



Dave Yost • Auditor of State



**CITY OF ZANESVILLE  
MUSKINGUM COUNTY**

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CITY OF ZANESVILLE  
MUSKINGUM COUNTY

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

City of Zanesville  
Muskingum County  
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 County, Ohio (the City), as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Zanesville, Muskingum County, Ohio, as of December 31, 2013, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons 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.

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

*Supplementary and Other Information*

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

The Federal Award Expenditures Schedule (the Schedule) presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

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

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 16, 2014, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and 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 the City's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State  
Columbus, Ohio

September 16, 2014

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**City of Zanesville, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2013*  
*Unaudited*

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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, 2013. 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 2013 are as follows:

- In total, net position increased \$820,201. Net position of governmental activities increased \$298,285. Also, the business-type activities increased \$521,916.
- General governmental revenues accounted for \$20,360,306 in revenue or 84 percent of all revenues in governmental activities. Program specific revenues in the form of charges for services, grants, contributions, and interest accounted for \$3,819,861 or 16 percent of total revenues of \$24,180,167.

### **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 2013?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by private sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when the cash is received or paid.

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

**City of Zanesville, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2013*  
*Unaudited*

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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 the Sanitation, Sewer and Water Funds.

Business-Type Activities – Sanitation, sewer, and water services have charges based upon the amount of usage. The City charges fees to recoup the cost of the entire operations of its 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 15. 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 its residents. However, these fund financial statements focus on the City's most significant funds. In the case of the City of Zanesville, the major funds are the General, Police Expenditure, Fire Operating, Sewer and Water Funds.

***Governmental Funds*** Most of the City's activities are reported in the governmental funds, which focus on how money flows into and out of those funds and the balances left at year end available for spending in the future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future on services provided to our residents. The relationship (or differences) between governmental activities (reported in the Statement of Net 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 2013 compared to 2012.

**City of Zanesville, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2013*  
*Unaudited*

(Table 1)  
 Net Position

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
<b>Assets</b>						
Current and Other Assets	\$17,484,755	\$17,868,263	\$6,271,841	\$6,075,833	\$23,756,596	\$23,944,096
Capital Assets, Net	20,120,512	19,913,402	66,760,229	67,236,806	86,880,741	87,150,208
<i>Total Assets</i>	<u>37,605,267</u>	<u>37,781,665</u>	<u>73,032,070</u>	<u>73,312,639</u>	<u>110,637,337</u>	<u>111,094,304</u>
<b>Liabilities</b>						
Current and Other Liabilities	2,580,921	2,668,053	1,623,582	812,955	4,204,503	3,481,008
Long-term Liabilities	7,024,671	7,376,631	28,071,611	29,684,723	35,096,282	37,061,354
<i>Total Liabilities</i>	<u>9,605,592</u>	<u>10,044,684</u>	<u>29,695,193</u>	<u>30,497,678</u>	<u>39,300,785</u>	<u>40,542,362</u>
<b>Deferred Inflows of Resources</b>						
Property Taxes	1,036,526	1,072,117	0	0	1,036,526	1,072,117
<b>Net Position</b>						
Net Investment in						
Capital Assets	14,646,710	14,193,919	38,380,907	37,991,757	53,027,617	52,185,676
Restricted	4,438,094	5,490,053	0	0	4,438,094	5,490,053
Unrestricted	7,878,345	6,980,892	4,955,970	4,823,204	12,834,315	11,804,096
<i>Total Net Position</i>	<u>\$26,963,149</u>	<u>\$26,664,864</u>	<u>\$43,336,877</u>	<u>\$42,814,961</u>	<u>\$70,300,026</u>	<u>\$69,479,825</u>

Total assets decreased \$456,967. Governmental activities decreased \$176,398 and the business-type activities decreased \$280,569. Total liabilities decreased \$1,241,577. Governmental activities decreased \$439,092 while the business-type activities decreased \$802,485.

For governmental activities, total assets decreased \$176,398. Intergovernmental receivables decreased \$984,495 mainly due to a decrease in grants and also due to the City not receiving a substantial estate settlement in 2013. These decreases were offset by increases in equity in pooled cash and cash equivalents and capital assets. Equity in pooled cash and cash equivalents increased \$629,219 primarily due to the City monitoring the cash flow very closely. Capital assets increased \$207,110 mainly due to current year additions exceeding depreciation. Long-term liabilities decreased \$351,960 due to the general pay down of debt.

For business-type activities, capital assets decreased \$476,577 primarily due to the current year depreciation exceeding the capital asset additions. Current liabilities increased \$810,627 mainly due to the contracts and retainage payable of \$787,707 for the sewer separation and Y-Bridge Lift Station projects. Long-term liabilities decreased \$1,613,112 due to the repayment of loans exceeding the new loans during the year.

Table 2 shows the changes in net position for the year ended December 31, 2013, and comparisons to 2012.

**City of Zanesville, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2013*  
*Unaudited*

(Table 2)  
 Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
<b>Revenues</b>						
<b>Program Revenues</b>						
Charges for Services	\$1,889,537	\$2,299,437	\$13,532,653	\$13,855,512	\$15,422,190	\$16,154,949
Operating Grants, Contributions and Interest Capital Grants and Contributions	1,909,349	2,916,579	164,811	202,528	2,074,160	3,119,107
	20,975	931,218	0	0	20,975	931,218
<b>Total Program Revenues</b>	<b>3,819,861</b>	<b>6,147,234</b>	<b>13,697,464</b>	<b>14,058,040</b>	<b>17,517,325</b>	<b>20,205,274</b>
<b>General Revenues</b>						
Property Taxes	1,073,287	1,178,752	0	0	1,073,287	1,178,752
Income Tax	15,490,549	15,047,735	0	0	15,490,549	15,047,735
Payments in Lieu of Taxes	597,598	575,323	0	0	597,598	575,323
Franchise Tax	314,546	328,500	0	0	314,546	328,500
Grants and Entitlements	2,676,863	2,800,821	0	0	2,676,863	2,800,821
Unrestricted Contribution	0	332,614	0	0	0	332,614
Gain on Sale of Capital Assets	16,177	20,105	10,000	0	26,177	20,105
Investment Earnings	52,989	129,953	0	1,346	52,989	131,299
Other	138,297	149,475	100,211	114,599	238,508	264,074
<b>Total General Revenues</b>	<b>20,360,306</b>	<b>20,563,278</b>	<b>110,211</b>	<b>115,945</b>	<b>20,470,517</b>	<b>20,679,223</b>
<i>Total Revenues</i>	<i>24,180,167</i>	<i>26,710,512</i>	<i>13,807,675</i>	<i>14,173,985</i>	<i>37,987,842</i>	<i>40,884,497</i>
<b>Program Expenses</b>						
<b>General Government:</b>						
Legislative and Executive	4,269,178	3,966,033	0	0	4,269,178	3,966,033
Court	489,978	490,367	0	0	489,978	490,367
<b>Security of Persons and Property:</b>						
Police	8,367,191	7,598,241	0	0	8,367,191	7,598,241
Fire	5,588,118	5,022,244	0	0	5,588,118	5,022,244
Other	15,489	137,215	0	0	15,489	137,215
Public Health Services	407,192	352,041	0	0	407,192	352,041
Community Environment	977,621	1,308,457	0	0	977,621	1,308,457
Transportation	2,869,008	2,852,925	0	0	2,869,008	2,852,925
Leisure Time Activities	714,016	753,395	0	0	714,016	753,395
Interest and Fiscal Charges	184,091	268,218	0	0	184,091	268,218
Sanitation	0	0	1,821,296	1,444,521	1,821,296	1,444,521
Sewer	0	0	5,992,429	5,683,142	5,992,429	5,683,142
Water	0	0	5,472,034	4,331,080	5,472,034	4,331,080
<b>Total Program Expenses</b>	<b>23,881,882</b>	<b>22,749,136</b>	<b>13,285,759</b>	<b>11,458,743</b>	<b>37,167,641</b>	<b>34,207,879</b>
<i>Increase in Net Position</i>	<i>298,285</i>	<i>3,961,376</i>	<i>521,916</i>	<i>2,715,242</i>	<i>820,201</i>	<i>6,676,618</i>
Net Position Beginning of Year	26,664,864	22,703,488	42,814,961	40,099,719	69,479,825	62,803,207
<b>Net Position End of Year</b>	<b>\$26,963,149</b>	<b>\$26,664,864</b>	<b>\$43,336,877</b>	<b>\$42,814,961</b>	<b>\$70,300,026</b>	<b>\$69,479,825</b>

**City of Zanesville, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2013*  
*Unaudited*

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***Governmental Activities***

Charges for services accounted for 8 percent of total governmental revenues, and operating and capital grants and contributions also accounted for 8 percent of total governmental revenues. During 2013, charges for services decreased 18 percent. This decrease is primarily due to a decrease in the number of new special assessments entered into during 2013 compared to 2012. During 2013, operating and capital grants and contributions decreased 50 percent. This decrease is primarily due to the City receiving a grant for a fire truck in 2012 combined with the City less grant monies for the Community Development and Airport in 2013 compared to 2012.

Several revenue sources fund our governmental activities, with the City income tax being the biggest contributor. The income tax rate is 1.9 percent. General revenues from grants and entitlements, such as local government funds, are also a large revenue generator. The City monitors both of these revenue sources very closely for fluctuations because the income tax and intergovernmental revenue represent 64 and 11 percent, respectively, of all revenues in the governmental activities.

Intergovernmental revenues (operating and capital grants and contributions) accounted for 8 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, generating 58 percent of the governmental expenses. During 2013, expenses for police and fire operations amounted to \$8,367,191 and \$5,588,118, 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 are the activities 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.

The increase in net position for the Sewer Fund is due primarily to a rate increase, which was partially offset by increased operating costs due to the wastewater treatment plant expansion. The Water Fund's decrease in net position is primarily due to an increase in expenses as a result of the water treatment plant renovation and expansion during the year.

**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 \$24,477,834 and expenditures of \$24,283,671.

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*Management's Discussion and Analysis*  
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The fund balance of the General Fund increased \$1,686,062. The General Fund's Unassigned Fund Balance of \$4,932,746 represented 40 percent of current year expenditures. Most of this balance remains in the City's treasury and is invested.

