Total Deferred Inflows of Resources	<u>\$570,872</u>	<u>\$339,500</u>	<u>\$910,372</u>

City of Zanesville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

\$47,273 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending December 31:	OPERS	OP&F	Total
2019	\$86,224	\$175,470	\$261,694
2020	86,224	175,470	261,694
2021	(108,555)	175,470	66,915
2022	(128,198)	175,470	47,272
2023	0	202,743	202,743
Thereafter	0	373,042	373,042
Total	(\$64,305)	\$1,277,665	\$1,213,360

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 and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2016, rolled forward to the measurement date of December 31, 2017. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

Wage Inflation	3.25 percent
Projected Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation
Single Discount Rate:	
Current measurement date	3.85 percent
Prior Measurement date	4.23 percent
Investment Rate of Return	6.50 percent
Municipal Bond Rate	3.31 percent
Health Care Cost Trend Rate	7.5 percent, initial 3.25 percent, ultimate in 2028
Actuarial Cost Method	Individual Entry Age

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement

City of Zanesville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables.

The most recent experience study was completed for the five year period ended December 31, 2015.

The long-term expected rate of return on health care 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.

During 2017, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio is 15.2 percent for 2017.

The allocation of investment assets with the Health Care portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary goal is to achieve and maintain a fully funded status for the benefits provided through the defined pension plans. Health care is a discretionary benefit. The table below displays the Board-approved asset allocation policy for 2017 and the long-term expected real rates of return:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)</u>
Fixed Income	34.00 %	1.88 %
Domestic Equities	21.00	6.37
Real Estate Investment Trust	6.00	5.91
International Equities	22.00	7.88
Other investments	17.00	5.39
Total	<u>100.00 %</u>	<u>4.98 %</u>

Discount Rate A single discount rate of 3.85 percent was used to measure the OPEB liability on the measurement date of December 31, 2017. A single discount rate of 4.23 percent was used to measure the OPEB liability on the measurement date of December 31, 2016. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.50 percent and a municipal bond rate of 3.31 percent. The projection of cash flows used to determine this

City of Zanesville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2034. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2034, and the municipal bond rate was applied to all health care costs after that date.

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following table presents the City's proportionate share of the net OPEB liability calculated using the single discount rate of 3.85 percent, as well as what the City's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (2.85 percent) or one-percentage-point higher (4.85 percent) than the current rate:

	1% Decrease (2.85%)	Current Discount Rate (3.85%)	1% Increase (4.85%)
City's proportionate share of the net OPEB liability	\$9,145,275	\$6,883,686	\$5,054,085

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate

Changes in the health care cost trend rate may also have a significant impact on the net OPEB liability. The following table presents the net OPEB liability calculated using the assumed trend rates, and the expected net OPEB liability if it were calculated using a health care cost trend rate that is 1.0 percent lower or 1.0 percent higher than the current rate.

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2018 is 7.50 percent. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.25 percent in the most recent valuation.

	1% Decrease	Current Health Care Cost Trend Rate Assumption	1% Increase
City's proportionate share of the net OPEB liability	\$6,586,221	\$6,883,686	\$7,190,962

Changes between Measurement Date and Report Date

In October 2018, the OPERS Board adopted a change in the investment return assumption, reducing it from 6.5 percent to 6.0 percent. This change will be effective for the 2018 valuation. The exact amount of the impact to the City's net OPEB liability is not known.

City of Zanesville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

Actuarial Assumptions – OP&F

OP&F’s total OPEB liability as of December 31, 2017, is based on the results of an actuarial valuation date of January 1, 2017, and rolled-forward using generally accepted actuarial procedures. The total OPEB liability is determined by OP&F’s actuaries in accordance with GASB Statement No. 74, 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.

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 and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee’s entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases, actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, are presented below.

Valuation Date	January 1, 2017, with actuarial liabilities rolled forward to December 31, 2017
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8.0 percent
Projected Salary Increases	3.75 percent to 10.5 percent
Payroll Growth	Inflation rate of 2.75 percent plus productivity increase rate of 0.5 percent
Single discount rate:	
Current measurement date	3.24 percent
Prior measurement date	3.79 percent
Cost of Living Adjustments	3.00 percent simple; 2.2 percent simple for increased based on the lesser of the increase in CPI and 3 percent

Mortality for non-disabled participants is based on the RP-2014 Total Employee and Healthy Annuitant Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Conduent Modified 2016 Improvement Scale. Rates for surviving beneficiaries are adjusted by 120 percent.

<u>Age</u>	<u>Police</u>	<u>Fire</u>
67 or less	77 %	68 %
68-77	105	87
78 and up	115	120

City of Zanesville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

Mortality for disabled retirees is based on the RP-2014 Disabled Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Conduent Modified 2016 Improvement Scale.

Age	Police	Fire
59 or less	35 %	35 %
60-69	60	45
70-79	75	70
80 and up	100	90

The most recent experience study was completed for the five year period ended December 31, 2016, the prior experience study was completed December 31, 2011.

The long-term expected rate of return on OPEB 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 expected. 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, 2017, are summarized below:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash and Cash Equivalents	- %	0.00 %
Domestic Equity	16.00	5.21
Non-US Equity	16.00	5.40
Core Fixed Income *	20.00	2.37
Global Inflation Protected Securities*	20.00	2.33
High Yield	15.00	4.48
Real Estate	12.00	5.65
Private Markets	8.00	7.99
Timber	5.00	6.87
Master Limited Partnerships	8.00	7.36
Total	120.00 %	

Note: Assumptions are geometric.

