

CITY OF ZANESVILLE
ANNUAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2016

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



Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the City of Zanesville, Muskingum County, prepared by Wilson, Phillips & Agin, CPA's, Inc., for the audit period January 1, 2016 through December 31, 2016. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

October 6, 2017

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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, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Zanesville, Muskingum County, Ohio as of December 31, 2016, and the respective changes in financial position and where applicable, cash flows, thereof, and the respective budgetary comparison for the General Fund, Police Expenditure Fund and Fire Operating Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 3 to the financial statements, during the year ended December 31, 2016, the City implemented GASB Statement No. 72, "*Fair Value Measurement and Application*," GASB Statement No. 73, "*Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB 68 and Amendments to Certain Provisions of GASB Statements 67 and 68*," GASB Statement No. 76, "*The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*," GASB Statements No. 77, "*Tax Abatement Disclosures*," GASB Statement No. 79, "*Certain External Investment Pools and Pool Participants*," and GASB No. 82, "*Pension Issues and Amendment of GASB Statements No. 67, 68 and No. 73*." We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated July 13, 2017, 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
July 13, 2017

City of Zanesville, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2016
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, 2016. 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 2016 are as follows:

- In total, net position decreased \$1,588,507. Net position of governmental activities decreased \$1,862,347. The business-type activities increased \$273,840.
- General governmental revenues accounted for \$22,098,383 in revenue or 83 percent of all revenues in governmental activities. Program specific revenues in the form of charges for services, grants, contributions, and interest accounted for \$4,536,727 or 17 percent of total revenues of \$26,635,110.

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 2016?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets and deferred outflows of resources and all liabilities and deferred inflows of resources using the accrual basis of accounting similar to the accounting used by private sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when the cash is received or paid.

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

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

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

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

Reporting the City of Zanesville's Most Significant Funds

Fund Financial Statements

Fund financial statements begin on page 16. Fund financial reports provide detailed information about the City's major funds. Based upon restrictions on the use of monies, the City has established many funds which account for the multitude of services provided to our residents. However, these fund financial statements focus on the City's most significant funds. In the case of the City of Zanesville, our major funds are the General Fund, the Police Expenditure and Fire Operating Special Revenue Funds, and the Sewer and Water Enterprise Funds.

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

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

The City of Zanesville as a Whole

Recall that the Statement of Net position looks at the City as a whole. Table 1 provides a summary of the City's net position for 2016 compared to 2015.

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(Table 1)
Net Position

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Assets						
Current and Other Assets	\$18,739,581	\$19,433,093	\$5,742,025	\$5,478,169	\$24,481,606	\$24,911,262
Capital Assets, Net	21,430,117	20,488,997	65,767,746	67,627,605	87,197,863	88,116,602
<i>Total Assets</i>	<u>40,169,698</u>	<u>39,922,090</u>	<u>71,509,771</u>	<u>73,105,774</u>	<u>111,679,469</u>	<u>113,027,864</u>
Deferred Outflows of Resources						
Deferred Charge on Refunding	2,034	3,095	1,625	2,473	3,659	5,568
Pension	7,614,170	2,925,997	1,737,968	587,399	9,352,138	3,513,396
<i>Total Deferred Outflows of Resources</i>	<u>7,616,204</u>	<u>2,929,092</u>	<u>1,739,593</u>	<u>589,872</u>	<u>9,355,797</u>	<u>3,518,964</u>
Liabilities						
Current and Other Liabilities	2,983,468	5,323,049	661,250	890,221	3,644,718	6,213,270
Long-term Liabilities						
Due Within One Year	1,261,343	1,059,446	1,901,136	2,215,570	3,162,479	3,275,016
Net Pension Liability	27,561,184	21,127,816	4,536,633	3,290,516	32,097,817	24,418,332
Other Amounts Due in More Than One Year	7,827,259	5,456,562	24,895,711	26,448,363	32,722,970	31,904,925
<i>Total Liabilities</i>	<u>39,633,254</u>	<u>32,966,873</u>	<u>31,994,730</u>	<u>32,844,670</u>	<u>71,627,984</u>	<u>65,811,543</u>
Deferred Inflows of Resources						
Property Taxes	1,095,698	1,077,924	0	0	1,095,698	1,077,924
Pension	199,625	86,713	187,625	57,807	387,250	144,520
<i>Total Deferred Inflows of Resources</i>	<u>1,295,323</u>	<u>1,164,637</u>	<u>187,625</u>	<u>57,807</u>	<u>1,482,948</u>	<u>1,222,444</u>
Net Position						
Net Investment in Capital Assets	13,362,610	14,694,946	39,471,884	39,418,954	52,834,494	54,113,900
Restricted	6,253,214	4,420,141	0	0	6,253,214	4,420,141
Unrestricted	(12,758,499)	(10,395,415)	1,595,125	1,374,215	(11,163,374)	(9,021,200)
<i>Total Net Position</i>	<u>\$6,857,325</u>	<u>\$8,719,672</u>	<u>\$41,067,009</u>	<u>\$40,793,169</u>	<u>\$47,924,334</u>	<u>\$49,512,841</u>

The net pension liability (NPL) is the largest single liability reported by the City at December 31, 2016 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the City's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

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

City of Zanesville, Ohio
Management's Discussion and Analysis
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Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB 68 requires the net pension liability to equal the City's proportionate share of each plan's collective:

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

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

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

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

Governmental net pension liability increased \$6,433,368, which was offset by a \$4,688,173 increase in deferred outflows related to pension. Business-type net pension liability increased \$1,246,117, which was offset by a \$1,150,569 increase in deferred outflows related to pension. The net pension liability increase represents the City's proportionate share of the OPERS traditional and OP&F plans' unfunded benefits. As indicated above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability. The significant increase in total deferred outflows of resources in 2016 was due to an increase in the difference between projected and actual earning on investments related to the City's net pension liability for OPERS and OP&F.

City of Zanesville, Ohio
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Total assets decreased \$1,348,395. Governmental activities increased \$247,608 and the business-type activities decreased \$1,596,003. Total liabilities increased \$5,816,441. Governmental activities increased \$6,666,381 while the business-type activities decreased \$849,940.

For governmental activities, capital assets increased \$941,120 and intergovernmental receivable increased \$643,660. Capital assets increased due to the completion of the following projects: Secrest Auditorium renovations, City Jail project, Military Bridge project, and various paving projects throughout the City. The increase in intergovernmental receivables was primarily due to an increase in community development grants during 2016. These increases were offset by a decrease in equity in pooled cash and cash equivalents in the amount of \$1,175,826 due to the various construction projects that occurred during 2016. Current liabilities decreased \$2,339,581. The decrease in current liabilities was due mainly to the repayment of the bond anticipation notes in the amount of \$2,500,000 that were issued in 2015 for the purpose of renovating Secrest Auditorium and replacement of the boiler in the City Jail. Long-term liabilities increased \$9,005,962 due to an increase in the net pension liability and the issuance of Various Purpose General Obligation Bonds to retire the short term bond anticipation notes.

For business-type activities, capital assets decreased \$1,859,859 and the amount restricted for customer deposits decreased \$192,213. These decreases were offset by an increase in accounts receivable in the amount of \$269,888 and an increase in equity in pooled cash and cash equivalents in the amount of \$237,750. The decrease in capital assets is due to current depreciation exceeding current additions. The decrease in restricted for customer deposits was due to the low fund balance of the Water Fund. At December 31, 2016, the customer deposit liability is \$333,927 but due to low cash and cash equivalent balances within that fund, the City could only restrict the cash of \$127,980. The City has established rates for 2017 that will increase the balances within the Water Fund. Current liabilities decreased \$228,971 mainly due to decreases in accrued wages and retainage payables from 2015 to 2016. Long-term liabilities decreased \$620,969 due mainly to the debt retirements exceeding the issuance of new loans during the year which was offset by an increase in the net pension liability.

Table 2 shows the changes in net position for the year ended December 31, 2016, and comparisons to 2015.

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City of Zanesville, Ohio
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(Table 2)
Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues						
Program Revenues						
Charges for Services	\$1,869,021	\$1,453,736	\$13,315,463	\$12,246,743	\$15,184,484	\$13,700,479
Operating Grants, Contributions and Interest Capital Grants and Contributions	2,016,296	1,537,821	14,764	7,430	2,031,060	1,545,251
Total Program Revenues	<u>4,536,727</u>	<u>4,094,187</u>	<u>13,330,227</u>	<u>12,254,173</u>	<u>17,866,954</u>	<u>16,348,360</u>
General Revenues						
Property Taxes	1,217,860	990,736	0	0	1,217,860	990,736
Income Tax	17,149,486	17,749,486	0	0	17,149,486	17,749,486
Payments in Lieu of Taxes	577,721	540,357	0	0	577,721	540,357
Franchise Tax	286,399	289,671	0	0	286,399	289,671
Grants and Entitlements	2,592,170	2,586,524	0	0	2,592,170	2,586,524
Unrestricted Contribution	0	300,000	0	0	0	300,000
Investment Earnings	115,468	127,298	0	0	115,468	127,298
Gain on Sale of Capital Assets	0	500	1,869	26,744	1,869	27,244
Other	159,279	201,663	185,526	121,539	344,805	323,202
Total General Revenues	<u>22,098,383</u>	<u>22,786,235</u>	<u>187,395</u>	<u>148,283</u>	<u>22,285,778</u>	<u>22,934,518</u>
<i>Total Revenues</i>	<u>26,635,110</u>	<u>26,880,422</u>	<u>13,517,622</u>	<u>12,402,456</u>	<u>40,152,732</u>	<u>39,282,878</u>
Program Expenses						
General Government:						
Legislative and Executive	5,421,519	4,633,922	0	0	5,421,519	4,633,922
Court	640,396	683,034	0	0	640,396	683,034
Security of Persons and Property:						
Police	9,777,207	9,132,536	0	0	9,777,207	9,132,536
Fire	6,612,894	6,068,035	0	0	6,612,894	6,068,035
Other	97,591	130,942	0	0	97,591	130,942
Public Health Services	441,303	386,614	0	0	441,303	386,614
Community Environment	1,029,978	858,040	0	0	1,029,978	858,040
Transportation	3,476,273	3,548,993	0	0	3,476,273	3,548,993
Leisure Time Activities	804,823	769,444	0	0	804,823	769,444
Interest and Fiscal Charges	195,473	114,753	0	0	195,473	114,753
Sewer	0	0	6,019,303	5,775,336	6,019,303	5,775,336
Water	0	0	5,434,742	5,311,315	5,434,742	5,311,315
Nonmajor Enterprise	0	0	1,789,737	1,671,764	1,789,737	1,671,764
Total Program Expenses	<u>28,497,457</u>	<u>26,326,313</u>	<u>13,243,782</u>	<u>12,758,415</u>	<u>41,741,239</u>	<u>39,084,728</u>
<i>Increase (Decrease) in</i>						
<i>Net Position</i>	(1,862,347)	554,109	273,840	(355,959)	(1,588,507)	198,150
Net Position Beginning of Year	8,719,672	8,165,563	40,793,169	41,149,128	49,512,841	49,314,691
Net Position End of Year	<u>\$6,857,325</u>	<u>\$8,719,672</u>	<u>\$41,067,009</u>	<u>\$40,793,169</u>	<u>\$47,924,334</u>	<u>\$49,512,841</u>

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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 64 and 10 percent, respectively, of all revenues in the governmental activities.

Operating and capital grants, contributions, and interest accounted for 10 percent of all revenues. These revenues are not generated from the City's own resources. Such revenues are often unpredictable and accompanied by administrative requirements. The lower this percentage the better in regards to independence.

Security of persons and property is the largest activity of the City, comprising 58 percent of the governmental expenses. During 2016, expenses for police and fire operations amounted to \$9,777,207 and \$6,612,894, respectively. These activities are, for the most part, funded by the municipal income tax. The City attempts to supplement the income and activities of the police department with grants to enable the police department to widen the scope of its activities.

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

Business-Type Activities

The City's business-type activities consist of the sanitation, sewer, and water departments. The major source of revenue for these funds is charges for services. During 2016, the City collected \$1,068,720 more in charges for services and spent \$485,367 more than the previous year. Over the past few years, the City has lost customers to Muskingum County as a result of the County completing construction of their own water plant which has reduced the Water Fund Net Position.

The City's Funds

The City's governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$26,105,045 and expenditures of \$28,025,669.

The fund balance of the General Fund decreased \$1,080,604. The General Fund's Unassigned Fund Balance of \$3,039,468 represented 46 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 increased \$37,549. The Police Expenditure Fund had a restricted fund balance of \$706,282 at year end.