The fund balance of the Police Expenditure Fund decreased \$700,143. The Police Expenditure Fund had a restricted fund balance of \$682,741 at year end.

The fund balance of the Fire Operating Fund decreased \$966,115. The Fire Operating Fund had an unassigned fund balance of (\$375,940) at year end.

During 2013, the Sanitation Fund had operating revenues of \$1,590,858 and operating expenses of \$1,790,913. The Sewer Fund had operating revenues of \$6,777,274 and operating expenses of \$5,298,866. The Water Fund had operating revenues of \$5,165,509 and operating expenses of \$5,099,351. 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 2013, 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 \$1,602,713 with the largest increases in the municipal income tax and intergovernmental. Actual revenues were under the final budget in the amount of \$34,956. The original appropriations were increased \$493,174; however, the actual expenditures were \$3,571,754 less than the original budget.

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

**City of Zanesville, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2013*  
*Unaudited*

**Capital Assets and Debt Administration**

***Capital Assets***

Table 3 shows year 2013 balances compared to 2012.

(Table 3)  
 Capital Assets at December 31, 2013

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	\$1,188,231	\$1,188,231	\$233,184	\$233,184	\$1,421,415	\$1,421,415
Buildings and Improvements	5,230,906	5,422,593	23,936,668	24,464,191	29,167,574	29,886,784
Machinery and Equipment	535,413	394,825	6,767,710	7,410,040	7,303,123	7,804,865
Vehicles	1,526,402	1,139,660	331,911	223,222	1,858,313	1,362,882
Infrastructure	10,358,703	8,147,324	33,790,240	34,652,769	44,148,943	42,800,093
Construction in Progress	1,280,857	3,620,769	1,700,516	253,400	2,981,373	3,874,169
<b>Totals</b>	<b>\$20,120,512</b>	<b>\$19,913,402</b>	<b>\$66,760,229</b>	<b>\$67,236,806</b>	<b>\$86,880,741</b>	<b>\$87,150,208</b>

The City's capital assets for governmental and business-type activities as of December 31, 2013, were \$86,880,741 (net of accumulated depreciation). This includes land, buildings and improvements, machinery and equipment, vehicles, infrastructure, and construction in progress.

Note 10 (Capital Assets) provides capital asset activity during 2013.

***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	
	2013	2012	2013	2012
2003 Capital Facilities Refunding Bonds	\$871,500	\$1,025,500	\$0	\$0
2010 Street Improvement Bonds	1,010,000	1,060,000	0	0
OPWC Bridge Replacement Loan	69,138	86,423	0	0
2013 Ohio Department of Transportation Loan	77,318	0	0	0
2005 Ohio Department of Transportation Loan	3,345,920	3,542,158	0	0
Capital Facilities Refunding Water Bond	0	0	373,500	439,500
OPWC Water Loan	0	0	37,784	74,823
OWDA Water Loans	0	0	12,573,779	13,177,466
OWDA Sewer Loans	0	0	14,481,180	15,553,260
Capital Leases	0	0	114,371	0
<b>Totals</b>	<b>\$5,373,876</b>	<b>\$5,714,081</b>	<b>\$27,580,614</b>	<b>\$29,245,049</b>

**City of Zanesville, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2013*  
*Unaudited*

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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, 2013, is \$33,431,863.

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

**Current Financial Issues**

Over the past several years, the City has experienced no growth in revenues, except income taxes. Operating costs have increased. Increases in the City's largest expenditures, which are employee related expenses, have been held to a minimum. This monitoring of expenditures, along with the recent increase in income tax revenues has enabled the City to maintain its level of public services, as well as avoid reductions in workforce.

The following are a few projects of note. The Y-Bridge Lift Station was constructed over 50 years ago and is undergoing a complete renovation. The lift station transports all sanitary sewers north of Chaps Run and west of the Muskingum River for both the City and the County. The feasibility study for this project started in 2009, and actual construction started in 2013. The \$3.1 million project is financed through an OWDA loan and is expected to be completed in the summer of 2014.

**Contacting the City Auditor's Department**

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

**City of Zanesville, Ohio**

*Statement of Net Position*

December 31, 2013

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$9,098,067	\$3,748,015	\$12,846,082
Cash and Cash Equivalents in Segregated Accounts	18,560	0	18,560
Investments	50,000	0	50,000
Accounts Receivable	106,071	1,755,507	1,861,578
Accrued Interest Receivable	8,302	0	8,302
Intergovernmental Receivable	1,435,191	0	1,435,191
Internal Balances	76,156	(76,156)	0
Municipal Income Tax Receivable	2,653,706	0	2,653,706
Loans Receivable	90,322	0	90,322
Special Assessments Receivable	2,236,821	16,267	2,253,088
Materials and Supplies Inventory	327,492	790,460	1,117,952
Prepaid Items	66,171	37,748	103,919
Property Taxes Receivable	1,317,896	0	1,317,896
Non-Depreciable Capital Assets	2,469,088	1,933,700	4,402,788
Depreciable Capital Assets, Net	17,651,424	64,826,529	82,477,953
<i>Total Assets</i>	<u>37,605,267</u>	<u>73,032,070</u>	<u>110,637,337</u>
<b>Liabilities</b>			
Accounts Payable	704,342	130,926	835,268
Contracts Payable	76,409	747,401	823,810
Accrued Wages Payable	646,723	196,837	843,560
Accrued Interest Payable	14,360	1,172	15,532
Intergovernmental Payable	604,153	181,140	785,293
Retainage Payable	8,418	51,306	59,724
Claims Payable	526,516	0	526,516
Customer Deposits Payable	0	314,800	314,800
Long-Term Liabilities:			
Due Within One Year	875,047	2,316,495	3,191,542
Due In More Than One Year	6,149,624	25,755,116	31,904,740
<i>Total Liabilities</i>	<u>9,605,592</u>	<u>29,695,193</u>	<u>39,300,785</u>
<b>Deferred Inflows of Resources</b>			
Property Taxes	1,036,526	0	1,036,526
<b>Net Position</b>			
Net Investment in Capital Assets	14,646,710	38,380,907	53,027,617
Restricted for:			
Street	986,757	0	986,757
Cemetery	107,876	0	107,876
Community Development	787,673	0	787,673
Jail Operations	537,242	0	537,242
Police Operations	318,692	0	318,692
Court Operations	438,230	0	438,230
Police and Fire Pension	63,444	0	63,444
Capital Outlay	396,737	0	396,737
Cemetery - Non-expendable	668,800	0	668,800
Unclaimed Monies	9,374	0	9,374
Other Purposes	123,269	0	123,269
Unrestricted	7,878,345	4,955,970	12,834,315
<i>Total Net Position</i>	<u>\$26,963,149</u>	<u>\$43,336,877</u>	<u>\$70,300,026</u>

See accompanying notes to the basic financial statements

**City of Zanesville, Ohio**  
*Statement of Activities*  
For the Year Ended December 31, 2013

	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
<b>Governmental Activities</b>							
General Government:							
Legislative and Executive	\$4,269,178	\$814,909	\$3,332	\$0	(\$3,450,937)	\$0	(\$3,450,937)
Court	489,978	433,947	0	0	(56,031)	0	(56,031)
Security of Persons and Property:							
Police	8,367,191	31,302	78,385	0	(8,257,504)	0	(8,257,504)
Fire	5,588,118	38,499	12,319	0	(5,537,300)	0	(5,537,300)
Other	15,489	0	0	0	(15,489)	0	(15,489)
Public Health Services	407,192	74,803	50,349	0	(282,040)	0	(282,040)
Community Environment	977,621	92,598	255,832	0	(629,191)	0	(629,191)
Transportation	2,869,008	179,382	1,425,832	20,975	(1,242,819)	0	(1,242,819)
Leisure Time Activities	714,016	224,097	83,300	0	(406,619)	0	(406,619)
Interest and Fiscal Charges	184,091	0	0	0	(184,091)	0	(184,091)
<i>Total Governmental Activities</i>	<u>23,881,882</u>	<u>1,889,537</u>	<u>1,909,349</u>	<u>20,975</u>	<u>(20,062,021)</u>	<u>0</u>	<u>(20,062,021)</u>
<b>Business-Type Activities</b>							
Sanitation	1,821,296	1,589,870	15,668	0	0	(215,758)	(215,758)
Sewer	5,992,429	6,777,274	124,953	0	0	909,798	909,798
Water	5,472,034	5,165,509	24,190	0	0	(282,335)	(282,335)
<i>Total Business-Type Activities</i>	<u>13,285,759</u>	<u>13,532,653</u>	<u>164,811</u>	<u>0</u>	<u>0</u>	<u>411,705</u>	<u>411,705</u>
<i>Total</i>	<u>\$37,167,641</u>	<u>\$15,422,190</u>	<u>\$2,074,160</u>	<u>\$20,975</u>	<u>(20,062,021)</u>	<u>411,705</u>	<u>(19,650,316)</u>

**General Revenues**

Property Taxes Levied for:

General Purposes	879,821	0	879,821
Police and Fire Pension	192,741	0	192,741
Debt Service	725	0	725
Income Taxes Levied for:			
General Purposes	8,677,929	0	8,677,929
Police Operations	3,837,209	0	3,837,209
Jail Operations	1,440,240	0	1,440,240
Fire Operations	1,535,171	0	1,535,171
Payments in Lieu of Taxes	597,598	0	597,598
Franchise Taxes	314,546	0	314,546
Grants and Entitlements not Restricted to Specific Programs	2,676,863	0	2,676,863
Gain on Sale of Capital Assets	16,177	10,000	26,177
Investment Earnings	52,989	0	52,989
Other	138,297	100,211	238,508