* levered 2x

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 the 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. The OP&F health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 13.

City of Zanesville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

Discount Rate The total OPEB liability was calculated using the discount rate of 3.24 percent. The projection of cash flows used to determine the discount rate assumed the contribution from employers and from members would be computed based on contribution requirements as stipulated by state statute. Projected inflows from investment earnings were calculated using the longer-term assumed investment rate of return 8 percent. Based on those assumptions, OP&F's fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, a municipal bond rate of 3.16 percent at December 31, 2017 and 3.71 percent at December 31, 2016, was blended with the long-term rate of 8 percent, which resulted in a blended discount rate of 3.24 percent. The municipal bond rate was determined using the S&P Municipal Bond 20 Year High Grade Rate Index. The OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments until 2025. The long-term expected rate of return on health care investments was applied to projected costs through 2025, and the municipal bond rate was applied to all health care costs after that date.

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate Net OPEB liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net OPEB liability calculated using the discount rate of 3.24 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.24 percent), or one percentage point higher (4.24 percent) than the current rate.

	1% Decrease (2.24%)	Current Discount Rate (3.24%)	1% Increase (4.24%)
City's proportionate share of the net OPEB liability	\$20,716,354	\$16,572,924	\$13,384,706

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate Net OPEB liability is sensitive to changes in the health care cost trend rate. The trend rate is the annual rate at which the cost of covered medical services is assumed to increase from the current year to the next year. Beginning in 2017, the per-capita costs are assumed to change by the following percentages each year:

	Non-Medicare	Non-AARP	AARP	Rx Drug	Medicare Part B
Year					
2017	-0.47%	-2.50%	4.50%	-0.47%	5.20%
2018	7.00%	7.00%	4.50%	7.00%	5.10%
2019	6.50%	6.50%	4.50%	6.50%	5.00%
2020	6.00%	6.00%	4.50%	6.00%	5.00%
2021	5.50%	5.50%	4.50%	5.50%	5.00%
2022	5.00%	5.00%	4.50%	5.00%	5.00%
2023 and Later	4.50%	4.50%	4.50%	4.50%	5.00%

To illustrate the potential impact, the following table presents the net OPEB liability calculated using the current healthcare cost trend current rates as outlined in the table above, a one percent decrease in the trend rates and a one percent increase in the trend rates.

	1% Decrease	Current Rates	1% Increase
City's proportionate share of the net OPEB liability	\$12,874,145	\$16,572,924	\$21,557,625

Changes between Measurement Date and Report Date

In March 2018, the OP&F Board of Trustees approved the implementation date and framework for a new health care model. Beginning January 1, 2019, the current self-insured health care plan will no longer be offered. In its place is a stipend-based health care model. A stipend funded by OP&F will be placed in individual Health Reimbursement Accounts that retirees will use to be reimbursed for health care expenses. The impact to the City's NOL is not known.

NOTE 15 - OTHER EMPLOYEE BENEFITS

A. Other Insurance Benefits

All employees are covered under a \$20,000 life insurance policy through Dearborn National 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, firefighters, 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.

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 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 is made to firefighters. Police sergeants and lieutenants receive, upon retirement, 33 percent of sick leave balances with a maximum of 500 hours. All other uniformed police receive, upon retirement, 33 percent of their balance with a maximum of 500 hours. Corrections officers receive, upon retirement, 33 percent of their balance with a maximum of 500 hours of sick leave. Unaffiliated employees 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.

City of Zanesville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

NOTE 16 - SIGNIFICANT COMMITMENTS

A. Contractual Commitments

As of December 31, 2018, the City had contractual purchase commitments for projects in various funds. The amount for each project is as follows:

	Purchase Commitments	Amount Expended	Amount Remaining on Contracts
Airport Lighting - Airport Fund	\$85,598	\$19,752	\$65,846
Total Governmental Funds	85,598	19,752	65,846
Sewer Separation Project - Sewer Fund	107,700	29,375	78,325
Combined Sewer Overflow - Sewer Fund	218,000	208,113	9,887
Storm Water Program Analysis - Sewer Fund **	415,084	375,335	39,749
Water Systems Management Project - Water Fund **	40,000	27,689	12,311
Tank Repainting Project - Water Fund	48,900	16,641	32,259
Tank Replacement Project- Water Fund	2,280,800	2,125,589	155,211
Total Enterprise Funds	3,110,484	2,782,742	327,742
Total All Projects	\$3,196,082	\$2,802,494	\$393,588

** contractual services

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:

Fire Operating Fund	\$85
Internal Service Funds	500
Total	\$585

City of Zanesville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

NOTE 17 - LONG-TERM OBLIGATIONS

Changes in long-term obligations of the City for the year ended December 31, 2018, were as follows:

	Restated Principal Outstanding 12/31/2017	Additions	Deletions	Principal Outstanding 12/31/2018	Amounts Due in One Year
Governmental Activities:					
<u>General Obligation Bonds:</u>					
Capital Facilities Refunding Bonds					
2014 - \$1,270,000					
Jail Construction Refunding - \$889,000					
Serial Bonds @ 1.5%	\$185,500	\$0	\$185,500	\$0	\$0
Various Purpose Bonds					
2016 - \$2,555,000					
Serial Bonds @ 3%	745,000	0	95,000	650,000	100,000
Term Bonds @ 3.0-3.75%	1,725,000	0	0	1,725,000	0
Premium on Bonds	73,035	0	3,844	69,191	0
Street Improvement Bonds					
2010 - \$1,210,000 @ 4.138%					
	810,000	0	50,000	760,000	50,000
Total General Obligation Bonds	3,538,535	0	334,344	3,204,191	150,000
<u>Loans:</u>					
2005 SIB Loan \$4,772,627 @ 3%					
	2,808,282	0	144,717	2,663,565	149,091
2013 SIB Loan \$73,273 @ 3%					
	46,416	0	9,784	36,632	10,080
2016 Citywide Overlays OPWC Loan					
\$385,868 @ 0%					
	327,988	0	38,587	289,401	38,587
2018 US 22/SR 666 Resurfacing OPWC					
Loan - \$193,779 @ 0%					
	0	9,805	0	9,805	0
Total Long-Term Loans	3,182,686	9,805	193,088	2,999,403	197,758
<u>Net Pension Liability:</u>					
OPERS					
	9,346,439	0	2,994,000	6,352,439	0
OP&F					
	18,720,348	0	767,995	17,952,353	0
Total Net Pension Liability	28,066,787	0	3,761,995	24,304,792	0
<u>Net OPEB Liability:</u>					
OPERS					
	4,022,844	245,040	0	4,267,884	0
OP&F					
	14,029,474	2,543,450	0	16,572,924	0
Total Net OPEB Liability	18,052,318	2,788,490	0	20,840,808	0
Workers' Compensation Claims Payable	151,724	22,541	151,724	22,541	22,541
Financed Purchases Payable	586,672	662,911	208,082	1,041,501	193,159
Compensated Absences	1,716,263	1,211,596	1,196,987	1,730,872	529,433
Total Governmental Activities	\$55,294,985	\$4,695,343	\$5,846,220	\$54,144,108	\$1,092,891

City of Zanesville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

	Restated Principal Outstanding 12/31/2017	Additions	Deletions	Principal Outstanding 12/31/2018	Amounts Due in One Year
Business-Type Activities:					
<u>Bonds:</u>					
Capital Facilities Refunding, 2014 \$1,270,000					
Water - \$381,000					
Serial/Term @ 1.2% - 4.00%	\$79,500	\$0	\$79,500	\$0	\$0
Total General Obligation Bonds	79,500	0	79,500	0	0
<u>Loans:</u>					
Sewer OPWC Loan					
2014 - \$1,274,932 @ 0.00%	1,051,819	0	63,747	988,072	63,747
Sewer OPWC Loan					
2015 - \$914,777 @ 0.00%	823,299	0	45,739	777,560	45,739
Total OPWC Loans	1,875,118	0	109,486	1,765,632	109,486
Water OWDA Loan					
2009 - \$864,936 @ 0.00%	103,277	0	41,311	61,966	41,311
Water OWDA Loan					
2009 - \$895,477 @ 3.20%	548,575	0	31,618	516,957	32,638
Water OWDA Loan					
2009 - \$7,514,758 @ 3.65%	6,444,795	0	171,719	6,273,076	178,044
Water OWDA Loan					
2009 - \$9,197,325 @ 0.00%	3,352,946	0	248,366	3,104,580	248,367
Water OWDA Loan					
2016 - \$401,400 @ 2.06%	311,290	73,713	16,744	368,259	17,091
Water OWDA Loan					
2018 - \$1,808,793 @ 1.31%	0	1,193,028	0	1,193,028	0
Total Water OWDA Loans	10,760,883	1,266,741	509,758	11,517,866	517,451
Sewer OWDA Loan					
2002 - \$1,324,942 @ 3.59%	462,519	0	77,504	385,015	80,312
Sewer OWDA Loan					
2004 - \$1,268,110 @ 3.41%	387,032	0	54,150	332,882	56,012
Sewer OWDA Loan					
2007 - \$14,337,659 @ 4.47%	7,841,082	0	534,873	7,306,209	559,049
Sewer OWDA Loan					
2009 - \$376,284 @ 3.25%	52,865	0	20,636	32,229	21,312
Sewer OWDA Loan					
2012 - \$333,431 @ 3.17%	235,254	0	21,586	213,668	22,275
Sewer OWDA Loan					
2013 - \$2,625,195 @ 3.15%	2,270,212	0	111,083	2,159,129	114,609
Sewer OWDA Loan					
2013 - \$393,986 @ 3.92%	254,454	0	38,402	216,052	39,922
Sewer OWDA Loan					
2015 - \$738,063 @ 3.07%	456,255	0	147,476	308,779	152,038
Total Sewer OWDA Loans	\$11,959,673	\$0	\$1,005,710	\$10,953,963	\$1,045,529

(continued)

City of Zanesville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

	Restated Principal Outstanding 12/31/2017	Additions	Deletions	Principal Outstanding 12/31/2018	Amounts Due in One Year (continued)
<u>Net Pension Liability - OPERS:</u>					
Sewer	\$2,261,235	\$0	\$724,355	\$1,536,880	\$0
Water	2,411,986	0	772,645	1,639,341	0
Sanitation	1,055,244	0	338,033	717,211	0
Total Net Pension Liability	<u>5,728,465</u>	<u>0</u>	<u>1,835,033</u>	<u>3,893,432</u>	<u>0</u>
<u>Net OPEB Liability - OPERS:</u>					
Sewer	973,269	59,285	0	1,032,554	0
Water	1,038,153	63,238	0	1,101,391	0
Sanitation	454,192	27,665	0	481,857	0
Total Net OPEB Liability	<u>2,465,614</u>	<u>150,188</u>	<u>0</u>	<u>2,615,802</u>	<u>0</u>
Sewer Financed Purchases Payable	75,982	0	13,596	62,386	13,970
Sanitation Financed Purchases Payable	381,152	0	119,098	262,054	121,638
Sewer Lease Payable	93,920	0	46,357	47,563	47,563
Compensated Absences Payable	534,460	322,521	288,266	568,715	187,201
Total Business-Type Activities	<u>\$33,954,767</u>	<u>\$1,739,450</u>	<u>\$4,006,804</u>	<u>\$31,687,413</u>	<u>\$2,042,838</u>

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. There is no repayment schedule for the net pension and OPEB liabilities. However, employer pension contributions are made from the following funds: 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. For additional information related to the net pension/OPEB liabilities, see Notes 13 and 14.