The fund balance of the Fire Operating Fund increased \$318,652. The Fire Operating Fund had a restricted fund balance of \$270,431 at year end.

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During 2016, the Sewer Fund had operating revenues of \$6,700,675 and operating expenses of \$5,486,657. The Water Fund had operating revenues of \$5,012,689 and operating expenses of \$5,113,518. The major expenses for these funds are salaries and wages and depreciation on capital assets.

General Fund Budgeting Highlights

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

During the course of 2016, the City amended its General Fund budget several times. Since the legal level of budgetary control is at the object level, any budgetary modifications at this level may only be made by resolution of the Council.

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

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

Original budgeted revenues were increased \$421,202 with the largest increases in municipal income taxes and intergovernmental revenue sources. Actual revenues were under the final budget in the amount of \$509,575. The original appropriations were increased \$421,202; however, the actual expenditures and other financing uses were \$3,036,716 less than the final budget for expenditures and other financing uses.

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

City of Zanesville, Ohio
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Capital Assets and Debt Administration

Capital Assets

Table 3 shows year 2016 balances compared to 2015.

(Table 3)
 Capital Assets at Year End

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	\$1,188,231	\$1,188,231	\$233,184	\$233,184	\$1,421,415	\$1,421,415
Buildings and Improvements	7,444,586	5,903,416	25,556,796	26,207,304	33,001,382	32,110,720
Machinery and Equipment	937,262	638,184	4,600,365	5,292,513	5,537,627	5,930,697
Vehicles	1,371,371	1,376,906	278,810	291,289	1,650,181	1,668,195
Infrastructure	10,366,961	10,129,234	34,888,702	33,845,434	45,255,663	43,974,668
Construction in Progress	121,706	1,253,026	209,889	1,757,881	331,595	3,010,907
Totals	\$21,430,117	\$20,488,997	\$65,767,746	\$67,627,605	\$87,197,863	\$88,116,602

Note 11 (Capital Assets) provides capital asset activity during 2016.

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	
	2016	2015	2016	2015
2014 Capital Facilities Refunding Bonds	\$364,000	\$542,500	\$0	\$0
2010 Street Improvement Bonds	860,000	910,000	0	0
OPWC Bridge Replacement Loan	17,283	34,568	0	0
2005 Ohio Department of Transportation Loan	2,948,753	3,085,103	0	0
2013 Ohio Department of Transportation Loan	55,913	65,131	0	0
2016 OPWC Citywide Overlays Loan	366,575	0	0	0
2015 Auditorium/City Jail Renovations Note	0	2,500,000	0	0
2016 Various Purpose Bonds	2,631,879	0	0	0
2014 Capital Facilities Refunding Bonds	0	0	156,000	232,500
OPWC Sewer Loan	0	0	1,984,604	2,094,090
OWDA Water Loans	0	0	10,936,926	11,460,700
OWDA Sewer Loans	0	0	13,100,770	14,290,920
Capital Leases	89,213	0	119,187	59,007
Totals	\$7,333,616	\$7,137,302	\$26,297,487	\$28,137,217

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, 2016, is \$35,248,070.

City of Zanesville, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2016
Unaudited

Additional information on the City's debt can be found in Notes 17, 18 and 19 of this report.

Current Financial Issues

With the November 2016 election, there is a newly elected law director and three new council members. The City of Zanesville has maintained safety forces staffing levels by hiring seven correction officers, five firefighters, and nine police officers. The City has started the process of combining the water and sewer maintenance crews into one utility maintenance crew to be more efficient with the City's needs. The remodeling of Secrest Auditorium and the Jail HVAC System replacement was completed. The City has invested \$500,000 of its local money for paving in addition to the \$1.5 million received through grants. The City is building Kidsville in Riverside Park at a cost of \$250,000 which replaces the old playground area that was originally built in 1994. The fire department will be receiving a new fire truck through a new lease purchase agreement in 2017.

Contacting the City Auditor's Department

This financial report is designed to provide our citizens, taxpayers, creditors, and investors with an overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Margo Moyer, Zanesville City Auditor, 401 Market Street, Zanesville, Ohio 43701, 740-455-0601.

City of Zanesville, Ohio
Statement of Net Position
December 31, 2016

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$8,973,586	\$3,236,075	\$12,209,661
Cash and Cash Equivalents in Segregated Accounts	66,836	0	66,836
Investments	50,000	0	50,000
Accounts Receivable	106,969	1,701,991	1,808,960
Accrued Interest Receivable	29,853	0	29,853
Intergovernmental Receivable	2,168,442	0	2,168,442
Permissive Motor Vehicle Tax Receivable	6,716	0	6,716
Internal Balances	256,241	(256,241)	0
Municipal Income Tax Receivable	2,596,735	0	2,596,735
Loans Receivable	50,588	0	50,588
Special Assessments Receivable	2,471,058	8,525	2,479,583
Materials and Supplies Inventory	500,039	1,017,736	1,517,775
Prepaid Items	69,367	33,939	103,306
Property Taxes Receivable	1,393,151	0	1,393,151
Non-Depreciable Capital Assets	1,309,937	443,073	1,753,010
Depreciable Capital Assets, Net	20,120,180	65,324,673	85,444,853
<i>Total Assets</i>	<u>40,169,698</u>	<u>71,509,771</u>	<u>111,679,469</u>
Deferred Outflows of Resources			
Deferred Charge on Refunding	2,034	1,625	3,659
Pension	7,614,170	1,737,968	9,352,138
<i>Total Deferred Outflows of Resources</i>	<u>7,616,204</u>	<u>1,739,593</u>	<u>9,355,797</u>
Liabilities			
Accounts Payable	817,381	159,671	977,052
Contracts Payable	721,147	4,800	725,947
Accrued Wages Payable	361,619	111,443	473,062
Accrued Interest Payable	7,361	195	7,556
Intergovernmental Payable	563,430	51,214	614,644
Retainage Payable	14,778	0	14,778
Claims Payable	497,752	0	497,752
Customer Deposits Payable	0	333,927	333,927
Long-Term Liabilities:			
Due Within One Year	1,261,343	1,901,136	3,162,479
Net Pension Liability (See Note 13)	27,561,184	4,536,633	32,097,817
Other Amounts Due In More Than One Year	7,827,259	24,895,711	32,722,970
<i>Total Liabilities</i>	<u>39,633,254</u>	<u>31,994,730</u>	<u>71,627,984</u>
Deferred Inflows of Resources			
Property Taxes	1,095,698	0	1,095,698
Pension	199,625	187,625	387,250
<i>Total Deferred Inflows of Resources</i>	<u>1,295,323</u>	<u>187,625</u>	<u>1,482,948</u>
Net Position			
Net Investment in Capital Assets	13,362,610	39,471,884	52,834,494
Restricted for:			
Street	1,423,291	0	1,423,291
Cemetery	87,621	0	87,621
Community Development	1,103,572	0	1,103,572
Jail Operations	395,489	0	395,489
Police Operations	341,153	0	341,153
Court Operations	451,634	0	451,634
Police and Fire Pension	62,678	0	62,678
Capital Outlay	1,661,952	0	1,661,952
Cemetery - Non-expendable	671,648	0	671,648
Unclaimed Monies	9,489	0	9,489
Other Purposes	44,687	0	44,687
Unrestricted (Deficit)	(12,758,499)	1,595,125	(11,163,374)
<i>Total Net Position</i>	<u>\$6,857,325</u>	<u>\$41,067,009</u>	<u>\$47,924,334</u>

See accompanying notes to the basic financial statements

City of Zanesville, Ohio
Statement of Activities
For the Year Ended December 31, 2016

	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	\$5,421,519	\$917,198	\$0	\$0	(\$4,504,321)	\$0	(\$4,504,321)
Court	640,396	399,447	0	0	(240,949)	0	(240,949)
Security of Persons and Property:							
Police	9,777,207	60,993	204,071	0	(9,512,143)	0	(9,512,143)
Fire	6,612,894	84,893	10,077	0	(6,517,924)	0	(6,517,924)
Other	97,591	0	0	0	(97,591)	0	(97,591)
Public Health Services	441,303	84,590	47,124	0	(309,589)	0	(309,589)
Community Environment	1,029,978	52,945	581,700	0	(395,333)	0	(395,333)
Transportation	3,476,273	148,576	1,170,824	644,710	(1,512,163)	0	(1,512,163)
Leisure Time Activities	804,823	120,379	2,500	6,700	(675,244)	0	(675,244)
Interest and Fiscal Charges	195,473	0	0	0	(195,473)	0	(195,473)
<i>Total Governmental Activities</i>	<u>28,497,457</u>	<u>1,869,021</u>	<u>2,016,296</u>	<u>651,410</u>	<u>(23,960,730)</u>	<u>0</u>	<u>(23,960,730)</u>
Business-Type Activities							
Sewer	6,019,303	6,700,675	12,429	0	0	693,801	693,801
Water	5,434,742	5,012,689	1,404	0	0	(420,649)	(420,649)
Nonmajor	1,789,737	1,602,099	931	0	0	(186,707)	(186,707)
<i>Total Business-Type Activities</i>	<u>13,243,782</u>	<u>13,315,463</u>	<u>14,764</u>	<u>0</u>	<u>0</u>	<u>86,445</u>	<u>86,445</u>
<i>Total</i>	<u>\$41,741,239</u>	<u>\$15,184,484</u>	<u>\$2,031,060</u>	<u>\$651,410</u>	<u>(23,960,730)</u>	<u>86,445</u>	<u>(23,874,285)</u>
General Revenues							
Property Taxes Levied for:							
General Purposes					1,003,115	0	1,003,115
Police and Fire Pension					214,745	0	214,745
Income Taxes Levied for:							
General Purposes					9,059,378	0	9,059,378
Police Operations					4,493,366	0	4,493,366
Jail Operations					1,798,371	0	1,798,371
Fire Operations					1,798,371	0	1,798,371
Payments in Lieu of Taxes					577,721	0	577,721
Franchise Taxes					286,399	0	286,399
Grants and Entitlements not Restricted to Specific Programs					2,592,170	0	2,592,170
Investment Earnings					115,468	0	115,468
Gain on Sale of Capital Assets					0	1,869	1,869
Other					159,279	185,526	344,805
<i>Total General Revenues</i>					<u>22,098,383</u>	<u>187,395</u>	<u>22,285,778</u>
<i>Change in Net Position</i>					<u>(1,862,347)</u>	<u>273,840</u>	<u>(1,588,507)</u>
<i>Net Position Beginning of Year</i>					<u>8,719,672</u>	<u>40,793,169</u>	<u>49,512,841</u>
<i>Net Position End of Year</i>					<u>\$6,857,325</u>	<u>\$41,067,009</u>	<u>\$47,924,334</u>

See accompanying notes to the basic financial statements

City of Zanesville, Ohio

Balance Sheet

Governmental Funds

December 31, 2016

	<u>General</u>	<u>Police Expenditure</u>	<u>Fire Operating</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets					
Equity in Pooled Cash and Cash Equivalents	\$2,936,315	\$551,454	\$581,569	\$4,061,525	\$8,130,863
Cash and Cash Equivalents in Segregated Accounts	23,139	0	0	43,697	66,836
Restricted Cash	9,489	0	0	0	9,489
Investments	0	0	0	50,000	50,000
Receivables:					
Accrued Interest	28,121	0	0	1,732	29,853
Accounts	73,051	0	0	33,918	106,969
Interfund	130,199	0	0	316,000	446,199
Intergovernmental	397,582	0	0	1,758,926	2,156,508
Permissive Motor Vehicle Tax	0	0	0	6,716	6,716
Municipal Income Tax	1,366,662	683,201	273,436	273,436	2,596,735
Taxes	1,142,430	0	0	250,721	1,393,151
Loans	0	0	0	50,588	50,588
Special Assessments	2,470,091	0	0	967	2,471,058
Materials and Supplies Inventory	963	7,280	0	198,461	206,704
Prepaid Items	21,069	20,554	9,243	17,967	68,833
<i>Total Assets</i>	<u>\$8,599,111</u>	<u>\$1,262,489</u>	<u>\$864,248</u>	<u>\$7,064,654</u>	<u>\$17,790,502</u>
Liabilities					
Accounts Payable	\$563,307	\$39,028	\$6,882	\$148,371	\$757,588
Contracts Payable	0	0	0	721,147	721,147
Accrued Wages Payable	65,671	127,491	95,184	62,644	350,990
Retainage Payable	0	0	0	14,778	14,778
Interfund Payable	35,115	138,671	345,472	110,731	629,989
Intergovernmental Payable	360,606	78,656	79,192	40,173	558,627
<i>Total Liabilities</i>	<u>1,024,699</u>	<u>383,846</u>	<u>526,730</u>	<u>1,097,844</u>	<u>3,033,119</u>
Deferred Inflows of Resources					
Property Taxes	897,605	0	0	198,093	1,095,698
Unavailable Revenue	3,361,711	144,527	57,844	1,281,999	4,846,081
<i>Total Deferred Inflows of Resources</i>	<u>4,259,316</u>	<u>144,527</u>	<u>57,844</u>	<u>1,480,092</u>	<u>5,941,779</u>
Fund Balances					
Nonspendable	31,521	27,834	9,243	888,076	956,674
Restricted	0	706,282	270,431	3,259,825	4,236,538
Committed	37,250	0	0	338,817	376,067
Assigned	206,857	0	0	0	206,857
Unassigned	3,039,468	0	0	0	3,039,468
<i>Total Fund Balances</i>	<u>3,315,096</u>	<u>734,116</u>	<u>279,674</u>	<u>4,486,718</u>	<u>8,815,604</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$8,599,111</u>	<u>\$1,262,489</u>	<u>\$864,248</u>	<u>\$7,064,654</u>	<u>\$17,790,502</u>