*Total General Revenues*

20,360,306      110,211      20,470,517

*Change in Net Position*

298,285      521,916      820,201

*Net Position Beginning of Year*

26,664,864      42,814,961      69,479,825

*Net Position End of Year*

\$26,963,149      \$43,336,877      \$70,300,026

See accompanying notes to the basic financial statements

**City of Zanesville, Ohio**

*Balance Sheet*

*Governmental Funds*

*December 31, 2013*

	<u>General</u>	<u>Police Expenditure</u>	<u>Fire Operating</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>					
Equity in Pooled Cash and Cash Equivalents	\$4,505,605	\$560,706	\$167,780	\$2,945,615	\$8,179,706
Cash and Cash Equivalents in Segregated Accounts	8,487	0	0	10,073	18,560
Restricted Cash	9,374	0	0	0	9,374
Investments	0	0	0	50,000	50,000
Receivables:					
Accrued Interest	7,664	0	0	638	8,302
Accounts	77,033	0	0	29,038	106,071
Interfund	1,347	0	0	460,000	461,347
Intergovernmental	422,757	4,177	0	998,659	1,425,593
Municipal Income Tax	1,396,646	698,190	279,435	279,435	2,653,706
Property Taxes	1,074,669	0	0	243,227	1,317,896
Loans	0	0	0	90,322	90,322
Special Assessments	2,235,654	0	0	1,167	2,236,821
Materials and Supplies Inventory	978	4,592	0	46,135	51,705
Prepaid Items	20,782	13,816	8,510	22,115	65,223
<b>Total Assets</b>	<u>\$9,760,996</u>	<u>\$1,281,481</u>	<u>\$455,725</u>	<u>\$5,176,424</u>	<u>\$16,674,626</u>
<b>Liabilities</b>					
Accounts Payable	\$481,003	\$48,082	\$2,395	\$131,356	\$662,836
Accrued Wages Payable	124,957	213,149	176,517	110,999	625,622
Contracts Payable	16,252	0	0	60,157	76,409
Retainage Payable	0	0	0	8,418	8,418
Interfund Payable	54,201	38,256	478,308	77,644	648,409
Intergovernmental Payable	174,301	180,795	127,035	98,042	580,173
<b>Total Liabilities</b>	<u>850,714</u>	<u>480,282</u>	<u>784,255</u>	<u>486,616</u>	<u>2,601,867</u>
<b>Deferred Inflows of Resources</b>					
Property Taxes	842,933	0	0	193,593	1,036,526
Unavailable Revenue	2,991,687	118,458	47,410	880,745	4,038,300
<b>Total Deferred Inflows of Resources</b>	<u>3,834,620</u>	<u>118,458</u>	<u>47,410</u>	<u>1,074,338</u>	<u>5,074,826</u>
<b>Fund Balances</b>					
Nonspendable	31,134	18,408	8,510	827,372	885,424
Restricted	0	664,333	0	2,579,043	3,243,376
Committed	18,161	0	0	209,055	227,216
Assigned	93,621	0	0	0	93,621
Unassigned	4,932,746	0	(384,450)	0	4,548,296
<b>Total Fund Balances (Deficit)</b>	<u>5,075,662</u>	<u>682,741</u>	<u>(375,940)</u>	<u>3,615,470</u>	<u>8,997,933</u>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<u>\$9,760,996</u>	<u>\$1,281,481</u>	<u>\$455,725</u>	<u>\$5,176,424</u>	<u>\$16,674,626</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, 2013*

**Total Governmental Fund Balances** \$8,997,933

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 20,120,512

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

Property Taxes	281,370	
Charges for Services - Special Assessments	2,236,821	
Municipal Income Tax	450,238	
Intergovernmental Revenues	1,048,036	
Other Revenues	21,835	
Total		4,038,300

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 reported below). 738,002

An interfund payable is recorded in governmental activities to reflect overpayments to the internal service fund by the business-type activities. 107,433

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

Bonds Payable	(1,886,001)	
Accrued Interest Payable	(14,360)	
Loans Payable	(3,492,376)	
Compensated Absences Payable	(1,646,294)	
Total		(7,039,031)

***Net Position of Governmental Activities*** \$26,963,149

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, 2013*

	General	Police Expenditure	Fire Operating	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
Property Taxes	\$889,320	\$0	\$0	\$195,605	\$1,084,925
Permissive Motor Vehicle License	0	0	0	129,529	129,529
Municipal Income Tax	8,616,056	3,806,278	1,522,792	1,427,861	15,372,987
Payments in Lieu of Taxes	0	0	0	597,598	597,598
Charges for Services	736,408	5,177	3,136	305,324	1,050,045
Fines, Licenses and Permits	388,692	7,490	0	138,233	534,415
Franchise Tax	314,546	0	0	0	314,546
Intergovernmental	2,919,565	68,282	55,233	1,954,170	4,997,250
Investment Earnings	51,943	0	0	50,268	102,211
Donations	0	700	0	0	700
Rent	115,117	0	31,500	18,555	165,172
Other	45,977	26,154	7,845	48,480	128,456
<i>Total Revenues</i>	<u>14,077,624</u>	<u>3,914,081</u>	<u>1,620,506</u>	<u>4,865,623</u>	<u>24,477,834</u>
<b>Expenditures</b>					
Current:					
General Government:					
Legislative and Executive	3,986,353	0	0	0	3,986,353
Court	396,495	0	0	115,991	512,486
Security of Persons and Property:					
Police	0	6,223,022	0	2,002,848	8,225,870
Fire	0	0	5,652,751	119,479	5,772,230
Other	116,277	0	0	0	116,277
Public Health Services	41,330	0	0	346,726	388,056
Community Environment	484,901	0	0	468,696	953,597
Transportation	508,523	0	0	2,216,198	2,724,721
Leisure Time Activities	361,107	0	0	341,479	702,586
Capital Outlay	189,735	0	0	108,305	298,040
Debt Service:					
Principal Retirement	0	0	0	417,523	417,523
Interest and Fiscal Charges	0	0	0	185,932	185,932
<i>Total Expenditures</i>	<u>6,084,721</u>	<u>6,223,022</u>	<u>5,652,751</u>	<u>6,323,177</u>	<u>24,283,671</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>7,992,903</u>	<u>(2,308,941)</u>	<u>(4,032,245)</u>	<u>(1,457,554)</u>	<u>194,163</u>
<b>Other Financing Sources (Uses)</b>					
Transfers In	0	1,604,023	3,066,130	1,506,726	6,176,879
Proceeds from Loans	0	0	0	77,318	77,318
Proceeds from Sale of Capital Assets	3,900	4,775	0	9,075	17,750
Transfers Out	<u>(6,310,741)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(6,310,741)</u>
<i>Total Other Financing Sources (Uses)</i>	<u>(6,306,841)</u>	<u>1,608,798</u>	<u>3,066,130</u>	<u>1,593,119</u>	<u>(38,794)</u>
<i>Net Change in Fund Balances</i>	1,686,062	(700,143)	(966,115)	135,565	155,369
<i>Fund Balances Beginning of Year</i>	<u>3,389,600</u>	<u>1,382,884</u>	<u>590,175</u>	<u>3,479,905</u>	<u>8,842,564</u>
<i>Fund Balances End of Year (Deficit)</i>	<u>\$5,075,662</u>	<u>\$682,741</u>	<u>(\$375,940)</u>	<u>\$3,615,470</u>	<u>\$8,997,933</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, 2013*

**Net Change in Fund Balances - Total Governmental Funds** \$155,369

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

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

Capital Outlay	1,684,404	
Depreciation	(1,475,703)	
Excess of Capital Outlay Over Depreciation Expense		208,701

Capital Assets removed from the capital asset account on the  
statement of net position results in a gain or loss on disposal of  
capital assets on the statement of activities. (1,591)

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

Property Taxes	(11,638)	
Charges for Services - Special Assessments	(861)	
Charges for Services	9,981	
Municipal Income Tax	117,562	
Intergovernmental Revenues	(441,047)	
Rent	1,256	
Other Revenues	34	
Interest	1,062	
Total		(323,651)

In the statement of activities, interest is accrued on outstanding  
loans, whereas in governmental funds, an interest expenditure  
is expensed when due. 1,841

Repayment of debt principal is an expenditure in the governmental  
funds, but the repayment reduces long-term liabilities  
in the statement of net position. 417,523

Long-term debt proceeds are other financing sources in the governmental  
funds, but the issuance increases the long-term liabilities on the statement  
of activities.  
    Long Term Loan (77,318)

The internal service funds used by management to charge the costs  
of insurance and vehicle maintenance to individual funds is not reported  
in the statement of activities. Governmental fund expenditures and the  
related internal service fund revenues are eliminated. The net expenses  
of the internal service funds are allocated among governmental activities. (93,443)

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	10,854
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***Change in Net Position of Governmental Activities*** \$298,285

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, 2013*

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
<b>Revenues</b>				
Property Taxes	\$842,544	\$893,544	\$889,320	(\$4,224)
Municipal Income Tax	8,834,847	9,886,646	8,681,851	(1,204,795)
Charges for Services	701,160	742,888	736,925	(5,963)
Fines, Licenses and Permits	372,715	416,715	386,686	(30,029)
Franchise Tax	315,000	322,959	318,498	(4,461)
Intergovernmental	1,748,674	2,138,374	3,358,257	1,219,883
Investment Earnings	62,000	87,000	85,354	(1,646)
Donations	500	500	0	(500)
Rent	133,408	116,420	115,117	(1,303)
Other	42,097	50,612	48,694	(1,918)
<i>Total Revenues</i>	13,052,945	14,655,658	14,620,702	(34,956)
<b>Expenditures</b>				
Current:				
General Government:				
Legislative and Executive	7,125,387	7,566,267	4,045,857	3,520,410
Court	484,973	508,322	400,544	107,778
Security of Persons and Property:				
Other	120,747	121,247	107,362	13,885
Public Health Services	41,330	41,330	41,330	0
Community Environment	575,625	632,625	490,407	142,218
Transportation	690,187	644,932	553,653	91,279
Leisure Time Activities	532,513	539,213	367,933	171,280
Capital Outlay	197,813	207,813	189,735	18,078
<i>Total Expenditures</i>	9,768,575	10,261,749	6,196,821	4,064,928
<i>Excess of Revenues Over Expenditures</i>	3,284,370	4,393,909	8,423,881	4,029,972
<b>Other Financing Sources (Uses)</b>				
Proceeds from Sale of Capital Assets	0	3,100	3,100	0
Advances In	0	0	278,400	278,400
Advances Out	0	0	(278,400)	(278,400)
Transfers In	46,995	17,500	17,500	0
Transfers Out	(6,137,765)	(6,675,535)	(6,328,241)	347,294
<i>Total Other Financing Sources (Uses)</i>	(6,090,770)	(6,654,935)	(6,307,641)	347,294
<i>Net Change in Fund Balance</i>	(2,806,400)	(2,261,026)	2,116,240	4,377,266
<i>Fund Balance Beginning of Year</i>	1,913,299	1,913,299	1,913,299	0
Prior Year Encumbrances Appropriated	347,728	347,728	347,728	0
<i>Fund Balance (Deficit) End of Year</i>	(\$545,373)	\$1	\$4,377,267	\$4,377,266