Financed Purchases - In prior years, the City had entered into financed purchase agreements for a fire truck, street sweeper, and two trucks for sanitation. During 2018, the City entered into a financed purchase agreement for radio equipment. These agreements meet the criteria of a financed purchase which is defined as a financed purchase which transfers ownership to the lessee. Financed purchase payments are reflected as debt service expenditures in the fund financial statements. Principal payments made in 2018 totaled \$208,082 in Governmental Funds, \$119,098 in the Nonmajor Enterprise Fund, and \$13,596 in the Sewer Enterprise Fund. The financed purchases payable have been recorded on the proprietary fund statements.

During 2016, the City entered into a financed purchase for a street sweeper in the amount of \$209,802. Financed purchase payments are reflected as debt service expenditures in the Street Fund and Sewer Enterprise Fund in the amount of \$15,688, respectively. The agreement provides for minimum annual financed purchase payments as follows:

City of Zanesville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

Year Ended	Governmental Fund Amount	Sewer Enterprise Fund Amount	Total
2019	\$15,688	\$15,688	\$31,376
2020	15,688	15,688	31,376
2021	35,000	35,000	70,000
Total Minimum Finance Payments	66,376	66,376	132,752
Less: Amount Representing Interest	(3,990)	(3,990)	(7,980)
Present Value of Net Minimum Finance Payments	<u>\$62,386</u>	<u>\$62,386</u>	<u>\$124,772</u>

During 2017, the City entered into a financed purchase agreement for a fire truck in the amount of \$581,293. The agreement provides for minimum annual finance payments as follows:

Year Ended	Governmental Fund Amount
2019	\$65,592
2020	65,592
2021	65,592
2022	65,592
2023	65,592
2024-2026	<u>174,917</u>
Total Minimum Finance Payments	502,877
Less: Amount Representing Interest	<u>(45,637)</u>
Present Value of Net Minimum Finance Payments	<u>\$457,240</u>

During 2017, the City entered into financed purchase agreements for a sanitation truck in the amount of \$347,385 and a truck for the sanitation department in the amount of \$161,090. The agreement provides for minimum annual finance payments as follows:

Year Ended	Nonmajor Enterprise Fund Amount	Nonmajor Enterprise Fund Amount
2019	\$54,790	\$72,533
2020	0	72,533
2021	<u>0</u>	<u>72,533</u>
Total Minimum Finance Payments	54,790	217,599
Less: Amount Representing Interest	<u>(1,101)</u>	<u>(9,234)</u>
Present Value of Net Minimum Finance Payments	<u>\$53,689</u>	<u>\$208,365</u>

City of Zanesville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

During 2018, the City entered into a financed purchase agreement for radio equipment for the fire and police departments in the amount of \$662,911. The agreement provides for minimum annual finance payments as follows:

Year Ended	Governmental Fund Amount
2019	\$141,037
2020	141,037
2021	141,037
2022	141,037
Total Minimum Finance Payments	564,148
Less: Amount Representing Interest	(42,273)
Present Value of Net Minimum Finance Payments	\$521,875

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 had been reported in the accompanying financial statements as a deferred outflow of resources, and was amortized to interest expense over the life of the refunded bonds using the straight-line method. The amortization of this difference for 2018 was \$973 and \$777, respectively. The bonds are being repaid through a tax levy, and to the extent available, water revenues. These bonds were retired during 2018.

2016 Various Purpose General Obligation Bonds - On December 29, 2016, the City issued \$830,000 in Various Purpose Serial Bonds and \$1,725,000 in Various Purpose Term Bonds. The proceeds of these bonds retired bond anticipation notes that were used to make improvements to the municipal facilities, particularly Secrest Auditorium and the City Jail. The bonds were sold at a premium of \$76,879 that will be amortized over the life of the bonds using the straight-line method. These bonds are backed by the full faith and credit of the City and are being retired from the Bond Retirement Debt Service Fund property tax revenues. The bonds were issued for a twenty year period with final maturity in 2036.

City of Zanesville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

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

Year	Principal	Interest
2019	\$100,000	\$78,962
2020	105,000	75,962
2021	105,000	72,812
2022	110,000	69,663
2023	115,000	66,362
2024-2028	615,000	278,400
2029-2033	725,000	172,525
2034-2036	500,000	38,063
	<u>\$2,375,000</u>	<u>\$852,749</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
2019	\$50,000	\$32,570
2020	50,000	30,695
2021	60,000	28,695
2022	65,000	26,175
2023	70,000	23,445
2024-2028	380,000	71,145
2029	85,000	3,825
	<u>\$760,000</u>	<u>\$216,550</u>

SIB Loan - During 2005, the City entered into a loan agreement with the Ohio Department of Transportation through the State Infrastructure Bank. 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:

Year	Principal	Interest
2019	\$149,091	\$78,797
2020	153,297	74,291
2021	158,239	69,648
2022	163,022	64,866
2023	167,950	59,938
2024-2028	919,032	220,409
2029-2033	952,634	72,864
	<u>\$2,663,265</u>	<u>\$640,813</u>