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, 2016*

Total Governmental Fund Balances \$8,815,604

*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. 21,430,117

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

Property Taxes	297,453	
Municipal Income Tax	549,324	
Charges for Services	2,475,178	
Fines, Licenses and Permits	4,543	
Franchise Tax	68,400	
Intergovernmental Revenues	1,421,261	
Investment Earnings	21,739	
Rent	700	
Other Revenues	7,483	
Total	4,846,081	4,846,081

Deferred outflows of resources represent deferred charges on refundings which do not provide current financial resources and therefore are not reported in the funds. 2,034

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). 852,829

An interfund payable is recorded in governmental activities to reflect overpayments to the internal service fund by the business-type activities. 153,262

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

Bonds Payable	(3,855,879)	
Accrued Interest Payable	(7,361)	
Loans Payable	(3,388,524)	
Workers' Compensation Claims Payable	(90,437)	
Capital Leases Payable	(89,213)	
Compensated Absences Payable	(1,664,549)	
Total	(9,095,963)	(9,095,963)

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

Deferred Outflows - Pension	7,614,170	
Net Pension Liability	(27,561,184)	
Deferred Inflows - Pension	(199,625)	
	(20,146,639)	(20,146,639)

Net Position of Governmental Activities **\$6,857,325**

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, 2016

	General	Police Expenditure	Fire Operating	Other Governmental Funds	Total Governmental Funds
Revenues					
Property Taxes	\$914,260	\$0	\$0	\$195,588	\$1,109,848
Permissive Motor Vehicle License	0	0	0	124,693	124,693
Municipal Income Tax	9,139,076	4,533,208	1,814,317	1,814,317	17,300,918
Payments in Lieu of Taxes	0	0	0	577,721	577,721
Charges for Services	623,928	4,668	19,317	202,711	850,624
Fines, Licenses and Permits	362,768	6,470	0	148,017	517,255
Franchise Tax	217,999	0	0	0	217,999
Intergovernmental	2,637,794	93,015	0	2,236,196	4,967,005
Investment Earnings	109,592	0	0	47,318	156,910
Donations	2,500	13,342	0	0	15,842
Rent	35,045	0	0	80,642	115,687
Other	48,331	16,358	9,431	76,423	150,543
<i>Total Revenues</i>	<u>14,091,293</u>	<u>4,667,061</u>	<u>1,843,065</u>	<u>5,503,626</u>	<u>26,105,045</u>
Expenditures					
Current:					
General Government:					
Legislative and Executive	4,516,173	0	0	0	4,516,173
Court	555,513	0	0	83,720	639,233
Security of Persons and Property:					
Police	0	6,648,026	0	2,174,162	8,822,188
Fire	0	0	5,484,490	108,809	5,593,299
Other	104,844	0	0	0	104,844
Public Health Services	0	0	0	452,660	452,660
Community Environment	545,305	0	0	455,300	1,000,605
Transportation	389,545	0	0	2,904,919	3,294,464
Leisure Time Activities	464,034	0	0	213,485	677,519
Capital Outlay	31,668	0	0	2,140,554	2,172,222
Debt Service:					
Principal Retirement	0	0	0	426,334	426,334
Interest and Fiscal Charges	0	0	0	194,948	194,948
Issuance Costs	0	0	0	131,180	131,180
<i>Total Expenditures</i>	<u>6,607,082</u>	<u>6,648,026</u>	<u>5,484,490</u>	<u>9,286,071</u>	<u>28,025,669</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>7,484,211</u>	<u>(1,980,965)</u>	<u>(3,641,425)</u>	<u>(3,782,445)</u>	<u>(1,920,624)</u>
Other Financing Sources (Use)					
General Obligation Bonds Issued	0	0	0	2,555,000	2,555,000
Premium on Bonds Issued	0	0	0	76,879	76,879
Transfers In	0	2,006,805	3,957,626	2,672,884	8,637,315
Proceeds of OPWC Loans	0	0	0	385,868	385,868
Proceeds from Sale of Capital Assets	14,100	11,709	2,451	14,038	42,298
Inception of Capital Lease	0	0	0	104,901	104,901
Transfers Out	(8,578,915)	0	0	(92,115)	(8,671,030)
<i>Total Other Financing Sources (Use)</i>	<u>(8,564,815)</u>	<u>2,018,514</u>	<u>3,960,077</u>	<u>5,717,455</u>	<u>3,131,231</u>
<i>Net Change in Fund Balances</i>	<u>(1,080,604)</u>	<u>37,549</u>	<u>318,652</u>	<u>1,935,010</u>	<u>1,210,607</u>
<i>Fund Balances (Deficit) Beginning of Year</i>	<u>4,395,700</u>	<u>696,567</u>	<u>(38,978)</u>	<u>2,551,708</u>	<u>7,604,997</u>
<i>Fund Balances End of Year</i>	<u>\$3,315,096</u>	<u>\$734,116</u>	<u>\$279,674</u>	<u>\$4,486,718</u>	<u>\$8,815,604</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, 2016*

Net Change in Fund Balances - Total Governmental Funds \$1,210,607

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	3,546,752	
Depreciation	(1,734,024)	
Excess of Capital Outlay over Depreciation	1,812,728	1,812,728

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

Proceeds from Sale of Capital Assets	(42,298)	
Loss on Disposal of Capital Assets	(829,310)	
	(871,608)	(871,608)

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

Property Taxes	108,012	
Municipal Income Tax	(151,432)	
Charges for Services - Special Assessments	253,319	
Charges for Services	2,200	
Fines, License and Permits	4,543	
Franchise Tax	68,400	
Intergovernmental Revenues	229,692	
Investment Earnings	5,895	
Rent	700	
Other Revenues	7,483	
Total	528,812	528,812

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

Amortization of deferred amount on refunding	(1,061)	
Accrued interest	536	
	(525)	(525)

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

Refunding Bonds	178,500	
General Obligation Bonds	50,000	
Long-Term Loans	182,146	
Capital Leases	15,688	
	426,334	426,334

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. Governmental funds report the effect of premiums and discounts when the debt is first issued; however, these amounts are deferred and amortized on the statement of activities.

General Obligation Bonds	(2,555,000)	
Bond Premium	(76,879)	
Long-term Loan	(385,868)	
	(3,017,747)	(3,017,747)

Inception of Capital Leases are reported as other financing sources in the governmental funds, but the inception increases long-term liabilities on the statement of activities.

(104,901)

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.

(138,488)

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	56,246	
Claims Payable - BWC Retro	67,474	
	123,720	123,720

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

Contractually Required Contributions	1,979,734	
Contractually Required Contributions - Internal Service Fund	(41,192)	
	1,938,542	1,938,542

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

Pension Expense	(3,837,841)	
Pension Expense - Internal Service Fund	68,020	
	(3,769,821)	(3,769,821)

Change in Net Position of Governmental Activities

(\$1,862,347)

See accompanying notes to the basic financial statements

City of Zanesville, Ohio
*Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Year Ended December 31, 2016*

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
Revenues				
Property Taxes	\$897,006	\$914,216	\$914,260	\$44
Municipal Income Tax	9,248,711	9,798,711	9,419,321	(379,390)
Charges for Services	650,461	630,718	621,719	(8,999)
Fines, Licenses and Permits	453,226	377,426	367,001	(10,425)
Franchise Tax	340,000	295,000	289,379	(5,621)
Intergovernmental	2,634,879	2,735,202	2,642,970	(92,232)
Investment Earnings	10,000	13,500	13,468	(32)
Donations	10,000	2,500	2,500	0
Rent	34,222	35,422	34,745	(677)
Other	163,714	61,625	49,383	(12,242)
<i>Total Revenues</i>	14,442,219	14,864,320	14,354,746	(509,574)
Expenditures				
Current:				
General Government:				
Legislative and Executive	6,247,809	6,885,149	4,729,778	2,155,371
Court	692,661	653,911	610,058	43,853
Security of Persons and Property:				
Other	143,767	143,767	120,503	23,264
Community Environment	597,779	611,779	565,967	45,812
Transportation	479,966	449,966	392,891	57,075
Leisure Time Activities	948,560	808,160	580,712	227,448
Capital Outlay	127,455	106,467	31,668	74,799
<i>Total Expenditures</i>	9,237,997	9,659,199	7,031,577	2,627,622
<i>Excess of Revenues Over Expenditures</i>	5,204,222	5,205,121	7,323,169	2,118,048
Other Financing Source (Use)				
Proceeds from Sale of Capital Assets	15,000	14,101	14,100	(1)
Transfers Out	(8,988,009)	(8,988,009)	(8,578,915)	409,094
<i>Total Other Financing Source (Use)</i>	(8,973,009)	(8,973,908)	(8,564,815)	409,093
<i>Net Change in Fund Balance</i>	(3,768,787)	(3,768,787)	(1,241,646)	2,527,141
<i>Fund Balance Beginning of Year</i>	3,596,660	3,596,660	3,596,660	0
Prior Year Encumbrances Appropriated	172,130	172,130	172,130	0
<i>Fund Balance End of Year</i>	\$3	\$3	\$2,527,144	\$2,527,141

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, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Over (Under)
Revenues				
Municipal Income Tax	\$4,539,650	\$4,814,676	\$4,672,101	(\$142,575)
Charges for Services	3,000	3,750	4,668	918
Intergovernmental	30,000	94,742	93,015	(1,727)
Fines, Licenses and Permits	6,470	6,470	6,470	0
Donations	9,000	13,300	13,342	42
Other	18,705	18,779	16,358	(2,421)
<i>Total Revenues</i>	4,606,825	4,951,717	4,805,954	(145,763)
Expenditures				
Current:				
Security of Persons and Property:				
Police	7,253,625	7,607,227	6,849,679	757,548
<i>Excess of Revenues Under Expenditures</i>	(2,646,800)	(2,655,510)	(2,043,725)	611,785
Other Financing Source				
Proceeds from Sale of Capital Assets	0	8,710	8,709	(1)
Transfers In	2,189,240	2,189,240	2,006,805	(182,435)
<i>Total Other Financing Source</i>	2,189,240	2,197,950	2,015,514	(182,436)
<i>Net Change in Fund Balance</i>	(457,560)	(457,560)	(28,211)	429,349
<i>Fund Balance Beginning of Year</i>	422,410	422,410	422,410	0
Prior Year Encumbrances Appropriated	35,150	35,150	35,150	0
<i>Fund Balance End of Year</i>	<u>\$0</u>	<u>\$0</u>	<u>\$429,349</u>	<u>\$429,349</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, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Over (Under)
Revenues				
Municipal Income Tax	\$1,816,895	\$1,926,895	\$1,869,906	(\$56,989)
Charges for Services	24,300	24,300	19,317	(4,983)
Intergovernmental	93,500	2,500	0	(2,500)
Donation	500	500	0	(500)
Other	8,600	12,600	9,431	(3,169)
<i>Total Revenues</i>	1,943,795	1,966,795	1,898,654	(68,141)
Expenditures				
Current:				
Security of Persons and Property:				
Fire	6,400,460	6,412,960	5,736,692	676,268
<i>Excess of Revenues Under Expenditures</i>	(4,456,665)	(4,446,165)	(3,838,038)	608,127
Other Financing Source				
Advance In	0	2,500	2,451	(49)
Transfers In	4,055,593	4,055,593	3,957,626	(97,967)
<i>Total Other Financing Source</i>	4,055,593	4,058,093	3,960,077	(98,016)
<i>Net Change in Fund Balance</i>	(401,072)	(388,072)	122,039	510,111
<i>Fund Balance Beginning of Year</i>	323,520	323,520	323,520	0
Prior Year Encumbrances Appropriated	77,553	77,553	77,553	0
<i>Fund Balance End of Year</i>	<u>\$1</u>	<u>\$13,001</u>	<u>\$523,112</u>	<u>\$510,111</u>