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, 2013*

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Over (Under)
<b>Revenues</b>				
Municipal Income Tax	\$3,839,171	\$3,839,171	\$3,839,171	\$0
Charges for Services	6,000	6,000	5,177	(823)
Intergovernmental	0	51,200	64,105	12,905
Fines, Licenses and Permits	0	0	7,490	7,490
Donations	1,000	1,000	700	(300)
Other	9,300	29,402	26,154	(3,248)
<i>Total Revenues</i>	3,855,471	3,926,773	3,942,797	16,024
<b>Expenditures</b>				
Current:				
Security of Persons and Property:				
Police	6,837,788	6,905,865	6,311,798	594,067
<i>Excess of Revenues Under Expenditures</i>	(2,982,317)	(2,979,092)	(2,369,001)	610,091
<b>Other Financing Sources</b>				
Proceeds from Sale of Capital Assets	8,000	4,775	4,775	0
Transfers In	2,138,604	1,720,769	1,604,023	(116,746)
<i>Total Other Financing Sources</i>	2,146,604	1,725,544	1,608,798	(116,746)
<i>Net Change in Fund Balance</i>	(835,713)	(1,253,548)	(760,203)	493,345
<i>Fund Balance Beginning of Year</i>	1,196,608	1,196,608	1,196,608	0
Prior Year Encumbrances Appropriated	56,940	56,940	56,940	0
<i>Fund Balance End of Year</i>	<u>\$417,835</u>	<u>\$0</u>	<u>\$493,345</u>	<u>\$493,345</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, 2013*

	<u>Budgeted Amounts</u>			Variance with
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Final Budget Over (Under)
<b>Revenues</b>				
Municipal Income Tax	\$1,535,957	\$1,535,957	\$1,535,957	\$0
Charges for Services	4,300	4,300	3,136	(1,164)
Intergovernmental	104,850	34,500	55,233	20,733
Rent	21,000	43,750	38,500	(5,250)
Other	1,000	7,474	7,845	371
<i>Total Revenues</i>	1,667,107	1,625,981	1,640,671	14,690
<b>Expenditures</b>				
Current:				
Security of Persons and Property:				
Fire	5,841,951	5,982,846	5,793,762	189,084
<i>Excess of Revenues Under Expenditures</i>	(4,174,844)	(4,356,865)	(4,153,091)	203,774
<b>Other Financing Sources</b>				
Proceeds from Interfund Activity Bond	450,000	482,021	482,021	0
Transfers In	3,307,351	3,111,618	3,066,130	(45,488)
<i>Total Other Financing Sources</i>	3,757,351	3,593,639	3,548,151	(45,488)
<i>Net Change in Fund Balance</i>	(417,493)	(763,226)	(604,940)	158,286
<i>Fund Balance Beginning of Year</i>	754,494	754,494	754,494	0
Prior Year Encumbrances Appropriated	8,732	8,732	8,732	0
<i>Fund Balance End of Year</i>	<u>\$345,733</u>	<u>\$0</u>	<u>\$158,286</u>	<u>\$158,286</u>

See accompanying notes to the basic financial statements

**City of Zanesville, Ohio**  
*Statement of Fund Net Position*  
*Proprietary Funds*  
*December 31, 2013*

	Business Type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Sewer	Water	Nonmajor	Total	
<b>Assets</b>					
<b>Current:</b>					
Equity in Pooled Cash and Cash Equivalents	\$2,167,320	\$936,044	\$329,851	\$3,433,215	\$908,987
Accounts Receivable	907,157	596,350	252,000	1,755,507	0
Intergovernmental Receivable	0	0	0	0	9,598
Interfund Receivable	67,372	0	0	67,372	159,320
Special Assessments Receivable	16,267	0	0	16,267	0
Materials and Supplies Inventory	286,071	504,389	0	790,460	275,787
Restricted Assets:					
Customer Deposits:					
Equity in Pooled Cash and Cash Equivalents	0	314,800	0	314,800	0
Prepaid Items	17,180	16,852	3,716	37,748	948
<b>Total Current Assets</b>	<b>3,461,367</b>	<b>2,368,435</b>	<b>585,567</b>	<b>6,415,369</b>	<b>1,354,640</b>
<b>Noncurrent:</b>					
Non-Depreciable Capital Assets	1,845,513	88,187	0	1,933,700	0
Depreciable Capital Assets, Net	39,974,324	24,546,412	305,793	64,826,529	3,817
<b>Total Noncurrent Assets</b>	<b>41,819,837</b>	<b>24,634,599</b>	<b>305,793</b>	<b>66,760,229</b>	<b>3,817</b>
<b>Total Assets</b>	<b>45,281,204</b>	<b>27,003,034</b>	<b>891,360</b>	<b>73,175,598</b>	<b>1,358,457</b>
<b>Liabilities</b>					
<b>Current:</b>					
Accounts Payable	47,453	44,628	38,845	130,926	41,506
Contracts Payable	747,401	0	0	747,401	0
Accrued Wages Payable	82,847	78,975	35,015	196,837	21,101
Intergovernmental Payable	47,975	79,043	54,122	181,140	23,980
Retainage Payable	51,306	0	0	51,306	0
Accrued Interest Payable	0	1,172	0	1,172	0
Claims Payable	0	0	0	0	526,516
Interfund Payable	10,278	14,832	10,985	36,095	3,535
Compensated Absences Payable	52,308	57,467	39,568	149,343	16,743
General Obligation Bonds Payable	0	69,000	0	69,000	0
Capital Leases Payable	27,241	0	0	27,241	0
OPWC Loans Payable	0	37,784	0	37,784	0
OWDA Loans Payable	1,481,710	551,417	0	2,033,127	0
Current Liabilities Payable from Restricted Assets:					
Customer Deposits	0	314,800	0	314,800	0
<b>Total Current Liabilities</b>	<b>2,548,519</b>	<b>1,249,118</b>	<b>178,535</b>	<b>3,976,172</b>	<b>633,381</b>
<b>Long-Term:</b>					
Compensated Absences Payable	122,687	167,437	51,530	341,654	50,687
Notes Payable	0	304,500	0	304,500	0
Capital Leases Payable	87,130	0	0	87,130	0
OWDA Loans Payable	12,999,470	12,022,362	0	25,021,832	0
<b>Total Long-Term Liabilities</b>	<b>13,209,287</b>	<b>12,494,299</b>	<b>51,530</b>	<b>25,755,116</b>	<b>50,687</b>
<b>Total Liabilities</b>	<b>15,757,806</b>	<b>13,743,417</b>	<b>230,065</b>	<b>29,731,288</b>	<b>684,068</b>
<b>Net Position</b>					
Net Investment in Capital Assets	26,425,578	11,649,536	305,793	38,380,907	3,817
Unrestricted	3,097,820	1,610,081	355,502	5,063,403	670,572
<b>Total Net Position</b>	<b>\$29,523,398</b>	<b>\$13,259,617</b>	<b>\$661,295</b>	<b>\$43,444,310</b>	<b>\$674,389</b>

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	(107,433)
	<u>\$43,336,877</u>

See accompanying notes to the basic financial statements

**City of Zanesville, Ohio**  
*Statement of Revenues, Expenses  
and Changes in Fund Net Position  
Proprietary Funds  
For the Year Ended December 31, 2013*

	Business Type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Sewer	Water	Nonmajor	Total	
<b>Operating Revenues</b>					
Charges for Services	\$6,777,274	\$5,165,509	\$1,589,870	\$13,532,653	\$6,137,483
Other Operating Revenues	0	0	988	988	568
<i>Total Operating Revenues</i>	<u>6,777,274</u>	<u>5,165,509</u>	<u>1,590,858</u>	<u>13,533,641</u>	<u>6,138,051</u>
<b>Operating Expenses</b>					
Salaries and Wages	1,433,982	1,395,254	619,546	3,448,782	364,946
Fringe Benefits	700,915	812,958	567,708	2,081,581	278,178
Contractual Services	1,709,490	1,294,399	538,944	3,542,833	496,423
Materials and Supplies	279,744	437,514	21,081	738,339	790,274
Claims	0	0	0	0	4,568,420
Other Operating Expenses	0	79,852	2,070	81,922	2,668
Depreciation	1,174,735	1,079,374	41,564	2,295,673	0
<i>Total Operating Expenses</i>	<u>5,298,866</u>	<u>5,099,351</u>	<u>1,790,913</u>	<u>12,189,130</u>	<u>6,500,909</u>
<i>Operating Income (Loss)</i>	<u>1,478,408</u>	<u>66,158</u>	<u>(200,055)</u>	<u>1,344,511</u>	<u>(362,858)</u>
<b>Non-Operating Revenues (Expenses)</b>					
Grants	100,000	0	6,000	106,000	0
Intergovernmental	24,953	24,190	9,668	58,811	0
Gain on Sale of Capital Assets	0	0	10,000	10,000	18
Loss on Sale of Capital Assets	(2,966)	0	0	(2,966)	0
Other Non-Operating Revenues	69,165	30,058	0	99,223	9,807
Interest and Fiscal Charges	(651,629)	(329,566)	0	(981,195)	0
<i>Total Non-Operating Revenues (Expenses)</i>	<u>(460,477)</u>	<u>(275,318)</u>	<u>25,668</u>	<u>(710,127)</u>	<u>9,825</u>
<i>Income Before Transfers</i>	1,017,931	(209,160)	(174,387)	634,384	(353,033)
Transfers In	0	0	0	0	133,862
<i>Change in Net Position</i>	1,017,931	(209,160)	(174,387)	634,384	(219,171)
<i>Net Position Beginning of Year</i>	<u>28,505,467</u>	<u>13,468,777</u>	<u>835,682</u>	<u>42,809,926</u>	<u>893,560</u>
<i>Net Position End of Year</i>	<u>\$29,523,398</u>	<u>\$13,259,617</u>	<u>\$661,295</u>	<u>\$43,444,310</u>	<u>\$674,389</u>