City of Zanesville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

SIB Loan - During 2013, the City entered into a loan agreement with the Ohio Department of Transportation through the State Infrastructure Bank. These proceeds were used to complete the State Street Bridge project. The loan was issued at 3 percent and will mature in 2021. A summary of the principal and interest requirements to retire this loan is as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2019	\$10,080	\$1,023
2020	10,385	719
2021	16,167	488
	<u>\$36,632</u>	<u>\$2,230</u>

OPWC Loan - During 2016, the City issued an OPWC loan in the amount of \$385,868. The loan was issued for the 2015 Citywide Overlay Project. The loan was issued at 0 percent and will mature in 2026. A summary of the principal requirements to retire this loan is as follows:

<u>Year</u>	<u>Principal</u>
2019	\$38,587
2020	38,587
2021	38,587
2022	38,587
2023	38,587
2024-2026	96,466
	<u>\$289,401</u>

OPWC Loan - During 2018, the City issued an OPWC loan in the amount of \$193,779. The loan was issued for the resurfacing of US 22/SR 666 Project. The loan was issued at 0 percent and as of December 31, 2018, the City has drawn down \$9,805 for the project.

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>
2019	\$63,747
2020	63,746
2021	63,746
2022	63,746
2023	63,746
2024-2028	318,733
2029-2033	318,733
2034	31,875
	<u>\$988,072</u>

City of Zanesville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

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 2034. A summary of the principal requirements to retire this loan is as follows:

Year	Principal
2019	\$45,739
2020	45,739
2021	45,739
2022	45,739
2023	45,739
2024-2028	228,694
2029-2033	228,694
2034	91,477
	\$777,560

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:

Year	Water		Sewer	
	Principal	Interest	Principal	Interest
2019	\$517,451	\$251,140	\$1,045,529	\$451,067
2020	504,758	243,175	1,075,874	460,551
2021	492,352	234,927	945,764	371,179
2022	500,891	226,388	984,892	333,566
2023	509,735	217,544	978,959	294,355
2024-2028	2,692,741	943,650	4,658,190	843,333
2029-2033	2,244,979	672,656	1,264,755	83,607
2034-2038	1,719,779	380,994	0	0
2039-2041	1,142,152	74,054	0	0
	\$10,324,838	\$3,244,528	\$10,953,963	\$2,837,658

Lease Payable - \$94,479 has been recorded as intangible right to use lease in the Sewer Enterprise Fund capital assets. Due to the implementation of GASB Statement No. 87, this lease for a vector truck met the criteria of a lease thus requiring it to be recorded by the City. This asset will be amortized over the lease term since it is shorter than the useful life due to the City not taking ownership of the truck. The lease will end in 2019. A summary of the principal and interest amounts for the remaining lease is as follows:

Year	Principal	Interest
2019	\$47,563	\$5,494

City of Zanesville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

Pledged Revenue - 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 2033. 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 \$13,791,621. Principal and interest payments for the current year were \$1,480,920, net revenues were \$2,506,077, and total revenues were \$7,458,857.

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 \$14,762,394. Principal and interest payments for the current year were \$768,588, net revenues were \$949,207, and total revenues were \$5,602,382.

Debt Margin - As of December 31, 2018, the City's overall legal debt margin (the ability to issue additional amounts of general obligation bonded debt) was \$35,425,139.

NOTE 18 - INTERFUND TRANSFERS AND BALANCES

A. Transfers

Interfund transfers during 2018 consisted of the following:

Transfers from	Transfers to				Total
	Major Fund		Other Nonmajor Governmental	Internal Service Fund	
	Police Expenditure	Fire Operating		Vehicle Maintenance	
Major Fund:					
General	\$2,151,143	\$3,359,781	\$2,100,973	\$118,000	\$7,729,897
Other Nonmajor Governmental	0	0	35,811	0	35,811
Total All Funds	\$2,151,143	\$3,359,781	\$2,136,784	\$118,000	\$7,765,708

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.

In addition to the transfers disclosed in the table above, there was also a transfer of \$49,756 from the Sewer Enterprise Fund to the Nonmajor Enterprise Fund which related to the transfer of a financed purchase truck.

City of Zanesville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

B. Balances

Interfund balances, as of December 31, 2018, consist of the following individual interfund receivables and payables:

<u>Interfund Payable</u>	<u>Interfund Receivable</u>			<u>Total</u>
	<u>Major Fund</u>		<u>Internal Service</u>	
	<u>General</u>	<u>Other Governmental</u>		
Major Governmental Funds:				
General	\$0	\$0	\$52,919	\$52,919
Police Expenditure	8,787	0	69,810	78,597
Fire Operating	0	215,000	38,683	253,683
Other Governmental	47,170	0	17,242	64,412
Major Enterprise Funds:				
Sewer	15	0	22,192	22,207
Water	684	0	43,322	44,006
Nonmajor Enterprise	0	0	8,867	8,867
Internal Service	0	0	1,186	1,186
Total All Funds	\$56,656	\$215,000	\$254,221	\$525,877

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, 2018, the remaining balance is \$215,000. The Debt Service Fund will make repayments on the loan from portions of tax revenue.