See accompanying notes to the basic financial statements

City of Zanesville, Ohio
Statement of Fund Net Position
Proprietary Funds
December 31, 2016

	Business Type Activities - Enterprise Funds				Governmental
	Sewer	Water	Nonmajor	Total	Activities - Internal Service Funds
Assets					
Current:					
Equity in Pooled Cash and Cash Equivalents	\$2,753,573	\$0	\$354,522	\$3,108,095	\$833,234
Accounts Receivable	730,027	738,653	233,311	1,701,991	0
Intergovernmental Receivable	0	0	0	0	11,934
Interfund Receivable	16,717	0	0	16,717	319,963
Special Assessments Receivable	8,525	0	0	8,525	0
Materials and Supplies Inventory	344,143	673,593	0	1,017,736	293,335
Restricted Assets:					
Customer Deposits - Equity in Pooled Cash and Cash Equivalents	0	127,980	0	127,980	0
Prepaid Items	14,501	16,889	2,549	33,939	534
Total Current Assets	3,867,486	1,557,115	590,382	6,014,983	1,459,000
Noncurrent:					
Non-Depreciable Capital Assets	260,297	182,776	0	443,073	0
Depreciable Capital Assets, Net	43,610,068	21,550,119	164,486	65,324,673	3,817
Total Noncurrent Assets	43,870,365	21,732,895	164,486	65,767,746	3,817
Total Assets	47,737,851	23,290,010	754,868	71,782,729	1,462,817
Deferred Outflows of Resources					
Deferred Charge on Refunding	0	1,625	0	1,625	0
Pension	680,846	735,389	321,733	1,737,968	183,848
Total Deferred Outflows of Resources	680,846	737,014	321,733	1,739,593	183,848
Liabilities					
Current:					
Accounts Payable	83,920	37,482	38,269	159,671	59,793
Contracts Payable	4,800	0	0	4,800	0
Accrued Wages Payable	42,393	45,174	23,876	111,443	10,629
Intergovernmental Payable	20,507	21,779	8,928	51,214	4,803
Accrued Interest Payable	0	195	0	195	0
Claims Payable	0	0	0	0	497,752
Interfund Payable	26,895	69,784	23,017	119,696	33,194
Compensated Absences Payable	46,494	61,532	44,561	152,587	17,134
General Obligation Bonds Payable	0	76,500	0	76,500	0
Capital Leases Payable	43,205	0	0	43,205	0
OPWC Loans Payable	109,486	0	0	109,486	0
OWDA Loans Payable	1,033,433	485,925	0	1,519,358	0
Current Liabilities Payable from Restricted Assets:	0	333,927	0	333,927	0
Total Current Liabilities	1,411,133	1,132,298	138,651	2,682,082	623,305
Long-Term:					
Compensated Absences Payable	105,369	174,595	66,809	346,773	41,395
General Obligation Bonds Payable	0	79,500	0	79,500	0
Capital Leases Payable	75,982	0	0	75,982	0
OPWC Loans Payable	1,875,118	0	0	1,875,118	0
OWDA Loans Payable	12,067,337	10,451,001	0	22,518,338	0
Net Pension Liability	1,790,776	1,910,160	835,697	4,536,633	477,541
Total Long-Term Liabilities	15,914,582	12,615,256	902,506	29,432,344	518,936
Total Liabilities	17,325,715	13,747,554	1,041,157	32,114,426	1,142,241
Deferred Inflows of Resources					
Pension	134,570	36,908	16,147	187,625	9,227
Net Position					
Net Investment in Capital Assets	28,665,804	10,641,594	164,486	39,471,884	3,817
Unrestricted (Deficits)	2,292,608	(399,032)	(145,189)	1,748,387	491,380
Total Net Position	\$30,958,412	\$10,242,562	\$19,297	41,220,271	\$495,197

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	(153,262)
	\$41,067,009

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, 2016*

	Business Type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Sewer	Water	Nonmajor	Total	
Operating Revenues					
Charges for Services	\$6,700,675	\$5,012,689	\$1,602,099	\$13,315,463	\$6,352,715
<i>Total Operating Revenues</i>	6,700,675	5,012,689	1,602,099	13,315,463	6,352,715
Operating Expenses					
Salaries and Wages	1,462,206	1,470,240	653,589	3,586,035	363,804
Fringe Benefits	642,473	957,736	468,518	2,068,727	206,651
Contractual Services	1,750,720	1,278,378	578,526	3,607,624	577,055
Materials and Supplies	318,595	314,555	30,125	663,275	584,682
Claims	0	0	0	0	4,860,739
Other Operating Expenses	0	0	0	0	2,807
Depreciation	1,312,663	1,092,609	40,817	2,446,089	0
<i>Total Operating Expenses</i>	5,486,657	5,113,518	1,771,575	12,371,750	6,595,738
<i>Operating Income (Loss)</i>	1,214,018	(100,829)	(169,476)	943,713	(243,023)
Non-Operating Revenues (Expenses)					
Intergovernmental	12,429	1,404	931	14,764	0
Gain on Sale of Capital Assets	1,388	481	0	1,869	0
Other Non-Operating Revenues	154,073	25,893	5,560	185,526	1,253
Interest and Fiscal Charges	(511,627)	(269,854)	0	(781,481)	0
<i>Total Non-Operating Revenues (Expenses)</i>	(343,737)	(242,076)	6,491	(579,322)	1,253
<i>Income (Loss) Before Transfers</i>	870,281	(342,905)	(162,985)	364,391	(241,770)
Transfers In	0	0	0	0	33,715
<i>Change in Net Position</i>	870,281	(342,905)	(162,985)	364,391	(208,055)
<i>Net Position Beginning of Year</i>	30,088,131	10,585,467	182,282		703,252
<i>Net Position End of Year</i>	\$30,958,412	\$10,242,562	\$19,297		\$495,197

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	(90,551)
	\$273,840

See accompanying notes to the basic financial statements

City of Zanesville, Ohio
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2016

	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	\$6,704,636	\$4,719,280	\$1,609,748	\$13,033,664	\$0
Cash Received from Transactions with Other Funds	0	0	0	0	6,330,773
Cash Payments for Employee Services and Benefits	(2,136,226)	(2,383,432)	(1,108,280)	(5,627,938)	(556,637)
Cash Payments to Suppliers for Goods and Services	(2,101,066)	(1,714,525)	(553,118)	(4,368,709)	(1,133,668)
Other Operating Expenses	0	0	(29,841)	(29,841)	(2,807)
Cash Payments for Claims	0	0	0	0	(4,795,520)
Other Non-Operating Revenues	182,281	40,576	5,560	228,417	1,253
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u>2,649,625</u>	<u>661,899</u>	<u>(75,931)</u>	<u>3,235,593</u>	<u>(156,606)</u>
Cash Flows from Capital and Related Financing Activities:					
Acquisition of Capital Assets	(385,175)	(96,154)	0	(481,329)	0
Proceeds from Sale of Capital Assets	1,388	481	0	1,869	0
Loan Proceeds	341,859	1,408	0	343,267	0
Principal Paid on Capital Lease	(44,721)	0	0	(44,721)	0
Interest Paid on Capital Lease	(1,911)	0	0	(1,911)	0
Principal Paid on Debt	(1,641,495)	(601,682)	0	(2,243,177)	0
Interest Paid on Debt	(509,716)	(269,102)	0	(778,818)	0
<i>Net Cash Used for Capital and Related Financing Activities</i>	<u>(2,239,771)</u>	<u>(965,049)</u>	<u>0</u>	<u>(3,204,820)</u>	<u>0</u>
Cash Flows from Non-Capital and Related Financing Activities:					
Operating Grants	12,429	1,404	931	14,764	0
Operating Transfers In	0	0	0	0	33,715
<i>Net Cash Provided by Non-Capital and Related Financing Activities</i>	<u>12,429</u>	<u>1,404</u>	<u>931</u>	<u>14,764</u>	<u>33,715</u>
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	422,283	(301,746)	(75,000)	45,537	(122,891)
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>2,331,290</u>	<u>429,726</u>	<u>429,522</u>	<u>3,190,538</u>	<u>956,125</u>
<i>Cash and Cash Equivalents End of Year</i>	<u><u>\$2,753,573</u></u>	<u><u>\$127,980</u></u>	<u><u>\$354,522</u></u>	<u><u>\$3,236,075</u></u>	<u><u>\$833,234</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:					
<i>Operating Income (Loss)</i>	\$1,214,018	(\$100,829)	(\$169,476)	\$943,713	(\$243,023)
Adjustments:					
Depreciation	1,312,663	1,092,609	40,817	2,446,089	0
Other Non-Operating Revenues	182,281	40,576	5,560	228,417	1,253
(Increase)/Decrease in Assets:					
Accounts Receivable	3,600	(293,409)	7,649	(282,160)	0
Intergovernmental Receivable	0	0	0	0	(4,731)
Interfund Receivable	0	0	0	0	(17,211)
Special Assessments Receivable	361	0	0	361	0
Materials and Supplies Inventory	63,243	(102,638)	0	(39,395)	(15,602)
Prepaid Items	904	2,066	(71)	2,899	785
Deferred Outflows - Pension	156,309	148,990	65,183	370,482	37,248
Increase/(Decrease) in Liabilities:					
Accounts Payable	(23,623)	5,560	16,565	(1,498)	42,926
Contracts Payable	(14,718)	(308)	(192)	(15,218)	(40)
Accrued Wages Payable	(53,260)	(47,574)	(20,427)	(121,261)	(11,672)
Intergovernmental Payable	(22,669)	(18,784)	(8,472)	(49,925)	(5,214)
Retainage Payable	(54,707)	0	0	(54,707)	0
Interfund Payable	(2,850)	(26,272)	9,390	(19,732)	24,860
Claims Payable	0	0	0	0	65,219
Deferred Inflows - Pension	(66,756)	(22,004)	(9,627)	(98,387)	(5,501)
Net Pension Liability	(18,445)	(19,677)	(8,607)	(46,729)	(4,919)
Compensated Absences Payable	(26,726)	3,593	(4,223)	(27,356)	(20,984)
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u><u>2,649,625</u></u>	<u><u>661,899</u></u>	<u><u>(75,931)</u></u>	<u><u>3,235,593</u></u>	<u><u>(156,606)</u></u>

During 2016, the Sewer Fund entered into a capital lease which resulted in a non-cash transaction in the amount of \$104,901.

See accompanying notes to the basic financial statements

City of Zanesville, Ohio
Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2016

	<u>Private Purpose Trust Funds</u>	<u>Agency</u>
Assets		
Equity in Pooled Cash and Cash Equivalents	\$23,528	\$79,821
Cash and Cash Equivalents in Segregated Accounts	0	7,174
Accrued Interest Receivable	<u>6</u>	<u>0</u>
<i>Total Assets</i>	<u>23,534</u>	<u><u>\$86,995</u></u>
Liabilities		
Undistributed Monies	0	\$42,800
Deposits Held and Due to Others	<u>0</u>	<u>44,195</u>
<i>Total Liabilities</i>	<u>0</u>	<u><u>\$86,995</u></u>
Net Position		
Held in Trust for Private Purposes	<u>23,534</u>	
Total Net Position	<u><u>\$23,534</u></u>	

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, 2016

Additions	
Interest	\$0
Deletions	
Other	<u>0</u>
<i>Change in Net Position</i>	0
<i>Net Position Beginning of Year</i>	<u>23,534</u>
<i>Net Position End of Year</i>	<u><u>\$23,534</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, 2016

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 21.

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

City of Zanesville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

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

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

The City is involved with the follow organization which is defined as a related organization. Additional information concerning the related organization is presented in Note 23.

The South East Area Transit Authority

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Zanesville have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles. The more significant of the City's accounting policies are described below.

A. Basis of Presentation

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

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

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

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

City of Zanesville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

B. Fund Accounting

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

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

General Fund The General Fund accounts for and reports all financial resources not accounted for in another fund. The General Fund balance is available to the City for any purpose provided it is expended or transferred according to the general laws of Ohio.

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

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

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

City of Zanesville, Ohio
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For the Year Ended December 31, 2016

for payroll activity and mayor's court collections that are distributed to various local governments. The City's private purpose trust funds are used to hold in trust monies that do not benefit the City.