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

Change in net position of business-type activities	(107,433)
	\$526,951

See accompanying notes to the basic financial statements

**City of Zanesville, Ohio**  
**Statement of Cash Flows**  
**Proprietary Funds**  
For the Year Ended December 31, 2013

	Business Type Activities - Enterprise Funds			Total Funds	Governmental Activities - Internal Service Funds
	Sewer	Water	Nonmajor		
<b>Increase (Decrease) in Cash and Cash Equivalents</b>					
<b>Cash Flows from Operating Activities:</b>					
Cash Received from Customers	\$6,929,114	\$5,327,632	\$1,698,710	\$13,955,456	\$0
Cash Received from Transactions with Other Funds	0	0	0	0	6,139,665
Cash Payments for Employee Services and Benefits	(2,097,624)	(2,152,948)	(1,147,225)	(5,397,797)	(624,508)
Cash Payments to Suppliers for Goods and Services	(2,029,478)	(1,899,799)	(552,813)	(4,482,090)	(1,271,226)
Other Operating Revenues	0	0	988	988	578
Other Operating Expenses	0	0	0	0	(2,668)
Cash Payments for Claims	0	0	0	0	(4,434,204)
Other Non-Operating Revenues	86,050	43,358	0	129,408	9,807
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u>2,888,062</u>	<u>1,318,243</u>	<u>(340)</u>	<u>4,205,965</u>	<u>(182,556)</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>					
Acquisition of Capital Assets	(792,954)	(12,057)	(218,469)	(1,023,480)	0
Proceeds from Sale of Capital Assets	125	0	10,000	10,125	18
Loan Proceeds	349,380	11,290	0	360,670	0
Inception of Capital Lease	144,545	0	0	144,545	0
Principal Paid on Capital Lease	(30,174)	0	0	(30,174)	0
Interest Paid on Capital Lease	(770)	0	0	(770)	0
Principal Paid on Debt	(1,421,460)	(718,016)	0	(2,139,476)	0
Interest Paid on Debt	(650,859)	(329,761)	0	(980,620)	0
<i>Net Cash Used for Capital and Related Financing Activities</i>	<u>(2,402,167)</u>	<u>(1,048,544)</u>	<u>(208,469)</u>	<u>(3,659,180)</u>	<u>18</u>
<b>Cash Flows from Non-Capital and Related Financing Activities:</b>					
Operating Grants	124,953	24,190	15,668	164,811	0
Operating Transfers In	0	0	0	0	133,862
<i>Net Cash Provided by Non-Capital and Related Financing Activities</i>	<u>124,953</u>	<u>24,190</u>	<u>15,668</u>	<u>164,811</u>	<u>133,862</u>
<b>Cash Flows from Investing Activities:</b>					
Investment Earnings	6	18	24	48	0
<i>Net Cash Provided by Investing Activities</i>	<u>6</u>	<u>18</u>	<u>24</u>	<u>48</u>	<u>0</u>
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	610,854	293,907	(193,117)	711,644	(48,676)
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>1,556,466</u>	<u>956,937</u>	<u>522,968</u>	<u>3,036,371</u>	<u>957,663</u>
<i>Cash and Cash Equivalents End of Year</i>	<u><u>\$2,167,320</u></u>	<u><u>\$1,250,844</u></u>	<u><u>\$329,851</u></u>	<u><u>\$3,748,015</u></u>	<u><u>\$908,987</u></u>
<b>Reconciliation of Operating Income to Net Cash Provided by (Used for) Operating Activities:</b>					
<i>Operating Income (Loss)</i>	\$1,478,408	\$66,158	(\$200,055)	\$1,344,511	(\$362,858)
Adjustments:					
Depreciation	1,174,735	1,079,374	41,564	2,295,673	0
Other Non-Operating Revenues	86,050	43,358	0	129,408	9,807
(Increase)/Decrease in Assets:					
Accounts Receivable	152,023	161,563	108,840	422,426	10
Intergovernmental Receivable	0	0	0	0	15,170
Interfund Receivable	0	0	0	0	(12,988)
Special Assessments Receivable	(183)	0	0	(183)	0
Materials and Supplies Inventory	2,568	(16,112)	0	(13,544)	(11,506)
Prepaid Items	(4,143)	(872)	(1,245)	(6,260)	(205)
Increase/(Decrease) in Liabilities:					
Accounts Payable	(35,046)	(54,771)	6,829	(82,988)	15,095
Accrued Wages Payable	9,588	2,710	3,326	15,624	2,174
Intergovernmental Payable	(92)	31,174	34,537	65,619	11,910
Interfund Payable	(3,623)	(16,279)	3,698	(16,204)	3,359
Claims Payable	0	0	0	0	134,216
Customer Deposits Payable	0	560	0	560	0
Compensated Absences Payable	27,777	21,380	2,166	51,323	13,260
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u><u>\$2,888,062</u></u>	<u><u>\$1,318,243</u></u>	<u><u>(\$340)</u></u>	<u><u>\$4,205,965</u></u>	<u><u>(\$182,556)</u></u>

See accompanying notes to the basic financial statements

**City of Zanesville, Ohio**  
*Statement of Fiduciary Net Position*  
*Fiduciary Funds*  
*December 31, 2013*

	Private Purpose Trust Funds	Agency
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$23,519	\$66,754
Accrued Interest	2	0
<i>Total Assets</i>	23,521	\$66,754
<b>Liabilities</b>		
Undistributed Monies	0	\$42,800
Deposits Held and Due to Others	0	23,954
<i>Total Liabilities</i>	0	\$66,754
<b>Net Position</b>		
Held in Trust for Private Purposes	23,521	
Total Net Position	\$23,521	

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, 2013*

<b>Additions</b>	
Interest	\$8
<b>Deletions</b>	
Other	<u>0</u>
<i>Change in Net Position</i>	8
<i>Net Position Beginning of Year</i>	<u>23,513</u>
<i>Net Position End of Year</i>	<u><u>\$23,521</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, 2013*

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

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

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

Ohio Mid-Eastern Governments Association (OMEGA)  
Zanesville-Muskingum County Port Authority  
Zanesville-Muskingum 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, 2013*

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

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

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 21.

The South East Area Transit Authority (SEAT)

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

The financial statements of the City of Zanesville have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles. The 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 is 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, 2013*

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**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. The following are the City's major enterprise 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**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2013*

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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 all liabilities 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 current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Therefore, governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

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

D. Basis of Accounting

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

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

Nonexchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements, and donations. On an accrual basis, revenue from income taxes is recognized in the period in which the income is earned. Revenue from property taxes is recognized in the year for which the taxes are levied (See Note 7). Revenue from grants, entitlements, and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which

**City of Zanesville, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2013*

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the City must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from a nonexchange transaction must also be available before it can be recognized.

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

***Deferred 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.

In addition to liabilities, the statement of financial position reports 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 and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2013, but which were levied to finance 2014 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 property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

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

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

**E. Budget Process**

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

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

**City of Zanesville, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2013*

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appropriations were adopted by Council.

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

**F. Cash and Cash Equivalents**

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

During 2013, investments were limited to certificates of deposit, which 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 2013 amounted to \$51,943, which includes \$34,517 assigned from other City funds.

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

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

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

**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.

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

**H. Inventory**

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

**City of Zanesville, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2013*

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**I. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond December 31, 2013, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed.

**J. Capital Assets**

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

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

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

<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 all City employees after ten years of service.

**City of Zanesville, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2013*

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L. Accrued Liabilities and Long-Term Obligations

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

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

M. Fund Balance

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

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

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

***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. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

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

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

The City applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within

**City of Zanesville, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2013*

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unrestricted fund balance, committed amounts are reduced first, followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

N. Net Position

Net position represents the difference between all other elements in a statement of financial position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through constitutional provisions or enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

Net position restricted for other purposes include resources restricted for the operation of the municipal airport.

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

O. Operating Revenues and Expenses

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

P. 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.

Q. Interfund Balances

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

**City of Zanesville, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2013*

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R. 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.

S. Extraordinary and Special Items

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

T. Estimates

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

**NOTE 3 - BUDGETARY BASIS OF ACCOUNTING**

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

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

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

**City of Zanesville, Ohio**  
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Net Change in Fund Balance

	<u>General</u>	<u>Police Expenditure</u>	<u>Fire Operating</u>
GAAP Basis	\$1,686,062	(\$700,143)	(\$966,115)
Net Adjustment for Revenue Accruals	524,962	28,716	20,165
Beginning of Year:			
Unrecorded Interest	27,807	0	0
Prepaid Items	21,331	9,265	8,466
Segregated Accounts	8,274	0	0
End of Year:			
Unrecorded Cash	(21,424)	0	0
Unrecorded Interest	(1,702)	0	0
Difference in Fair Market Value	12,848	0	0
Prepaid Items	(20,782)	(13,816)	(8,510)
Segregated Accounts	(8,487)	0	0
Net Adjustment for Expenditure Accruals	14,785	(16,864)	(131,473)
Advances In	278,400	0	0
Advances Out	(278,400)	0	0
Interfund Activity Bond	0	0	482,021
Encumbrances	(127,434)	(67,361)	(9,494)
Budget Basis	<u>\$2,116,240</u>	<u>(\$760,203)</u>	<u>(\$604,940)</u>

**NOTE 4 - CHANGES IN ACCOUNTING PRINCIPLES**

For 2013, the City implemented Governmental Accounting Standard Board (GASB) *Statement No. 61, "The Financial Reporting Entity: Omnibus; an amendment of GASB Statements No. 14 and No. 34."* This Statement modifies existing requirements for the assessment of potential component units in determining what should be included in the financial reporting entity, and financial reporting entity display and disclosure requirements. The implementation of this statement did not result in any change in the City's financial statements.