NOTE 19 - 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 twenty-one 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 exercises total control over the operations of OMEGA including budgeting, appropriating, contracting, and designating management. Each participants degree of control is limited to its representation on the Board. Each member currently pays a nine cent per capita membership fee based upon the most recent U.S. census. During 2018, the City made no contributions to OMEGA. OMEGA has no outstanding debt. Financial information can

City of Zanesville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

be obtained from the Ohio Mid-Eastern Governments Association, 326 Highland Avenue, Suite B, Cambridge, Ohio 43725.

B. The Zanesville/Muskingum County Port Authority

The Zanesville/Muskingum County Port Authority is a jointly governed organization under the laws of the State of Ohio. 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 Board exercises total control over the operations of the Authority including budgeting, appropriating, contracting, and designating management. The Authority's primary function is to promote economic growth and development in the County. The Authority derives its revenues from rental income, interest income, and annual contributions from the City and County. During 2018, 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, 205 North Fifth Street, Zanesville, Ohio 43701.

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 2018, the Authority received \$543,941 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, 205 North Fifth Street, Zanesville, Ohio 43701.

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, 407 Pershing Road, Zanesville, Ohio 43701.

City of Zanesville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

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 an eleven member board consisting of five members appointed by the Muskingum County Board of County Commissioners, five members appointed by the Mayor of the City of Zanesville, and one member appointed by the above appointed ten 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 20 - 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, 2018

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 21 - 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 an eleven 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 three members are appointed by the Guernsey County Commissioners, the Mayor of Cambridge, 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, 2018

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 22 - 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, 2018.

B. Litigation

The City of Zanesville is currently party to pending litigation seeking damages and/or injunctive relief as confirmed by the City Law Director. The possible outcome or impact on the financial statements cannot be determined at this time.

**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 Five Years (1)

	2018	2017	2016	2015	2014
City's Proportion of the Net Pension Liability	0.065310%	0.066385%	0.068924%	0.068205%	0.068205%
City's Proportionate Share of the Net Pension Liability	\$10,245,871	\$15,074,904	\$11,938,507	\$8,226,286	\$8,040,481
City's Covered Payroll	\$8,630,777	\$8,581,633	\$8,579,733	\$8,362,000	\$8,490,462
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	118.71%	175.66%	139.15%	98.38%	94.70%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	84.66%	77.25%	81.08%	86.45%	86.36%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2014 is not available. An additional column will be added each year.

Amounts presented for each year were determined as of the City's measurement date which is the prior year end.

See accompanying notes to the required supplementary information.

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

	2018	2017
City's Proportion of the Net OPEB Liability	0.0633900%	0.0642400%
City's Proportionate Share of the Net OPEB Liability	\$6,883,686	\$6,488,458
City's Covered Payroll	\$1,174,001	\$1,053,263
City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	586.34%	616.03%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	54.14%	54.04%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2017 is not available. An additional column will be added each year.

Amounts presented for each year were determined as of the City's measurement date which is the prior year end.

See accompanying notes to the required supplementary information.

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 Five Years (1)

	2018	2017	2016	2015	2014
City's Proportion of the Net Pension Liability	0.2925050%	0.2955580%	0.3133700%	0.3125626%	0.3125626%
City's Proportionate Share of the Net Pension Liability	\$17,952,353	\$18,720,348	\$20,159,310	\$16,192,046	\$15,222,779
City's Covered Payroll	\$6,374,377	\$6,311,524	\$6,341,694	\$6,161,926	\$5,312,905
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	281.63%	296.61%	317.89%	262.78%	286.52%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	70.91%	68.36%	66.77%	71.71%	73.00%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2014 is not available. An additional column will be added each year

Amounts presented for each year were determined as of the City's measurement date which is the prior year end.

See accompanying notes to the required supplementary information.

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

	2018	2017
City's Proportion of the Net OPEB Liability	0.2925050%	0.2955580%
City's Proportionate Share of the Net OPEB Liability	\$16,572,924	\$14,029,474
City's Covered Payroll	\$6,374,377	\$6,311,524
City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	259.99%	222.28%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	14.13%	15.96%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2017 is not available. An additional column will be added each year.

Amounts presented for each year were determined as of the City's measurement date which is the prior year end.

See accompanying notes to the required supplementary information.

City of Zanesville, Ohio
Required Supplementary Information
Schedule of the City's Contributions
Ohio Public Employees Retirement System
Last Six Years (1)(2)

	2018	2017	2016
Net Pension Liability - Traditional Plan			
Contractually Required Contribution	\$1,236,058	\$1,122,001	\$1,029,796
Contributions in Relation to the Contractually Required Contribution	<u>(1,236,058)</u>	<u>(1,122,001)</u>	<u>(1,029,796)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered Payroll	\$8,828,986	\$8,630,777	\$8,581,633
Pension Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>13.00%</u>	<u>12.00%</u>
Net OPEB Liability - OPEB Plan			
Contractually Required Contribution	\$13,794	\$23,608	\$31,980
Contributions in Relation to the Contractually Required Contribution	<u>(13,794)</u>	<u>(23,608)</u>	<u>(31,980)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered Payroll (3)	\$1,288,801	\$1,174,001	\$1,053,263
OPEB Contributions as a Percentage of Covered Payroll	<u>1.07%</u>	<u>2.01%</u>	<u>3.04%</u>

- (1) Information prior to 2013 is not available for traditional plan.
- (2) Beginning in 2016, OPERS used one trust fund as the funding vehicle for all health care plans; therefore, information prior to 2016 is not presented.
- (3) The OPEB plan includes the members from the traditional plan, the combined plan, and the member directed plan. The member directed pension plan is a defined contribution pension plan; therefore, the pension side is not included above.

See accompanying notes to the required supplementary information.