C. Measurement Focus

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

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

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

D. Basis of Accounting

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

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

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

City of Zanesville, Ohio
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requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the City must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from a nonexchange transaction must also be available before it can be recognized.

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

Deferred Outflows/Inflows of Resources In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the City, deferred outflows of resources are reported on the government-wide statement of net position for deferred charges on refunding and pension. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded debt or refunding debt. The deferred outflows of resources related to pension are explained in Note 13.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the City, deferred inflows of resources include property taxes, pension, and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2016, but which were levied to finance 2017 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the City, unavailable revenue includes delinquent property taxes, investment earnings, income taxes, charges for services, miscellaneous revenues, and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The details of these unavailable revenues are identified on the Reconciliation of Total Governmental Fund Balances to Net Pension of Governmental Activities found on page 17. Deferred inflows of resources related to pension are reported on the government-wide statement of net position (See Note 13).

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

City of Zanesville, Ohio
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appropriate. The appropriations resolution is Council's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by Council. The legal level of control has been established by Council at the object level within each department. Any budgetary modifications at this level may only be made by resolution of the City Council.

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

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

F. Cash and Cash Equivalents

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

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

During 2016, investments were limited to nonparticipating certificates of deposit and federal agency securities.

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

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest is credited to the General Fund, the Street and State Highway, and Law Enforcement Special Revenue Funds. Interest revenue credited to the General Fund during 2016 amounted to \$109,592, which includes \$85,595 assigned from other City funds.

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

City of Zanesville, Ohio
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For the Year Ended December 31, 2016

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, 2016, 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.

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:

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Notes to the Basic Financial Statements
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<u>Description</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Buildings and Improvements	10 - 100 years	10 - 100 years
Machinery and Equipment	4 - 20 years	4 - 20 years
Vehicles	3 - 10 years	3 - 10 years
Infrastructure	8 - 50 years	8 - 50 years

K. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. The liability for vacation benefits is recorded as part of long term obligations. Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those that the City has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employee wage rates at year end taking into consideration any limits specified in the City's termination policy. The City records a liability for accumulated unused sick leave for police and jail employees after ten years of service; street, water, sewer and sanitation employees after seven years of service; fire department employees after ten years of service; and all other City employees after nine years of service.

L. Accrued Liabilities and Long-Term Obligations

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

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

M. Fund Balance

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

Nonspendable The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans, prepaids, as well as inventory, unless the use of the collection of the loans, or from the use of the prepaids and inventory, is restricted, committed, or assigned.

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

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

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

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

Unassigned Unassigned fund balance is the residual classification for the General Fund and includes amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

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

City of Zanesville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

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. Net position restricted for other purposes include activities related to the

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

O. Pensions

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

P. Operating Revenues and Expenses

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

Q. Internal Activity

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

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

R. Interfund Balances

On the fund financial statements, receivables and payables resulting from short-term interfund loans or interfund services provided and used are reported as "Interfund Receivables/Payables". The amounts are

City of Zanesville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

eliminated in the governmental and business-type activities columns of the statement of net position, except for any net residual amounts due between governmental and business-type activities, which are presented as internal balances.

S. Bond Premiums

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

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. Deferred Charge on Refunding

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

U. Extraordinary and Special Items

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

V. Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLES

For 2016, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 72, “Fair Value Measurement and Application,” GASB Statement No 73, “Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68,” GASB Statement No. 76, “The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments,” GASB Statement No. 77, “Tax Abatement Disclosures,” GASB Statement No. 79, “Certain External Investment Pools and Pool Participants,” and GASB Statement No. 82, “Pension Issues an Amendment of GASB Statements No. 67, No. 68 and No. 73.”

GASB Statement No. 72 addresses accounting and financial reporting issues related to fair value measurements. This Statement provides guidance for determining a fair value measurement for financial reporting purposes for applying fair value to certain investments and disclosures related to all fair value measurements. These changes were incorporated in the City’s 2016 financial statements; however, there was no effect on beginning net position/fund balance.

City of Zanesville, Ohio
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GASB Statement No. 73 establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement 68. The implementation of this GASB pronouncement did not result in any changes to the City's financial statements.

GASB Statement No. 76 identifies-in the context of the current governmental financial reporting environment-the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with generally accepted accounting principles (GAAP) and the framework for selecting those principles. The implementation of this GASB pronouncement did not result in any changes to the City's financial statements.

GASB Statement No. 77 requires disclosure of information about the nature and magnitude of tax abatements. These changes were incorporated in the City's 2016 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 79 establishes accounting and financial reporting standards for qualifying external investment pools that elect to measure for financial reporting purposes all of their investments at amortized cost. This Statement provides accounting and financial reporting guidance and also establishes additional note disclosure requirements for governments that participate in those pools. The City participates in STAR Ohio which implemented GASB Statement No. 79 for 2016. The City incorporated the corresponding GASB 79 guidance into their 2016 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 82 improves consistency in the application of pension accounting. These changes were incorporated in the City's 2016 financial statements; however, there was no effect on beginning net position/fund balance.

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

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

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

City of Zanesville, Ohio
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For the Year Ended December 31, 2016

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

Net Change in Fund Balance

	<u>General</u>	<u>Police Expenditure</u>	<u>Fire Operating</u>
GAAP Basis	(\$1,080,604)	\$37,549	\$318,652
Net Adjustment for Revenue Accruals	375,472	138,893	55,589
Beginning of Year:			
Unrecorded Cash	27,295	0	0
Unrecorded Interest	730	0	0
Difference in Fair Market Value	123,207	0	0
Prepaid Items	18,875	20,205	9,567
Segregated Accounts	2,584	0	0
End of Year:			
Unrecorded Cash	(23,139)	0	0
Unrecorded Interest	(1,077)	0	0
Difference in Fair Market Value	(218,480)	0	0
Prepaid Items	(21,069)	(20,554)	(9,243)
Segregated Accounts	(23,139)	0	0
Net Adjustment for Expenditure Accruals	(223,198)	(79,199)	(194,069)
Sale of Capital Assets	0	(3,000)	0
Encumbrances	(199,103)	(122,105)	(58,457)
Budget Basis	<u>(\$1,241,646)</u>	<u>(\$28,211)</u>	<u>\$122,039</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, 2016

Fund Balances	General	Police Expenditure	Fire Operating	Other Governmental Funds	Total
<u>Nonspendable:</u>					
Prepays	\$21,069	\$20,554	\$9,243	\$17,967	\$68,833
Cemetery Endowments	0	0	0	671,648	671,648
Unclaimed monies	9,489	0	0	0	9,489
Materials and Supplies Inventory	963	7,280	0	198,461	206,704
<i>Total Nonspendable</i>	31,521	27,834	9,243	888,076	956,674
<u>Restricted for:</u>					
Street Improvements	0	0	0	1,005,720	1,005,720
Community Development	0	0	0	334,319	334,319
Cemetery	0	0	0	99,235	99,235
Law Enforcement	0	706,282	0	151,213	857,495
Fire Operations	0	0	270,431	0	270,431
Court Operations	0	0	0	445,974	445,974
Jail Operating	0	0	0	430,402	430,402
Police and Fire Pension	0	0	0	56	56
Airport Improvements	0	0	0	61,706	61,706
Debt Service	0	0	0	83,445	83,445
Capital Improvements	0	0	0	647,755	647,755
<i>Total Restricted</i>	0	706,282	270,431	3,259,825	4,236,538
<u>Committed to:</u>					
Capital Improvements	0	0	0	160,083	160,083
Purchases on Order:					
Engineering Services	37,250	0	0	0	37,250
Auditorium Operating	0	0	0	178,734	178,734
<i>Total Committed</i>	37,250	0	0	338,817	376,067
<u>Assigned to:</u>					
Purchases on Order	40,052	0	0	0	40,052
Park Improvement	166,805	0	0	0	166,805
<i>Total Assigned</i>	206,857	0	0	0	206,857
<u>Unassigned</u>	3,039,468	0	0	0	3,039,468
Total Fund Balances	\$3,315,096	\$734,116	\$279,674	\$4,486,718	\$8,815,604

City of Zanesville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

NOTE 6 - DEPOSITS AND INVESTMENTS

Monies held by the City are classified by State statute into two categories, active and inactive.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the City treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that Council has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

Interim monies held by the City can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, 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 bonds and other obligations of political subdivisions of the State of Ohio;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met; and
8. Written repurchase agreements in the securities described in (1) or (2) provided the market value of the securities subject to the repurchase agreement must exceed the principal value

City of Zanesville, Ohio
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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.

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

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

Deposits

Custodial credit risk for deposits is the risk that, in the event of bank failure, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$2,708,261 of the City's bank balance of \$9,074,407 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

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

Investments

As of December 31, 2016, the City had the following investments:

Measurement/Investment	Measurement Amount	Maturity	Bond Ratings	Rating Agency	Percent of Total Investments
Fair Value:					
Federal Farm Credit Bank Notes	\$ 497,770	Less than two years	Aaa	Moody's	12.90%
Federal Home Loan Mortgage Corporation Notes	247,590	Less than three years	Aaa	Moody's	6.42%
Federal Home Loan Mortgage Corporation Notes	494,410	Less than three years	Aaa	Moody's	12.81%
Federal Home Loan Mortgage Corporation Notes	491,425	Less than three years	Aaa	Moody's	12.73%
Federal Home Loan Mortgage Corporation Notes	624,371	Less than four years	Aaa	Moody's	16.18%
Federal Home Loan Mortgage Corporation Notes	245,360	Less than four years	Aaa	Moody's	6.36%
Federal National Mortgage Association Notes	498,240	Less than two years	Aaa	Moody's	12.91%
Federal National Mortgage Association Notes	492,145	Less than four years	Aaa	Moody's	12.75%
Federal National Mortgage Association Notes	<u>267,705</u>	Less than five years	Aaa	Moody's	6.94%
Total	<u>3,859,016</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

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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, 2016. All of the City's investments are valued using quoted market prices (Level 1).

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 2016 for real and public utility property taxes represents collections of 2015 taxes.

2016 real property taxes are levied after October 1, 2016, on the assessed value as of January 1, 2016, the lien date. Real property taxes which are levied in 2016 are collected in and intended to finance 2017. Assessed values are established by State law at 35 percent of appraised market value.

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

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2016 public utility property taxes which became a lien on December 31, 2015, were levied after October 1, 2016, and are collected with real property taxes.

The full tax rate for all City operations for the year ended December 31, 2016, was \$3.40 per \$1,000 of assessed value. The assessed values of real property and public utility property upon which 2016 property tax receipts were based are as follows:

City of Zanesville, Ohio
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For the Year Ended December 31, 2016

Real Property	\$354,543,180
Public Utility Property	17,959,070
	<u>\$372,502,250</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, 2016, and for which there is an enforceable legal claim. In the governmental funds, the portion of the receivable not levied to finance 2016 operations is offset to deferred inflows of resources – property taxes. On the accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on the modified accrual basis the revenue has been reported as deferred inflows of resources – unavailable revenue.

NOTE 8 – TAX ABATEMENTS

As of December 31, 2016, 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 two CRA’s 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 two 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, 2016.

City of Zanesville, Ohio
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Tax Abatement Program	Amount of 2016 Taxes Abated
<i>Community Reinvestment Area (CRA)</i>	
Greenwood Homes LLC	\$32,309
Krocket Co. LLC	\$1,150
<i>Enterprise Zone Tax Exemptions</i>	
Time Warner	70,380
Economy Towel & Linen	13,370

NOTE 9 - RECEIVABLES

Receivables at December 31, 2016, consisted of taxes, special assessments, accounts (billings for user charged services including unbilled utility services), interfund, accrued interest, loans, and intergovernmental receivables arising from grants, entitlements, and shared revenues. All receivables are considered collectible in full. Delinquent sewer accounts receivable (billings for user charged services) are certified and collected as a special assessment, subject to foreclosure for nonpayment. The financial statements reflect loans receivable of \$50,588. 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 \$45,943.

A summary of the principal items of intergovernmental receivables follows:

Governmental Activities:	Amount
Gasoline Tax and Motor Vehicle License	\$465,776
Nature Works Grants	12,200
Local Government	328,736
Probation Grant	43,205
Community Development Block Grant	834,419
Military Road Bridge Project	392,752
Homestead and Rollback	56,158
Airport Layout Grant	687
Other	34,509
Total Receivable	\$2,168,442

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.