**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:

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Fund Balances	General	Police Expenditure	Fire Operating	Other Governmental Funds	Total
<b><u>Nonspendable:</u></b>					
Prepays	\$20,782	\$13,816	\$8,510	\$22,115	\$65,223
Loans	0	0	0	90,322	90,322
Cemetery Endowments	0	0	0	668,800	668,800
Unclaimed monies	9,374	0	0	0	9,374
Inventory	978	4,592	0	46,135	51,705
<i>Total Nonspendable</i>	<u>31,134</u>	<u>18,408</u>	<u>8,510</u>	<u>827,372</u>	<u>885,424</u>
<b><u>Restricted for:</u></b>					
Street Improvements	0	0	0	698,544	698,544
Community Development	0	0	0	299,958	299,958
Cemetery	0	0	0	112,838	112,838
Law Enforcement	0	664,333	0	145,414	809,747
Court Operations	0	0	0	438,230	438,230
Jail Operating	0	0	0	545,875	545,875
Police and Fire Pension	0	0	0	3,542	3,542
Airport Improvements	0	0	0	44,122	44,122
Capital Improvements	0	0	0	290,520	290,520
<i>Total Restricted</i>	<u>0</u>	<u>664,333</u>	<u>0</u>	<u>2,579,043</u>	<u>3,243,376</u>
<b><u>Committed to:</u></b>					
Capital Improvements	18,161	0	0	106,217	124,378
Auditorium Operating	0	0	0	102,838	102,838
<i>Total Committed</i>	<u>18,161</u>	<u>0</u>	<u>0</u>	<u>209,055</u>	<u>227,216</u>
<b><u>Assigned to:</u></b>					
2014 Appropriations	73,206	0	0	0	73,206
Other purposes	20,415	0	0	0	20,415
<i>Total Assigned</i>	<u>93,621</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>93,621</u>
<b><u>Unassigned:</u></b>	<u>4,932,746</u>	<u>0</u>	<u>(384,450)</u>	<u>0</u>	<u>4,548,296</u>
<b>Total Fund Balances</b>	<u><u>\$5,075,662</u></u>	<u><u>\$682,741</u></u>	<u><u>(\$375,940)</u></u>	<u><u>\$3,615,470</u></u>	<u><u>\$8,997,933</u></u>

**NOTE 6 - DEPOSITS AND INVESTMENTS**

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

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

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

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

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

1. United States Treasury bills, bonds notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
4. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
5. Bonds and other obligations of the State of Ohio;
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 25 percent of the interim monies available for investment at any one time if training requirements have been met; and
8. Written repurchase agreements in the securities described in (1) or (2) provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days.

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.

### **Deposits**

Custodial credit risk for deposits is the risk that, in the event of bank failure, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, the

**City of Zanesville, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2013*

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carrying amount of the City's deposits was \$12,954,914 and the bank balance was \$13,558,134. Of the bank balance, \$6,304,141 was covered by Federal depository insurance and \$7,203,983 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.

**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 2013 for real and public utility property taxes represents collections of 2012 taxes.

2013 real property taxes are levied after October 1, 2013, on the assessed value as of January 1, 2013, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2013 real property taxes are collected in and intended to finance 2014.

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

Public utility property tax revenue received in calendar year 2012 represent the collection of calendar year 2012 taxes. Public utility real and tangible personal property taxes received in calendar year 2013 became a lien on December 31, 2011, were levied after April 1, 2012, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The full tax rate for all City operations for the year ended December 31, 2013, was \$3.40 per \$1,000 of assessed value. The assessed values of real property and public utility tangible property upon which 2013 property tax receipts were based are as follows:

Real Property	\$354,506,930
Public Utility Property	<u>15,071,540</u>
	<u><u>\$369,578,470</u></u>

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the City of Zanesville. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real and public utility taxes which are measurable as of December 31, 2013, and for which there is an enforceable legal claim. In the governmental funds, the portion of the receivable not levied to finance 2013 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.

**City of Zanesville, Ohio**  
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**NOTE 8 - RECEIVABLES**

Receivables at December 31, 2013, 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 \$90,322. This amount is for the principal owed to the City for Federal Community Development Block Grant Program monies loaned to individuals for the demolition of condemned buildings and home improvements. The loans bear interest at annual rates of three and one-half to nine percent. The loans are to be repaid over periods ranging from two to fifteen years.

A summary of the principal items of intergovernmental receivables follows:

<b>Governmental Activities:</b>	<u>Amount</u>
Gasoline Tax and Motor Vehicle License	\$475,148
Community Development Block Grant	446,708
Local Government	373,638
Homestead and Rollback	57,491
Probation Grant	30,010
Airport Layout Grant	17,442
Southeast Area Transit Authority Fuel Charges	9,598
Permissive Tax	7,840
Other	7,638
Police Overtime Grant	4,177
State of Ohio Indigent Alcohol Reimbursements	3,701
Social Security Reimbursement	1,200
U.S. Treasury - Courtroom Use	<u>600</u>
 Total Receivable	 <u><u>\$1,435,191</u></u>

**NOTE 9 - INCOME TAX**

The City levies a municipal income tax of one and nine tenths percent on substantially all earned income arising from employment, residency, or business activities within the City as well as income of residents earned outside of the City.

Employers within the City are required to withhold income tax on employee compensation and remit the tax to the City either monthly or quarterly, as required. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually. Income tax proceeds are distributed to funds in the following manner: 1% to General Fund, .5% to Police Expenditure Special Revenue Fund, .2% to Jail Operating Special Revenue Fund, and .2% to the Fire Operating Special Revenue Fund.

**NOTE 10 - CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2013, was as follows:

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	Balance 12/31/12	Increases	Decreases	Balance 12/31/13
<b>Governmental Activities:</b>				
Capital Assets not being Depreciated:				
Land	\$1,188,231	\$0	\$0	\$1,188,231
Construction in Progress	3,620,769	661,872	3,001,784	1,280,857
Total Capital Assets not being Depreciated	<u>4,809,000</u>	<u>661,872</u>	<u>3,001,784</u>	<u>2,469,088</u>
Capital Assets being Depreciated:				
Buildings and Improvements	17,934,949	90,493	(65,255)	17,960,187
Machinery and Equipment	2,402,285	261,346	(90,876)	2,572,755
Vehicles	4,008,082	670,693	(194,110)	4,484,665
Infrastructure	14,717,873	3,001,784	0	17,719,657
Total Capital Assets being Depreciated	<u>39,063,189</u>	<u>4,024,316</u>	<u>(350,241)</u>	<u>42,737,264</u>
Less Accumulated Depreciation:				
Buildings and Improvements	(12,512,356)	(280,589)	63,664	(12,729,281)
Machinery and Equipment	(2,007,460)	(120,758)	90,876	(2,037,342)
Vehicles	(2,868,422)	(283,951)	194,110	(2,958,263)
Infrastructure	(6,570,549)	(790,405)	0	(7,360,954)
Total Accumulated Depreciation	<u>(23,958,787)</u>	<u>(1,475,703) *</u>	<u>348,650</u>	<u>(25,085,840)</u>
Total Capital Assets being Depreciated, Net	<u>15,104,402</u>	<u>2,548,613</u>	<u>(1,591)</u>	<u>17,651,424</u>
Governmental Activities Capital Assets, Net	<u>\$19,913,402</u>	<u>\$3,210,485</u>	<u>\$3,003,375</u>	<u>\$20,120,512</u>

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

General Government - Legislative and Executive	\$42,915
Security of Persons and Property:	
Police	268,051
Fire	268,051
Public Health Services	21,201
Community Environment	1,209
Transportation	776,112
Leisure Time Activities	98,164
Total Depreciation Expense	<u>\$1,475,703</u>

**City of Zanesville, Ohio**  
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For the Year Ended December 31, 2013

	Balance 12/31/12	Increases	Decreases	Balance 12/31/13
<b>Business-Type Activities:</b>				
Capital Assets not being Depreciated:				
Land	\$233,184	\$0	\$0	\$233,184
Construction in Progress	253,400	1,447,116	0	1,700,516
Total Capital Assets not being Depreciated	<u>486,584</u>	<u>1,447,116</u>	<u>0</u>	<u>1,933,700</u>
Capital Assets being Depreciated:				
Buildings and Improvements	30,859,965	48,838	0	30,908,803
Machinery and Equipment	13,897,944	156,602	(8,398)	14,046,148
Vehicles	1,486,423	169,631	(105,964)	1,550,090
Infrastructure	43,131,520	0	0	43,131,520
Total Capital Assets being Depreciated	<u>89,375,852</u>	<u>375,071</u>	<u>(114,362)</u>	<u>89,636,561</u>
Less Accumulated Depreciation:				
Buildings and Improvements	(6,395,774)	(576,361)	0	(6,972,135)
Machinery and Equipment	(6,487,904)	(795,841)	5,307	(7,278,438)
Vehicles	(1,263,201)	(60,942)	105,964	(1,218,179)
Infrastructure	(8,478,751)	(862,529)	0	(9,341,280)
Total Accumulated Depreciation	<u>(22,625,630)</u>	<u>(2,295,673)</u>	<u>111,271</u>	<u>(24,810,032)</u>
Total Capital Assets being Depreciated, Net	<u>66,750,222</u>	<u>(1,920,602)</u>	<u>(3,091)</u>	<u>64,826,529</u>
Business-Type Activities Capital Assets, Net	<u>\$67,236,806</u>	<u>(\$473,486)</u>	<u>(\$3,091)</u>	<u>\$66,760,229</u>

**NOTE 11 - RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. Effective June 1, 2013, 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 \$50,000 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.