<u>2015</u>	<u>2014</u>	<u>2013</u>
\$1,029,568	\$1,003,440	\$1,103,760
<u>(1,029,568)</u>	<u>(1,003,440)</u>	<u>(1,103,760)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$8,579,733	\$8,362,000	\$8,490,462
<u>12.00%</u>	<u>12.00%</u>	<u>13.00%</u>

See accountant's compilation report.

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Net Pension Liability				
Contractually Required Contribution	\$1,419,118	\$1,351,485	\$1,341,260	\$1,347,036
Contributions in Relation to the Contractually Required Contribution	<u>(1,419,118)</u>	<u>(1,351,485)</u>	<u>(1,341,260)</u>	<u>(1,347,036)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered Payroll (1)	\$6,695,669	\$6,374,377	\$6,311,524	\$6,341,694
Pension Contributions as a Percentage of Covered Payroll	<u>21.19%</u>	<u>21.20%</u>	<u>21.25%</u>	<u>21.24%</u>
Net OPEB Liability				
Contractually Required Contribution	\$33,479	\$31,872	\$31,558	\$31,708
Contributions in Relation to the Contractually Required Contribution	<u>(33,479)</u>	<u>(31,872)</u>	<u>(31,558)</u>	<u>(31,708)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
OPEB Contributions as a Percentage of Covered Payroll	<u>0.50%</u>	<u>0.50%</u>	<u>0.50%</u>	<u>0.50%</u>
Total Contributions as a Percentage of Covered Payroll	<u>21.69%</u>	<u>21.70%</u>	<u>21.75%</u>	<u>21.74%</u>

(1) The City's Covered payroll is the same for Pension and OPEB.

See accompanying notes to the required supplementary information.

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
\$1,308,054	\$963,099	\$794,724	\$884,784	\$972,504	\$981,902
<u>(1,308,054)</u>	<u>(963,099)</u>	<u>(794,724)</u>	<u>(884,784)</u>	<u>(972,504)</u>	<u>(981,902)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$6,161,926	\$5,312,905	\$5,276,839	\$5,888,720	\$6,546,036	\$6,610,389
<u>21.23%</u>	<u>18.13%</u>	<u>15.06%</u>	<u>15.03%</u>	<u>14.86%</u>	<u>14.85%</u>
\$30,809	\$192,150	\$356,187	\$397,488	\$441,858	\$446,201
<u>(30,809)</u>	<u>(192,150)</u>	<u>(356,187)</u>	<u>(397,488)</u>	<u>(441,858)</u>	<u>(446,201)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>0.50%</u>	<u>3.62%</u>	<u>6.75%</u>	<u>6.75%</u>	<u>6.75%</u>	<u>6.75%</u>
<u>21.73%</u>	<u>21.75%</u>	<u>21.81%</u>	<u>21.78%</u>	<u>21.61%</u>	<u>21.60%</u>

City of Zanesville, Ohio
Notes to the Required Supplementary Information
For the year ended December 31, 2018

Changes in Assumptions – OPERS Pension

Amounts reported beginning in 2017 incorporate changes in assumptions used by OPERS in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in 2016 and prior are presented below:

	2017	2016 and prior
Wage Inflation	3.25 percent	3.75 percent
Future Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation	4.25 to 10.05 percent including wage inflation
COLA or Ad Hoc COLA:		
Pre-January 7, 2013 Retirees	3 percent, simple	3 percent, simple
Post-January 7, 2013 Retirees	3 percent, simple through 2018, then 2.15 percent, simple	3 percent, simple through 2018, then 2.8 percent, simple
Investment Rate of Return	7.5 percent	8 percent
Actuarial Cost Method	Individual Entry Age	Individual Entry Age

Amounts reported beginning in 2017 use mortality rates based on the RP-2014 Healthy Annuitant mortality table. For males, Healthy Annuitant Mortality tables were used, adjusted for mortality improvement back to the observation period base of 2006 and then established the base year as 2015. For females, Healthy Annuitant Mortality tables were used, adjusted for mortality improvements back to the observation period base year of 2006 and then established the base year as 2010. The mortality rates used in evaluating disability allowances were based on the RP-2014 Disabled mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and then established the base year as 2015 for males and 2010 for females. Mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables are determined by applying the MP-2015 mortality improvement scale to the above described tables.

Amounts reported for 2016 and prior use mortality rates 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.

City of Zanesville, Ohio
Notes to the Required Supplementary Information
For the year ended December 31, 2018

Changes in Assumptions – OP&F Pension

Amounts reported for 2018 incorporate changes in assumptions used by OP&F in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in 2017 and prior are presented below:

	2018	2017 and Prior
Valuation Date	January 1, 2017, with actuarial liabilities rolled forward to December 31, 2017	January 1, 2016, with actuarial liabilities rolled forward to December 31, 2016
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Investment Rate of Return	8.0 percent	8.25 percent
Projected Salary Increases	3.75 percent to 10.5 percent	4.25 percent to 11 percent
Payroll Growth	Inflation rate of 2.75 percent plus productivity increase rate of 0.5 percent	Inflation rate of 3.25 percent plus productivity increase rate of 0.5 percent
Cost of Living Adjustments	3.00 percent simple; 2.2 percent simple for increased based on the lesser of the increase in CPI and 3 percent	3.00 percent simple; 2.6 percent simple for increased based on the lesser of the increase in CPI and 3 percent

Amounts reported for 2018 use valuation, mortality for non-disabled participants is based on the RP-2014 Total Employee and Healthy Annuitant Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Conduent Modified 2016 Improvement Scale. Rates for surviving beneficiaries are adjusted by 120 percent.