City of Zanesville, Ohio
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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, 2016 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, 2016, was as follows:

	Balance 12/31/15	Increases	Decreases	Balance 12/31/16
Governmental Activities:				
Capital Assets not being Depreciated:				
Land	\$1,188,231	\$0	\$0	\$1,188,231
Construction in Progress	1,253,026	1,315,162	(2,446,482)	121,706
Total Capital Assets not being Depreciated	<u>2,441,257</u>	<u>1,315,162</u>	<u>(2,446,482)</u>	<u>1,309,937</u>
Capital Assets being Depreciated:				
Buildings and Improvements	17,436,458	2,776,428	(1,375,336)	18,837,550
Machinery and Equipment	2,783,961	433,902	(179,329)	3,038,534
Vehicles	5,102,960	410,363	(288,840)	5,224,483
Infrastructure	19,015,592	1,057,379	0	20,072,971
Total Capital Assets being Depreciated	<u>44,338,971</u>	<u>4,678,072</u>	<u>(1,843,505)</u>	<u>47,173,538</u>
Less Accumulated Depreciation:				
Buildings and Improvements	(11,533,042)	(363,650)	503,728	(11,392,964)
Machinery and Equipment	(2,145,777)	(134,824)	179,329	(2,101,272)
Vehicles	(3,726,054)	(415,898)	288,840	(3,853,112)
Infrastructure	(8,886,358)	(819,652)	0	(9,706,010)
Total Accumulated Depreciation	<u>(26,291,231)</u>	<u>(1,734,024) *</u>	<u>971,897</u>	<u>(27,053,358)</u>
Total Capital Assets being Depreciated, Net	<u>18,047,740</u>	<u>2,944,048</u>	<u>(871,608)</u>	<u>20,120,180</u>
Governmental Activities Capital Assets, Net	<u>\$20,488,997</u>	<u>\$4,259,210</u>	<u>(\$3,318,090)</u>	<u>\$21,430,117</u>

* Depreciation expense was charged to governmental programs as follows:

General Government - Legislative and Executive	\$92,461
Security of Persons and Property:	
Police	334,938
Fire	302,212
Public Health Services	24,110
Community Environment	1,209
Transportation	881,512
Leisure Time Activities	97,582
Total Depreciation Expense	<u>\$1,734,024</u>

City of Zanesville, Ohio
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For the Year Ended December 31, 2016

	Balance 12/31/15	Increases	Decreases	Balance 12/31/16
Business-Type Activities:				
Capital Assets not being Depreciated:				
Land	\$233,184	\$0	\$0	\$233,184
Construction in Progress	1,757,881	424,364	(1,972,356)	209,889
Total Capital Assets not being Depreciated	<u>1,991,065</u>	<u>424,364</u>	<u>(1,972,356)</u>	<u>443,073</u>
Capital Assets being Depreciated:				
Buildings and Improvements	34,234,998	0	0	34,234,998
Machinery and Equipment	14,059,164	104,901	0	14,164,065
Vehicles	1,608,003	56,965	(31,206)	1,633,762
Infrastructure	44,966,831	1,972,356	0	46,939,187
Total Capital Assets being Depreciated	<u>94,868,996</u>	<u>2,134,222</u>	<u>(31,206)</u>	<u>96,972,012</u>
Less Accumulated Depreciation:				
Buildings and Improvements	(8,027,694)	(650,508)	0	(8,678,202)
Machinery and Equipment	(8,766,651)	(797,049)	0	(9,563,700)
Vehicles	(1,316,714)	(69,444)	31,206	(1,354,952)
Infrastructure	(11,121,397)	(929,088)	0	(12,050,485)
Total Accumulated Depreciation	<u>(29,232,456)</u>	<u>(2,446,089)</u>	<u>31,206</u>	<u>(31,647,339)</u>
Total Capital Assets being Depreciated, Net	<u>65,636,540</u>	<u>(311,867)</u>	<u>0</u>	<u>65,324,673</u>
Business-Type Activities Capital Assets, Net	<u>\$67,627,605</u>	<u>\$112,497</u>	<u>(\$1,972,356)</u>	<u>\$65,767,746</u>

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, 2016, the City contracted with U.S. Specialty Insurance Company for general liability insurance, EMT and Ambulance Malpractice liability, fire legal liability, personal injury and advertising injury. Bodily injury and property damage are covered for \$1,000,000 each occurrence, \$3,000,000 aggregate. The City has a \$5,000 deductible per occurrence for general liability insurance. Personal injury and advertising injury are covered up to \$1,000,000 for each occurrence, premises medical payments limit is \$10,000 per person and fire legal liability is covered \$50,000 per occurrence and subject to \$5,000 deductible. Ohio Stop Gap insurance of \$1,000,000 per occurrence and \$1,000,000 aggregate employee benefit liability is also maintained with a \$1,000 deductible, cemetery professional and fire division liability insurance are covered up to \$1,000,000 per occurrence. Property and contents coverage is maintained per summary of values and cost of reproduction new, less exclusions, plus leased and rented items, with a \$1,000 deductible per occurrence. Earthquake coverage is maintained with a \$5,000,000 occurrence limit, \$5,000,000 policy year limit, with a \$100,000 deductible each occurrence. Police professional liability coverage is maintained with a \$1,000,000 each occurrence, \$1,000,000 aggregate limit with a \$10,000 deductible per claim, including loss adjustment expense. Inland Marine is maintained per schedule with a \$1,000 deductible.

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

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

City of Zanesville, Ohio
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owned and hired vehicles are covered for bodily injury and property damage in the amount of \$1,000,000 CSL.

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

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

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

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

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

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

The City maintains a limited risk health insurance program for employees. Premiums are paid to a third party administrator, Medical Benefits Administrators, Inc. All claims are processed and monitored by the third party administrator. An internal service fund is presented in the financial statements and reflects premiums paid into the Health Self-Insurance internal service fund by other funds which are available to pay claims and administrative costs, and establish claim reserves. An excess coverage insurance policy covers aggregate annual claims at 125 percent of estimated claims. Excess coverage is maintained for individual claims over \$160,000.

The claims liability of the Health Self-Insurance internal service fund of \$497,752 reported at December 31, 2016, 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 2015 and 2016 were:

	Balance at Beginning of Year	Current Year Claims	Claims Payments	Balance at End of Year
2015	\$446,744	\$4,882,803	\$4,897,014	\$432,533
2016	432,533	4,860,739	4,795,520	497,752

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 2016 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.

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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, 2016, 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 net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

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

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

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

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

Plan Description – Ohio Public Employees Retirement System (OPERS)

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

City of Zanesville, Ohio
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member-directed plan and the combined plan, substantially all employee members are in OPERS' traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

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

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

Group A Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	Group B 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Group C Members not in other Groups and members hired on or after January 7, 2013
State and Local	State and Local	State and Local
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35
Public Safety	Public Safety	Public Safety
Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age and Service Requirements: Age 52 with 25 years of service credit or Age 56 with 15 years of service credit
Law Enforcement	Law Enforcement	Law Enforcement
Age and Service Requirements: Age 52 with 15 years of service credit	Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age and Service Requirements: Age 48 with 25 years of service credit or Age 56 with 15 years of service credit
Public Safety and Law Enforcement	Public Safety and Law Enforcement	Public Safety and Law Enforcement
Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25	Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25	Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25

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.

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

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

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

	<u>State and Local</u>	<u>Public Safety</u>	<u>Law Enforcement</u>
2016 Statutory Maximum Contribution Rates			
Employer	14.0 %	18.1 %	18.1 %
Employee	10.0 %	*	**
 2016 Actual Contribution Rates			
Employer:			
Pension	12.0 %	16.1 %	16.1 %
Post-employment Health Care Benefits	<u>2.0</u>	<u>2.0</u>	<u>2.0</u>
Total Employer	<u>14.0 %</u>	<u>18.1 %</u>	<u>18.1 %</u>
 Employee	 <u>10.0 %</u>	 <u>12.0 %</u>	 <u>13.0 %</u>

* This rate is determined by OPERS' Board and has no maximum rate established by ORC.

** This rate is also determined by OPERS' Board, but is limited by ORC to not more than 2 percent greater than the Public Safety rate.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was \$1,029,796 for 2016. Of this amount, \$102,903 is reported as an intergovernmental payable.

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

Plan Description - City full-time police and firefighters participate in Ohio Police and Fire Pension Fund (OP&F), a cost-sharing, multiple-employer defined benefit pension plan administered by OP&F. OP&F provides retirement and disability pension benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information and detailed information about OP&F fiduciary net position. The report that may be obtained by visiting the OP&F website at www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Upon attaining a qualifying age with sufficient years of service, a member of OP&F may retire and receive a lifetime monthly pension. OP&F offers four types of service retirement: normal, service commuted, age/service commuted and actuarially reduced. Each type has different eligibility guidelines and is

City of Zanesville, Ohio
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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.

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

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

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

	Police	Firefighters
2016 Statutory Maximum Contribution Rates		
Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %
 2016 Actual Contribution Rates		
Employer:		
Pension	19.00 %	23.50 %
Post-employment Health Care Benefits	0.50	0.50
Total Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OP&F was \$1,341,260 for 2016. Of this amount, \$133,796 is reported as an intergovernmental payable.

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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, 2015, 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, 2015, and was determined by rolling forward the total pension liability as of January 1, 2015, to December 31, 2015. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>OPERS</u>	<u>OP&F</u>	
Proportion of the Net Pension Liability:			
Current Measurement Date	0.068924%	0.3133700%	
Prior Measurement Date	<u>0.068205%</u>	<u>0.3125626%</u>	
Change in Proportionate Share	<u>0.0007190%</u>	<u>0.0008074%</u>	
			<u>Total</u>
Proportionate Share of the Net Pension Liability	\$11,938,507	\$20,159,310	\$32,097,817
Pension Expense	\$1,700,482	\$2,754,047	\$4,454,529

At December 31, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Deferred Outflows of Resources			
Net difference between projected and actual earnings on pension plan investments	\$3,509,175	\$3,281,163	\$6,790,338
Changes in proportion and differences between City contributions and proportionate share of contributions	157,186	33,558	190,744
City contributions subsequent to the measurement date	<u>1,029,796</u>	<u>1,341,260</u>	<u>2,371,056</u>
Total Deferred Outflows of Resources	<u>\$4,696,157</u>	<u>\$4,655,981</u>	<u>\$9,352,138</u>
Deferred Inflows of Resources			
Differences between expected and actual experience	<u>\$330,644</u>	<u>\$56,606</u>	<u>\$387,250</u>
Total Deferred Inflows of Resources	<u>\$330,644</u>	<u>\$56,606</u>	<u>\$387,250</u>

City of Zanesville, Ohio
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\$9,352,138 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ending December 31:	OPERS	OP&F	Total
2017	\$793,889	\$859,579	\$1,653,468
2018	850,001	859,579	1,709,580
2019	897,699	859,579	1,757,278
2020	794,128	671,684	1,465,812
2021	0	6,466	6,466
Thereafter	0	1,228	1,228
Total	\$3,335,717	\$3,258,115	\$6,593,832

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, 2015, 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 valuations are presented below.

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

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

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

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

OPERS manages investments in four investment portfolios: the Defined Benefits portfolio, the Health Care portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan and the VEBA Trust. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The money weighted rate of return, net of investments expense, for the Defined Benefit portfolio is 0.4 percent for 2015.

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 2015 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	23.00 %	2.31 %
Domestic Equities	20.70	5.84
Real Estate	10.00	4.25
Private Equity	10.00	9.25
International Equities	18.30	7.40
Other investments	18.00	4.59
Total	<u>100.00 %</u>	<u>5.27 %</u>

Discount Rate The discount rate used to measure the total pension liability was 8 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the 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.

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

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
City's proportionate share of the net pension liability	\$19,020,956	\$11,938,507	\$5,964,683

Changes between Measurement Date and Report Date

In October 2016, the OPERS Board adopted certain assumption changes which will impact their annual actuarial valuation prepared as of December 31, 2016. The most significant change is a reduction in the discount rate from 8.0 percent to 7.5 percent. Although the exact amount of these changes is not known, the impact to the City’s net pension liability is expected to be significant.