**City of Zanesville, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2013*

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

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

U.S. Specialty Insurance Company provides excess liability insurance over general liability, EMT, ambulance malpractice, fire division liability, public official liability, police professional liability, and auto liability which is maintained in an aggregate amount of \$6,000,000 subject to \$10,000 self insured retention. Excess liability insurance excludes uninsured/underinsured motorist coverage.

The U.S. Specialty Insurance Company provides crime insurance coverage for robbery and safe burglary with a \$25,000 per occurrence limit and a \$250 deductible.

U.S. specialty Insurance Company provides railroad protective liability insurance. A limit of \$1,000,000 under general liability plus \$6,000,000 under umbrella liability is provided for a total of \$7,000,000 per occurrence. A limit of \$3,000,000 under general liability plus \$6,000,000 under umbrella liability is provided for a total of \$9,000,000 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% 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 \$526,516 reported at December 31, 2013, 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 2012 and 2013 were:

	Balance at Beginning of Year	Current Year Claims	Claims Payments	Balance at End of Year
2012	\$404,700	\$3,428,611	\$3,441,011	\$392,300
2013	392,300	4,568,420	4,434,204	526,516

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

**City of Zanesville, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2013*

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**NOTE 12 - DEFINED BENEFIT PENSION PLANS**

**A. Ohio Public Employees Retirement System**

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

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

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions and currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll. Member contribution rates, as set in the Ohio Revised Code, are not to exceed 10 percent of covered payroll. For the year ended December 31, 2013, members in state and local classifications contributed 10.0 percent of covered payroll. For 2013, member and employer contribution rates were consistent across all three plans.

The City's 2013 contribution rate was 14 percent. The portion of employer contributions used to fund pension benefits is net of post-employment health care benefits. For 2013, the portion of employer contribution allocated to health care was 1 percent for members in the traditional plan and the combined plan. Effective January 1, 2014, the portion of employer contributions allocated to health care increased to 2 percent. Employer contribution rates are actuarially determined.

The City's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2013, 2012, and 2011, were \$1,124,424, \$776,733, and \$718,890, respectively. For 2013, 89.77 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2012 and 2011. Contributions to the Member-Directed Plan for 2013 were \$16,983 made by the City and \$12,131 made by plan members.

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

Plan Description – The City contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

**City of Zanesville, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2013*

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Funding Policy – Employer and employee contribution rates are set by the Ohio Revised Code. From January 1, 2013, thru July 1, 2013, plan members were required to contribute 10 percent of their annual covered salary. From July 2, 2013, thru December 31, 2013, plan members were required to contribute 10.75 percent of their annual covered salary. Throughout 2013, employers were required to contribute 19.5 percent and 24 percent respectively for police officers and firefighters.

The OP&F Pension Fund is authorized by the Ohio Revised Code to allocate a portion of the employer contributions used to retiree health care benefits. For January 1, 2013, thru May 31, 2013, the portion of employer contributions used to fund pension benefits was 14.81 percent of covered payroll for police officers and 19.31 percent of covered payroll for firefighters. For June 1, 2013, thru December 31, 2013, the portion of employer contributions used to fund pension benefits was 16.65 percent of covered payroll for police officers and 21.15 percent of covered payroll for firefighters. The City's contributions to OP&F for police and firefighters pension were \$423,034 and \$540,065 for the year ended December 31, 2013, \$327,337 and \$467,387 for the year ended December 31, 2012, and \$371,224 and \$513,560 for the year ended December 31, 2011, respectively. For 2013, 87.32 percent for police and 88.07 percent for firefighters has been contributed with the balance for both police and firefighters being report as an intergovernmental payable. The full amount has been contributed for 2012 and 2011.

**NOTE 13 - POSTEMPLOYMENT BENEFITS**

**A. Ohio Public Employees Retirement System**

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

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

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

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

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

**City of Zanesville, Ohio**  
*Notes to the Basic Financial Statements*  
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Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2013, state and local government employers contributed 14 percent of covered payroll. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units.

Each year, the OPERS retirement board determines the portion of the employer contribution rate that will be set aside for funding post-employment health care benefits. For 2013, the portion of employer contributions allocated to health care for members in the traditional plan and the combined plan was 1 percent. Effective January 1, 2014, the portion of employer contributions allocated to healthcare was raised to 2 percent for both plans, as recommended by the OPERS Actuary.

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

The City's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2013, 2012, and 2011, were \$86,494, \$310,693, and \$287,556, respectively. For 2013, 89.77 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2012 and 2011.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4 percent of the employer contributions toward the health care fund after the end of the transition period.

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

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

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

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

OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164. That report is also available at OP&F's website at [www.op-f.org](http://www.op-f.org).

**City of Zanesville, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2013*

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Funding policy – The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F defined benefit pension plan. Participating employers are required by the Ohio Revised Code to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.5 percent and 24 percent of covered payroll for police and firefighters, respectively. Active members do not make contributions to the OPEB plan.

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree healthcare benefits. For January 1, 2013, thru May 31, 2013, the employer contribution allocated to the health care plan was 4.69 percent of covered payroll. For June 1, 2013, thru December 31, 2013, the employer contribution allocated to the health care plan was 2.85 percent of covered payroll. The amount of employer contributions allocated to the healthcare plan each year is subject to the trustees' primary responsibility to ensure that pension benefits are adequately funded and also is limited by the provisions of Sections 115 and 401(h).

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

The City's contributions to OP&F which were allocated to fund post-employment health care benefits for police and firefighters were \$72,411 and \$72,775 for the year ended December 31, 2013, \$173,296 and \$182,890 for the year ended December 31, 2012, and \$196,530 and \$200,958 for the year ended December 31, 2011. For 2013, 87.32 percent has been contributed for police and 88.07 percent has been contributed for firefighters with the balance for both police and firefighters being report as an intergovernmental payable. The full amount has been contributed for 2012 and 2011.

**NOTE 14 - OTHER EMPLOYEE BENEFITS**

**A. Other Insurance Benefits**

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

The City provides a self-funded comprehensive health insurance plan administered by MedBen. Deductibles are \$500 in-network and \$1,000 out-of-network for family coverage and \$200 in-network and \$400 out-of-network for single coverage, except for FOP Captains who have deductibles of \$350 for family coverage and \$150 for single coverage. Employee payroll deductions vary depending on the group/bargaining unit, and amounts range from \$22.45 to \$24.44 for single coverage and \$52.70 to \$57 for family coverage, per pay.

**City of Zanesville, Ohio**  
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**B. Compensated Absences**

The criteria for determining vested vacation and sick leave components are derived from negotiated agreements and State laws. Upon retirement, AFSCME union employees and policemen are paid 33 percent of their sick leave up to a maximum of 500 hours. Assistant Fire Chiefs whose work week consists of 56 hours when averaged over a three week period shall receive, upon retirement, 33 percent of accrued sick leave up to a maximum of 750 hours. Upon retirement, 33 percent of balance with a maximum payment of 700 hours shall be made to firefighters. Police sergeants and lieutenants shall receive, upon retirement, 33 percent of sick leave balances with a maximum of 500 hours. All other uniformed police shall receive, upon retirement, 33 percent of their balance with a maximum of 500 hours. Corrections officers shall receive, upon retirement, 25 percent of their balance with a maximum of 240 hours of sick leave. Unaffiliated employees shall receive 33 percent of balance with a maximum of 500 hours. All employees are required to have ten or more years of service before any compensation for accumulated sick leave is paid upon retirement. Upon voluntary termination, death, or retirement, with the exception of AFSCME employees who have not been employed with the City for a full year, all other employees will receive 100% of vacation earned and not previously taken.

**NOTE 15 - SIGNIFICANT COMMITMENTS**

**A. Contractual Commitments**

As of December 31, 2013, 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>
Airport Taxiway Construction - Airport Fund	\$1,187,612	\$1,171,561	\$16,051
Military Bridge Engineering - State and Federal Infrastructure Fund	44,996	38,962	6,034
Dearborn Street Bridge Engineering - General Fund	27,322	16,252	11,070
Total Governmental Funds	<u>1,259,930</u>	<u>1,226,775</u>	<u>33,155</u>
Y Bridge Pump Station Upgrade - Sewer Fund	3,138,546	839,232	2,299,314
Sewer Separation Project - Sewer Fund	1,341,806	261,921	1,079,885
Storm Sewer Replacement - Sewer Fund	387,271	248,479	138,792
Hamline Water Tower Painting - Water Fund	58,610	0	58,610
Total Enterprise Funds	<u>4,926,233</u>	<u>1,349,632</u>	<u>3,576,601</u>
Total All Projects	<u><u>\$6,186,163</u></u>	<u><u>\$2,576,407</u></u>	<u><u>\$3,609,756</u></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:

**City of Zanesville, Ohio**  
*Notes to the Basic Financial Statements*  
For the Year Ended December 31, 2013

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General Fund	\$127,434
Police Expenditure Fund	67,361
Fire Operating Fund	9,494
Nonmajor Governmental Funds	277,734
Sanitation Fund	158,964
Sewer Fund	617,759
Water Fund	145,175
Internal Service Funds	41,668
Agency Funds	6
Total	\$1,445,595

**NOTE 16 - CAPITAL LEASES – LESSEE DISCLOSURE**

In 2013, 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 2013 totaled \$30,174 in the sewer 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
2014	\$30,944
2015	30,944
2016	30,944
2017	30,944
Total Minimum Lease Payments	123,776
Less: Amount Representing Interest	(9,405)
Present Value of Net Minimum Lease Payments	\$114,371

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, 2013, was \$6,023, leaving a remaining book value of \$138,522.