Age	Police	Fire
67 or less	77 %	68 %
68-77	105	87
78 and up	115	120

Amounts reported for 2018 use valuation, mortality for disabled retirees is based on the RP-2014 Disabled Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Conduent Modified 2016 Improvement Scale.

Age	Police	Fire
59 or less	35 %	35 %
60-69	60	45
70-79	75	70
80 and up	100	90

Amounts reported for 2017 and prior use valuation, rates of death were 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.

City of Zanesville, Ohio
Notes to the Required Supplementary Information
For the year ended December 31, 2018

Changes in Assumptions – OPERS OPEB

For 2018, the single discount rate changed from 4.23 percent to 3.85 percent.

Changes in Assumptions – OP&F OPEB

For 2018, the single discount rate changed from 3.79 percent to 3.24 percent.

**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, 2018, 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 28, 2019. We noted the City adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 85, *Omnibus 2017*; Statement No. 87, *Leases*; Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*; Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*; and related guidance from (GASB) Implementation Guide No. 2017-03, *Accounting and Financial Reporting for Postemployment Benefits other Than Pensions (and Certain Issues Related to OPEB Plan Reporting)*.

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 28, 2019

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

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

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

To the City Council:

Report on Compliance for Each Major Federal Program

We have audited the City of Zanesville's compliance with the applicable requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could directly and materially affect each of the City of Zanesville's major federal programs for the year ended December 31, 2018. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the City of Zanesville's major federal programs.

Management's Responsibility

The City of Zanesville's management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the City of Zanesville's compliance for each of the City of Zanesville's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*, and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Zanesville's compliance with these requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the City's major programs. However, our audit does not provide a legal determination on the City's compliance.

Opinion

In our opinion, the City of Zanesville complied, in all material respects, with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended December 31, 2018.

Report on Internal Control Over Compliance

The City of Zanesville's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the City of Zanesville's internal control over compliance with the applicable requirements that could directly and materially affect on a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance, and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the City of Zanesville's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report only describes the scope of our internal control compliance tests and the results of this testing based on Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.

Wilson, Phillips & Agin, CPA's, Inc.
Zanesville, Ohio
August 28, 2019

**CITY OF ZANESVILLE
SCHEDULE OF FINDINGS
2 CFR SECTION 200.515
December 31, 2018**

1. Summary of Auditor's Results

(d)(1)(I)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other significant deficiencies In internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported non-compliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other significant deficiencies In internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under 2 CFR 200.516(a)?	No
(d)(1)(vii)	Major Programs:	Highway Planning, CFDA #20.205
(d)(1)(viii)	Dollar Threshold: Type A\B Programs:	Type A: >\$750,000; Type B: All Others
(d)(1)(ix)	Low Risk Auditee under v 2 CFR 200.520?	No

2. Findings Related to the Financial Statements Required to be Reported in Accordance with GAGAS

NONE

3. Findings and Questioned Costs for Federal Awards

NONE

CITY OF ZANESVILLE
MUSKINGUM COUNTY
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2018

Federal Grantor/ Sub-Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Disbursements	Pass through to Subrecipients
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:</u>					
(pass through Ohio Department of Development)					
Community Development Block Grant	A-F-18-2ES-1	14.228	6,943	2,159	
	A-F-16-2ES-1		17,665	22,879	
			24,608	25,038	
HOME Investment Partnership Program	B-C-16-1CC-1	14.239	3,916	5,970	
			3,916	5,970	
Total U.S. Department of Housing and Urban Development			28,524	31,008	
<u>U.S. DEPARTMENT OF TRANSPORTATION:</u>					
Direct Award					
Airport Improvement Program	3-39-0097-014-15	20.106	-	270	
	3-39-0097-014-16		213,411	263,416	
	3-39-0097-015-17		11,998	32,732	
			225,409	296,418	
Pass through Ohio Department of Transportation					
Highway Planning and Construction	PID# 99934	20.205	1,656,577	1,656,577	
			1,656,577	1,656,577	
Total U.S. Department of Transportation			1,881,986	1,952,995	
<u>APPALACHIAN REGIONAL COMMISSION</u>					
Direct Award					
Appalachian Area Development	PW-18458-IM-A	23.002	15,000	-	
Total Appalachian Regional Commission			15,000	-	
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>					
(pass through Ohio Emergency Management Agency)					
FEMA Public Assistance Grant Program	4360-DR-119-88084-00	97.036	12,898	12,898	
Total U.S. Department of Homeland Security			12,898	12,898	
<u>U.S. ENVIRONMENTAL PROTECTION AGENCY</u>					
Direct Award					
Brownfields Assessment & Cleanup Cooperative Agreements	BF00E02015	66.818	52,105	70,824	
Total U.S. Environmental Protection Agency			52,105	70,824	
Total Federal Awards Expenditures			1,990,513	2,067,725	

See notes to Schedule of Federal Awards Expenditures.

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

NOTES A – SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of Federal Awards Receipts and Expenditures Schedule (the Schedule) reports the City of Zanesville's federal award receipts and disbursements. The Schedule has been prepared on the cash basis of accounting.

NOTE B - GENERAL

The basis for determining when federal awards are expended is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. In addition, expenditures reported on the Schedule are recognized following, as applicable, either the cost principles contained in OMB Circular A-87, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

The City has not elected to use the 10 percent de minimus indirect cost rate to recover indirect costs as allowed under the Uniform Guidance.

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OHIO AUDITOR OF STATE
KEITH FABER



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
OCTOBER 15, 2019**