Actuarial Assumptions – OP&F

OP&F’s total pension liability as of December 31, 2015, is based on the results of an actuarial valuation date of January 1, 2015, 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.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of January 1, 2015, are presented below:

Valuation Date	January 1, 2015
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8.25 percent
Projected Salary Increases	4.25 percent to 11 percent
Payroll Increases	3.75 percent
Inflation Assumptions	3.25 percent
Cost of Living Adjustments	2.60 percent and 3.00 percent, simple

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

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

City of Zanesville, Ohio
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The long-term expected rate of return on pension plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes. Best estimates of the long-term expected geometric real rates of return for each major asset class included in OP&F's target asset allocation as of December 31, 2015, are summarized below:

Asset Class	Target Allocation	10 Year Expected Real Rate of Return**	30 Year Expected Real Rate of Return**
Cash and Cash Equivalents	- %	0.00 %	0.00 %
Domestic Equity	16.00	6.50	7.80
Non-US Equity	16.00	6.70	8.00
Core Fixed Income *	20.00	3.50	5.35
Global Inflation Protected Securities*	20.00	3.50	4.73
High Yield	15.00	6.35	7.21
Real Estate	12.00	5.80	7.43
Private Markets	8.00	9.50	10.73
Timber	5.00	6.55	7.35
Master Limited Partnerships	8.00	9.65	10.75
Total	<u>120.00 %</u>		

Note: Assumptions are geometric.

* levered 2x

** Numbers are net of expected inflation

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

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

City of Zanesville, Ohio
Notes to the Basic Financial Statements
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Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

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

	1% Decrease (7.25%)	Current Discount Rate (8.25%)	1% Increase (9.25%)
City's proportionate share of the net pension liability	\$26,587,432	\$20,159,310	\$14,714,061

NOTE 14 - POSTEMPLOYMENT BENEFITS

A. Ohio Public Employees Retirement System

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 maintained two cost-sharing, multiple-employer defined benefit postemployment health care trusts, which funded multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients of both the traditional pension and the combined plans. Members of the member-directed plan do not qualify for ancillary benefits, including OPERS sponsored health care coverage.

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 45. 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.

City of Zanesville, Ohio
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Funding Policy - The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2016, 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.

At the beginning of 2016, OPERS maintained three health care trusts. The two cost-sharing, multiple employer trusts, the 401(h) Health Care Trust (401(h) Trust) and the 115 Health Care Trust (115 Trust), worked together to provide health care funding to eligible retirees of the Traditional Pension and Combined plans. Each year, the OPERS Board of Trustees determines the portion of the employer contributions rate that will be set aside to fund health care plans. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2016 remained at 2.0 percent for both the Traditional Pension and Combined plans. The 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 third trust is a Voluntary Employee's Beneficiary Association (VEBA) Trust that provides funding for a Retiree Medical Account (RMA) for Member-Directed Plan members. The employer contribution as a percentage of covered payroll deposited to the RMAs for 2016 was 4.0 percent.

In March 2016, OPERS received two favorable rulings from the IRS allowing OPERS to consolidate all health care assets into the 115 Trust. Transition to the new health care trust structure occurred during 2016. OPERS Combining Statements of Changes in Fiduciary Net Position for the year ended December 31, 2016, will reflect a partial year of activity in the 401(h) Trust and VEBA Trust prior to the termination of these trusts as of end of business day June 30, 2016, and the assets and liabilities, or net position, of these trusts being consolidated into the 115 Trust on July 1, 2016.

Substantially all of the City's contribution allocated to fund postemployment health care benefits relates to the cost-sharing, multiple employer trusts. The corresponding contribution for the years ended December 31, 2016, 2015, and 2014 was \$171,633, \$171,595, and \$166,424, respectively. For 2016, 85.71 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2015 and 2014.

B. Police and Fire Pension Fund

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

City of Zanesville, Ohio
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OPF 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 OPF meets the definition of an Other Post Employment Benefit (OPEB) as described in Government Accounting Standards Board (GASB) Statement No. 45.

The Ohio Revised Code allows, but does not mandate, OPF to provide OPEB benefits. Authority for the OPF 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.

OPF 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 OPF 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 OPF 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. Active members do not make contributions to the OPEB Plan.

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For 2016, 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 OPF 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 contribution to OPF for the years ended December 31, 2016, 2015, and 2014 were \$1,341,260, \$1,029,568, and \$1,316,769, respectively, of which \$31,588, \$31,708, and \$31,010, respectively, was allocated to the healthcare plan. For 2016, 97.44 and 97.22, respectively percent has been contributed for both police and firefighters with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2015 and 2014.

NOTE 15 - OTHER EMPLOYEE BENEFITS

A. Other Insurance Benefits

All employees are covered under a \$20,000 life insurance policy through Fort Dearborn Life Insurance except corrections officers, police officers (including sergeants, lieutenants, and captains), fire lieutenants, and assistant fire chiefs. Correction officers are insured for \$10,000 and police officers, fire lieutenants, and assistant fire chiefs are insured for \$30,000. Police sergeants and lieutenants are insured for \$40,000. Additionally, for non-union employees and elected officials, the City provides coverage under an Accidental Death and Dismemberment policy. To be eligible, employees must work a minimum of twenty hours per week.

The City provides a self-funded comprehensive health insurance plan administered by MedBen. Deductibles and insurance premiums are paid at varying rates based on the City's current negotiated agreements and policies.

B. Compensated Absences

The criteria for determining vested vacation and sick leave components are derived from negotiated agreements and State laws. Upon retirement, AFSCME union employees and policemen are paid 33 percent of their sick leave up to a maximum of 500 hours. Assistant Fire Chiefs whose work week consists of 56 hours when averaged over a three week period shall receive, upon retirement, 33 percent of accrued sick leave up to a maximum of 750 hours. Upon retirement, 33 percent of balance with a maximum payment of 700 hours shall be made to firefighters. Police sergeants and lieutenants shall receive, upon retirement, 33 percent of sick leave balances with a maximum of 500 hours. All other uniformed police shall receive, upon retirement, 33 percent of their balance with a maximum of 500 hours. Corrections officers shall receive, upon retirement, 33 percent of their balance with a maximum of 500 hours of sick leave. Unaffiliated employees shall receive 33 percent of balance with a maximum of 500 hours. All employees are required to have ten or more years of service before any compensation for accumulated sick leave is paid upon retirement. Upon voluntary termination, death, or retirement, with the exception of AFSCME employees who have not been employed with the City for a full year, all other employees will receive 100 percent of vacation earned and not previously taken.

City of Zanesville, Ohio
Notes to the Basic Financial Statements
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NOTE 16 - SIGNIFICANT COMMITMENTS

A. Contractual Commitments

As of December 31, 2016, the City had contractual purchase commitments for projects in various funds. The amount for each project is as follows:

	<u>Purchase Commitments</u>	<u>Amount Expended</u>	<u>Amount Remaining on Contracts</u>
Kidzville Project- General Fund	\$45,000	\$25,350	\$19,650
Airport Project- Airport Fund	103,920	61,573	42,347
Jail HVAC Project- Auditorium/City Jail Fund	247,059	244,732	2,327
Total Governmental Funds	<u>395,979</u>	<u>331,655</u>	<u>64,324</u>
Maysville Pike Engineering - Sewer Fund	27,000	19,300	7,700
Tank Repainting Project- Water Fund	27,200	6,500	20,700
Total Enterprise Funds	<u>54,200</u>	<u>25,800</u>	<u>28,400</u>
Total All Projects	<u>\$450,179</u>	<u>\$357,455</u>	<u>\$92,724</u>

B. Encumbrances

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

General Fund	\$199,103
Police Expenditure Fund	122,105
Fire Operating Fund	58,457
Auditorium/ City Jail Fund	244,696
Nonmajor Governmental Funds	875,795
Sewer Fund	64,365
Water Fund	55,373
Nonmajor Enterprise Fund	74,532
Internal Service Funds	80,671
Agency Funds	1,015
Total	<u>\$1,776,112</u>

City of Zanesville, Ohio
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NOTE 17 - CAPITAL LEASES – LESSEE DISCLOSURE

In prior years, the City entered into a lease for a sewer camera in the amount of \$144,545. The lease meets the criteria of a capital lease which is defined as a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments are reflected as debt service expenditures in the proprietary fund financial statements. Principal payments made in 2016 totaled \$29,033 in the Sewer Enterprise fund. The capital leases payable have been recorded on the proprietary fund statements. The agreement provides for minimum annual lease payments as follows:

Year Ended	Amount
2017	30,944
Total Minimum Lease Payments	30,944
Less: Amount Representing Interest	(970)
Present Value of Net Minimum Lease Payments	\$29,974

The equipment has been capitalized in the amount of \$144,545, the present value of the minimum lease payments at the inception of the lease. The accumulated depreciation as of December 31, 2016, was \$42,159, leaving a remaining book value of \$102,386.

During 2016, the City entered into a lease for a street sweeper in the amount of \$209,802. The lease meets the criteria of a capital lease which is defined as a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments are reflected as debt service expenditures in the Street Fund and Sewer Enterprise Fund in the amount of \$15,688, respectively. The capital leases payable have been recorded. The agreement provides for minimum annual lease payments as follows:

Year Ended	Governmental Fund Amount	Sewer Enterprise Fund Amount	Total
2017	\$15,688	\$15,688	\$31,376
2018	15,688	15,688	31,376
2019	15,688	15,688	31,376
2020	15,688	15,688	31,376
2021	35,000	35,000	70,000
Total Minimum Lease Payments	97,752	97,752	195,504
Less: Amount Representing Interest	(8,539)	(8,539)	(17,078)
Present Value of Net Minimum Lease Payments	\$89,213	\$89,213	\$178,426

The equipment has been capitalized in the amount of \$209,802, the present value of the minimum lease payments at the inception of the lease. The accumulated depreciation as of December 31, 2016, was \$20,980, leaving a remaining book value of \$188,822.

City of Zanesville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

NOTE 18 - LONG-TERM OBLIGATIONS

Changes in long-term obligations of the City for the year ended December 31, 2016, were as follows:

	Principal Outstanding 12/31/2015	Additions	Deletions	Principal Outstanding 12/31/2016	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%	\$542,500	\$0	\$178,500	\$364,000	\$178,500
Various Purpose Bonds					
2016 - \$2,555,000					
Serial Bonds @ 3%	0	830,000	0	830,000	85,000
Term Bonds @ 3.0-3.75%	0	1,725,000	0	1,725,000	0
Premium on Bonds	0	76,879	0	76,879	0
Street Improvement Bonds					
2010 - \$1,210,000 @ 4.138%	910,000	0	50,000	860,000	50,000
Total General Obligation Bonds	1,452,500	2,631,879	228,500	3,855,879	313,500
<u>Loans:</u>					
Bridge Replacement Loan - OPWC					
2012 - \$111,036 @0%	34,568	0	17,285	17,283	17,283
2005 ODOT Loan @ 3%	3,085,103	0	136,350	2,948,753	140,471
2013 ODOT Loan @ 3%	65,131	0	9,218	55,913	9,497
2015 Citywide Overlays Loan @ 0%	0	385,868	19,293	366,575	38,587
Total Long-Term Loans	3,184,802	385,868	182,146	3,388,524	205,838
<u>Net Pension Liability:</u>					
OPERS	4,935,770	2,466,104	0	7,401,874	0
OP&F	16,192,046	3,967,264	0	20,159,310	0
Total Net Pension Liability	21,127,816	6,433,368	0	27,561,184	0
Workers' Compensation Claims Payable	157,911	90,437	157,911	90,437	90,437
Capital Leases Payable	0	104,901	15,688	89,213	13,231
Compensated Absences	1,720,795	1,039,354	1,095,600	1,664,549	638,337
Total Governmental Activities	\$27,643,824	\$10,685,807	\$1,679,845	\$36,649,786	\$1,261,343

(continued)

City of Zanesville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

	Principal Outstanding 12/31/2015	Additions	Deletions	Principal Outstanding 12/31/2016	Amounts Due in One Year (continued)
Business-Type Activities:					
<u>Bonds:</u>					
Capital Facilities Refunding, 2014 \$1,270,000					
Water - \$381,000					
Serial/Term @ 1.2% - 4.00%	\$232,500	\$0	\$76,500	\$156,000	\$76,500
Total General Obligation Bonds	232,500	0	76,500	156,000	76,500
<u>Loans:</u>					
Sewer OPWC Loan					
2014 - \$1,274,932 @ 0.00%	1,179,313	0	63,747	1,115,566	63,747
Sewer OPWC Loan					
2015 - \$914,777 @ 0.00%	914,777	0	45,739	869,038	45,739
Total OPWC Loans	2,094,090	0	109,486	1,984,604	109,486
Water OWDA Loan					
2004 - \$752,750 @ 4.90%	46,097	0	46,097	0	0
Water OWDA Loan					
2009 - \$864,936 @ 0.00%	185,899	0	41,311	144,588	41,311
Water OWDA Loan					
2009 - \$895,477 @ 3.20%	608,878	0	29,673	579,205	30,630
Water OWDA Loan					
2009 - \$7,514,758 @ 3.65%	6,770,148	0	159,735	6,610,413	165,618
Water OWDA Loan					
2009 - \$9,197,325 @ 0.00%	3,849,678	0	248,366	3,601,312	248,366
Water OWDA Loan					
2016 - \$401,400 @ 2.06%	0	1,408	0	1,408	0
Total Water OWDA Loans	11,460,700	1,408	525,182	10,936,926	485,925
Sewer OWDA Loan					
2002 - \$1,324,942 @ 3.59%	609,496	0	72,181	537,315	74,796
Sewer OWDA Loan					
2004 - \$1,268,110 @ 3.41%	489,991	0	50,609	439,382	52,350
Sewer OWDA Loan					
2004 - \$5,471,246 @ 4.10%	329,465	0	329,465	0	0
Sewer OWDA Loan					
2007 - \$685,085 @ 4.17%	121,619	0	80,240	41,379	41,379
Sewer OWDA Loan					
2007 - \$887,526 @ 4.47%	159,373	0	105,071	54,302	54,302
Sewer OWDA Loan					
2007 - \$14,337,659 @ 4.47%	8,842,436	0	489,612	8,352,824	511,742
Sewer OWDA Loan					
2007 - \$834,640 @ 4.47%	152,581	0	74,605	77,976	77,976
Sewer OWDA Loan					
2009 - \$376,284 @ 3.25%	\$92,194	\$0	\$19,348	\$72,846	\$19,981

(continued)

City of Zanesville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

	Principal Outstanding 12/31/2015	Additions	Deletions	Principal Outstanding 12/31/2016	Amounts Due in One Year (continued)
Sewer OWDA Loan					
2011 - \$148,684 @ 3.95%	\$32,108	\$0	\$32,108	\$0	\$0
Sewer OWDA Loan					
2012 - \$333,431 @ 3.17%	276,441	0	20,270	256,171	20,917
Sewer OWDA Loan					
2013 - \$2,625,195 @ 3.15%	2,462,085	0	84,209	2,377,876	0
Sewer OWDA Loan					
2013 - \$393,986 @ 3.92%	326,927	0	35,533	291,394	36,940
Sewer OWDA Loan					
2015 - \$738,063 @ 3.07%	396,204	341,859	138,758	599,305	143,050
Total Sewer OWDA Loans	14,290,920	341,859	1,532,009	13,100,770	1,033,433
Net Pension Liability - OPERS:					
Sewer	1,398,469	392,307	0	1,790,776	0
Water	1,316,206	593,954	0	1,910,160	0
Sanitation	575,841	259,856	0	835,697	0
Total Net Pension Liability	3,290,516	1,246,117	0	4,536,633	0
Sewer Capital Leases Payable	59,007	104,901	44,721	119,187	43,205
Compensated Absences Payable	526,716	279,847	307,203	499,360	152,587
Total Business-Type Activities	31,954,449	1,974,132	2,595,101	31,333,480	1,901,136
Total Long-Term Activities	\$59,598,273	\$12,659,939	\$4,274,946	\$67,983,266	\$3,162,479

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 liability. However, employer pension contributions are made from the following funds: General Fund, Internal Service Fund, Water Fund, Sewer Fund and Sanitation Fund. For additional information related to the net pension liability see Note 13.

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

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

City of Zanesville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

amortization of this difference for 2015 was \$1,061 and \$848, respectively. The issuance resulted in a difference (savings) between the cash flows required to service the old debt and the cash flows required to service the new debt of \$56,370. The issuance resulted in an economic gain of \$54,095. The bonds are being repaid through a tax levy, and to the extent available, water revenues.

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

Year	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2017	178,500	5,460	76,500	2,340
2018	185,500	2,783	79,500	1,193
	<u>\$364,000</u>	<u>\$8,243</u>	<u>\$156,000</u>	<u>\$3,533</u>

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.

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

Year	Principal	Interest
2017	85,000	77,801
2018	95,000	81,813
2019	100,000	78,962
2020	105,000	75,962
2021	105,000	72,812
2022-2026	585,000	314,263
2027-2031	675,000	218,312
2032-2036	805,000	92,438
	<u>\$2,555,000</u>	<u>\$1,012,363</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
2017	50,000	35,945
2018	50,000	34,320
2019	50,000	32,570
2020	50,000	30,695
2021	60,000	28,695
2022-2026	355,000	102,315
2027-2029	245,000	22,275
	<u>\$860,000</u>	<u>\$286,815</u>

City of Zanesville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

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

<u>Year</u>	<u>Principal</u>
2017	17,283
	<u>\$17,283</u>

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2017	\$140,471	\$87,417
2018	144,717	83,172
2019	149,091	78,797
2020	153,597	74,291
2021	158,239	69,648
2022-2026	865,897	273,544
2027-2031	1,004,912	134,529
2032-2033	331,829	10,004
	<u>\$2,948,753</u>	<u>\$811,402</u>

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2017	\$9,497	\$1,607
2018	9,784	1,319
2019	10,080	1,023
2020	10,385	719
2021	16,167	488
	<u>\$55,913</u>	<u>\$5,156</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 2017. A summary of the principal requirements to retire this loan is as follows:

<u>Year</u>	<u>Principal</u>
2017	\$38,587
2018	38,587
2019	38,587
2020	38,587
2021	38,587
2022-2026	173,640
	<u>\$366,575</u>

City of Zanesville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

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:

Year	Principal
2017	\$63,747
2018	63,746
2019	63,746
2020	63,746
2021	63,746
2022-2026	318,733
2027-2031	318,733
2032-2034	159,369
	\$1,115,566

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

Year	Principal
2017	\$45,739
2018	45,739
2019	45,739
2020	45,739
2021	45,739
2022-2026	228,694
2027-2031	228,694
2032-2035	182,955
	\$869,038

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:

City of Zanesville, Ohio
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Year	Water		Sewer	
	Principal	Interest	Principal	Interest
2017	\$485,925	\$258,073	\$1,033,433	\$457,078
2018	493,015	250,986	894,627	418,964
2019	500,360	243,641	930,920	383,950
2020	487,313	236,030	957,627	397,073
2021	474,545	228,144	823,762	311,454
2022-2026	2,501,378	1,012,064	4,009,729	1,038,355
2027-2031	2,621,875	767,387	2,072,796	140,061
2032-2036	1,533,545	493,457	0	0
2037-2041	1,837,562	189,446	0	0
	<u>\$10,935,518</u>	<u>\$3,679,228</u>	<u>\$10,722,894</u>	<u>\$3,146,935</u>

The City has pledged future sewer customer revenues to repay the OWDA loans. The loans are payable solely from net revenues and are payable through 2029. Net revenues include all revenues received by the sewer utility less all operating expenses other than depreciation expense. Annual principal and interest payments on the loans as compared to net future revenues are not estimable but are expected to be less than net revenues in each year the loans are outstanding. The total principal and interest remaining to be paid on the loans is \$16,247,705. Principal and interest payments for the current year were \$2,041,725, net revenues were \$2,681,115, and total revenues were \$6,855,109.

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 \$14,936,926. Principal and interest payments for the current year were \$790,796, net revenues were \$1,017,673, and total revenues were \$5,038,582.

As of December 31, 2016, the City's overall legal debt margin (the ability to issue additional amounts of general obligation bonded debt) was \$35,248,070.

NOTE 19 – NOTES PAYABLE

Changes in short-term obligation, all bond anticipation notes, of the City for the year ended December 31, 2016 were as follows:

	Principal Outstanding 12/31/2015	Additions	Deletions	Principal Outstanding 12/31/2016
Governmental Activities:				
2015 Auditorium/City Jail Renovations Note - 2.25%	2,500,000	0	2,500,000	0

The note was retired during 2016.

City of Zanesville, Ohio
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For the Year Ended December 31, 2016

NOTE 20 - INTERFUND TRANSFERS AND BALANCES

A. Transfers

Interfund transfers during 2016 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	\$2,006,805	\$3,957,626	\$2,580,769	\$33,715	\$8,578,915
Other Nonmajor Governmental	0	0	92,115	0	92,115
Total All Funds	\$2,006,805	\$3,957,626	\$2,672,884	\$33,715	\$8,671,030

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

B. Balances

Interfund balances, as of December 31, 2016, consist of the following individual interfund receivables and payables:

Interfund Payable	Interfund Receivable				Total
	Major Fund General	Other Governmental	Major Fund Sewer	Internal Service	
Major Governmental Funds:					
General	\$0	\$0	\$0	\$35,115	\$35,115
Police Expenditure	47,083	0	0	91,588	138,671
Fire Operating	1,654	316,000	0	27,818	345,472
Other Governmental	79,300	0	16,717	14,714	110,731
Major Enterprise Funds:					
Sewer	95	0	0	26,800	26,895
Water	863	0	0	68,921	69,784
Nonmajor Enterprise	1,204	0	0	21,813	23,017
Internal Service	0	0	0	33,194	33,194
Total All Funds	\$130,199	\$316,000	\$16,717	\$319,963	\$782,879

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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, 2016, the remaining balance is \$316,000. The Debt Service Fund will make repayments on the loan from portions of tax revenue.

NOTE 21 - 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 2016, OMEGA received \$3,823 from the City of Zanesville. OMEGA has no outstanding debt. Financial information can 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 2016, 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.

City of Zanesville, Ohio
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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 2016, the Authority received \$497,029 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.

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.

City of Zanesville, Ohio
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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 22 - 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.

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

City of Zanesville, Ohio
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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 23 - RELATED PARTY ORGANIZATION

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

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

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

City of Zanesville, Ohio
Notes to the Basic Financial Statements
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NOTE 24 - 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, 2016.

B. Litigation

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

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 Three Years (1)

	<u>2016</u>	<u>2015</u>	<u>2014</u>
City's Proportion of the Net Pension Liability	0.068924%	0.068205%	0.068205%
City's Proportionate Share of the Net Pension Liability	\$11,938,507	\$8,226,286	\$8,040,481
City's Covered Payroll	\$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	139.15%	98.38%	94.70%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	81.08%	86.45%	86.36%

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

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

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

	2016	2015	2014
City's Proportion of the Net Pension Liability	0.3133700%	0.3125626%	0.3125626%
City's Proportionate Share of the Net Pension Liability	\$20,159,310	\$16,192,046	\$15,222,779
City's Covered Payroll	\$6,341,695	\$6,161,926	\$5,312,905
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	317.89%	262.78%	286.52%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	66.77%	72.20%	73.00%

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

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

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contribution	\$1,029,796	\$1,029,568	\$1,003,440	\$1,103,760
Contributions in Relation to the Contractually Required Contribution	<u>(1,029,796)</u>	<u>(1,029,568)</u>	<u>(1,003,440)</u>	<u>(1,103,760)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered Payroll	\$8,581,633	\$8,579,733	\$8,362,000	\$8,490,462
Contributions as a Percentage of Covered Payroll	12.00%	12.00%	12.00%	13.00%

(1) Although this schedule is intended to show information for ten years, information prior to 2013 is not available.
An additional column will be added each year.

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contribution	\$1,341,260	\$1,347,036	\$1,308,054	\$963,099
Contributions in Relation to the Contractually Required Contribution	<u>(1,341,260)</u>	<u>(1,347,036)</u>	<u>(1,308,054)</u>	<u>(963,099)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered Payroll	\$6,311,524	\$6,341,695	\$6,161,926	\$5,312,905
Contributions as a Percentage of Covered Payroll:	21.25%	21.24%	21.23%	18.13%

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$794,724	\$884,784	\$972,504	\$981,902	\$932,177	\$857,446
<u>(794,724)</u>	<u>(884,784)</u>	<u>(972,504)</u>	<u>(981,902)</u>	<u>(932,177)</u>	<u>(857,446)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$5,276,839	\$5,888,720	\$6,546,036	\$6,610,389	\$6,317,416	\$5,848,248
15.06%	15.03%	14.86%	14.85%	14.76%	14.66%

**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, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated July 13, 2017. We noted the City adopted GASB Statement No. 72, "*Fair Value Measurement and Application*," GASB Statement No. 73, "*Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB 68 and Amendments to Certain Provisions of GASB Statements 67 and 68*," GASB Statement No. 76, "*The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*," GASB Statements No. 77, "*Tax Abatement Disclosures*," , "GASB Statement No. 79, "*Certain External Investment Pools and Pool Participants*," and GASB No. 82, "*Pension Issues and Amendment of GASB Statements No. 67, 68 and No. 73*."

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
July 13, 2017



Dave Yost • Auditor of State

CITY OF ZANESVILLE

MUSKINGUM COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
OCTOBER 19, 2017**