**NOTE 17 - LONG-TERM OBLIGATIONS**

Changes in long-term obligations of the City for the year ended December 31, 2013, were as follows:

**City of Zanesville, Ohio**  
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	Principal Outstanding 12/31/2012	Additions	Deletions	Principal Outstanding 12/31/2013	Amounts Due in One Year
<b>Governmental Activities:</b>					
General Obligation Bonds					
Capital Facilities Refunding Bonds					
2003 - \$5,490,000					
Jail Construction Refunding - \$2,362,500					
Serial/Term Bonds @ 1.2% - 4.00%	\$1,025,500	\$0	\$154,000	\$871,500	\$161,000
Premium Amortization	5,402	0	901	4,501	0
Street Improvement Bonds					
2010 - \$1,210,000 @ 4.138%	1,060,000	0	50,000	1,010,000	50,000
Total General Obligation Bonds	2,090,902	0	204,901	1,886,001	211,000
Bridge Replacement Loan - OPWC					
2012 - \$111,036 @0%	86,423	0	17,285	69,138	17,285
2013 ODOT Loan @ 3%	0	77,318	0	77,318	4,375
2005 ODOT Loan @ 3%	3,542,158	0	196,238	3,345,920	128,467
Total Long-Term Loans	3,628,581	77,318	213,523	3,492,376	150,127
Compensated Absences	1,657,148	1,081,324	1,092,178	1,646,294	513,920
Total Governmental Activities	\$7,376,631	\$1,158,642	\$1,510,602	\$7,024,671	\$875,047
<b>Business-Type Activities:</b>					
<u>Bonds:</u>					
Capital Facilities Refunding, 2003 \$5,490,000					
Water - \$1,371,250					
Serial/Term @ 1.2% - 4.00%	\$439,500	\$0	\$66,000	\$373,500	\$69,000
Total General Obligation Bonds	439,500	0	66,000	373,500	69,000
<u>Loans:</u>					
Water OPWC Loan					
2005 - \$346,035 @ .022%	74,823	0	37,039	37,784	37,784
Total Water OPWC Loan	74,823	0	37,039	37,784	37,784
Water OWDA Loan					
1989 - \$885,000 @ 8.40%	39,961	0	39,961	0	0
Water OWDA Loan					
2004 - \$743,205 @ 4.90%	42,202	0	42,202	0	0
Water OWDA Loan					
2004 - \$752,750 @ 4.90%	302,181	0	81,600	220,581	85,305
Water OWDA Loan					
2009 - \$864,936 @ 0.00%	309,832	0	41,311	268,521	41,311
Water OWDA Loan					
2009 - \$895,477 @ 3.20%	675,425	11,290	21,243	665,472	27,848
Water OWDA Loan					
2009 - \$7,514,758 @ 3.65%	7,213,089	0	140,294	7,072,795	148,587
Water OWDA Loan					
2009 - \$9,197,325 @ 0.00%	4,594,776	0	248,366	4,346,410	248,366
Total Water OWDA Loans	13,177,466	11,290	614,977	12,573,779	551,417

**City of Zanesville, Ohio**  
*Notes to the Basic Financial Statements*  
For the Year Ended December 31, 2013

(continued)

	Principal Outstanding 12/31/2012	Additions	Deletions	Principal Outstanding 12/31/2013	Amounts Due in One Year
Sewer OWDA Loan					
2002 - \$1,324,942 @ 3.59%	811,250	0	64,873	746,377	67,223
Sewer OWDA Loan					
2004 - \$1,268,110 @ 3.41%	631,944	0	45,727	586,217	47,300
Sewer OWDA Loan					
2004 - \$5,471,246 @ 4.10%	2,171,837	0	589,375	1,582,462	613,787
Sewer OWDA Loan					
2007 - \$685,085 @ 4.17%	343,394	0	70,896	272,498	73,883
Sewer OWDA Loan					
2007 - \$887,526 @ 4.47%	448,101	0	92,021	356,080	96,180
Sewer OWDA Loan					
2007 - \$14,337,659 @ 4.47%	10,187,856	0	428,800	9,759,056	448,181
Sewer OWDA Loan					
2007 - \$834,640 @ 4.47%	357,589	0	65,338	292,251	68,292
Sewer OWDA Loan					
2009 - \$376,284 @ 3.25%	\$146,631	\$0	\$17,564	129,067	18,139
Sewer OWDA Loan					
2011 - \$148,684 @ 3.95%	121,227	0	28,552	92,675	29,691
Sewer OWDA Loan					
2012 - \$333,431 @ 3.17%	333,431	0	18,314	315,117	19,034
Sewer OWDA Loan					
2013 - \$347,873 @ 3.15%	0	347,873	0	347,873	0
Sewer OWDA Loan					
2013 - \$1,507 @ 3.92%	0	1,507	0	1,507	0
<b>Total Sewer OWDA Loans</b>	<b>15,553,260</b>	<b>349,380</b>	<b>1,421,460</b>	<b>14,481,180</b>	<b>1,481,710</b>
Capital Leases - Sewer	0	144,545	30,174	114,371	27,241
Compensated Absences - Sick Leave	439,674	314,288	262,965	490,997	149,343
<b>Total Business-Type Activities</b>	<b>\$29,684,723</b>	<b>\$819,503</b>	<b>\$2,432,615</b>	<b>\$28,071,611</b>	<b>\$2,316,495</b>

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

**2003 Capital Facilities Refunding Bonds** - On December 1, 2003, the City of Zanesville issued \$5,490,000 of general obligation bonds and included serial and term bonds in the amount of \$4,245,000 and \$1,245,000 respectively. These capital facilities refunding bonds were issued for governmental and business type activities \$3,042,500 and \$2,447,500, respectively. The refunding bonds were issued with a premium of \$17,397 for governmental and \$13,993 for business type activities, which was reported as an increase to bonds payable. These amounts are being amortized to interest expense over the life of the bonds using the straight-line method. These bonds are being repaid through a tax levy, and to the extent available, water and sewer revenues.

The bonds maturing on or after December 1, 2014, are subject to prior redemption on or any date after December 1, 2013, by and at the sole option of the City, either in whole or in part (as selected by the City) and in integral multiples of \$5,000, at par, plus accrued interest to the redemption date. Principal and

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interest requirements to retire the 2003 Capital Facilities Refunding Bonds outstanding at December 31, 2013, are as follows:

Year	Governmental Activities		Business Type Activities	
	Principal	Interest	Principal	Interest
2014	\$161,000	\$33,271	\$69,000	\$14,259
2015	168,000	27,475	72,000	11,775
2016	175,000	21,259	75,000	9,111
2017	178,500	14,521	76,500	6,223
2018	189,000	7,560	81,000	3,240
	<u>\$871,500</u>	<u>\$104,086</u>	<u>\$373,500</u>	<u>\$44,608</u>

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

Year	OWDA Loan		OWDA Loan	
	Water		Sewer	
	Principal	Interest	Principal	Interest
2014	\$551,417	\$286,846	\$1,481,710	\$590,738
2015	561,662	276,600	1,544,386	538,476
2016	525,183	265,950	1,273,509	474,384
2017	485,926	258,073	853,443	428,705
2018	493,015	250,986	708,750	396,478
2019-2023	2,436,118	1,139,293	3,895,584	1,576,784
2024-2028	2,594,062	919,380	3,944,303	648,588
2029-2033	2,135,650	659,036	430,115	9,613
2034-2038	1,648,596	378,406	0	0
2039-2041	1,142,150	74,054	0	0
	<u>\$12,573,779</u>	<u>\$4,508,624</u>	<u>\$14,131,800</u>	<u>\$4,663,766</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% and will mature in 2033. A summary of the principal and interest requirements to retire this loan is as follows:

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Year	Principal	Interest
2014	\$128,467	\$99,421
2015	132,351	95,539
2016	136,351	91,539
2017	140,471	87,417
2018	144,717	83,172
2019-2023	791,899	347,540
2024-2028	919,032	220,409
2029-2033	952,632	72,864
	<u>\$3,345,920</u>	<u>\$1,097,901</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 3% and will mature in 2022. A summary of the principal and interest requirements to retire this loan is as follows:

Year	Principal	Interest
2014	\$4,375	\$1,177
2015	8,948	2,156
2016	9,218	1,885
2017	9,497	1,607
2018	9,784	1,319
2019-2022	35,496	2,230
	<u>\$77,318</u>	<u>\$10,374</u>

**OPWC Loan** - During 2005, the City issued an OPWC loan in the amount of \$346,035. The loan was issued for the Blandy Water Tank Replacement Project. The loan was issued at .022% and will mature in 2014. A summary of the principal and interest requirements to retire this loan is as follows:

Year	Principal	Interest
2014	\$37,784	\$568

**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% and will mature in 2017. A summary of the principal requirements to retire this loan is as follows:

Year	Principal
2014	\$17,285
2015	17,285
2016	17,285
2017	17,283
	<u>\$69,138</u>

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

Year	Principal	Interest
2014	\$50,000	\$40,070
2015	50,000	38,820
2016	50,000	37,445
2017	50,000	37,945
2018	50,000	34,320
2019-2023	295,000	141,580
2024-2028	380,000	71,145
2029	85,000	3,825
	\$1,010,000	\$405,150

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 \$18,795,566. Principal and interest payments for the current year were \$2,072,319, net revenues were \$2,747,261, and total revenues were \$6,871,392.

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 \$17,082,403. Principal and interest payments for the current year were \$1,047,777, net revenues were \$1,199,780, and total revenues were \$5,219,757.

As of December 31, 2013, the City's overall legal debt margin (the ability to issue additional amounts of general obligation bonded debt) was \$33,431,863.

**NOTE 18 - INTERFUND TRANSFERS AND BALANCES**

Interfund transfers during 2013 consisted of the following:

Transfers from	Transfers to				Total
	Major Fund		Other	Internal Service Fund	
	Police Expenditure	Fire Operating		Nonmajor Governmental	
Major Fund:					
General	\$1,604,023	\$3,066,130	\$1,506,726	\$133,862	\$6,310,741

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

Interfund balances, as of December 31, 2013, consist of the following individual interfund receivables and payables:

Interfund Payable	Interfund Receivable					Total
	Major Fund	Other	Enterprise	Internal		
	General	Governmental Funds	Sewer	Vehicle Maintenance	Self Insurance	
Major Fund:						
General Fund	\$0	\$0	\$0	\$3,829	\$50,372	\$54,201
Police Expenditure	0	0	0	12,341	25,915	38,256
Fire Operating	33	460,000	0	2,945	15,330	478,308
Sanitation	0	0	0	3,594	7,391	10,985
Sewer	152	0	0	5,087	5,039	10,278
Water	828	0	0	5,291	8,713	14,832
Other Nonmajor						
Governmental	334	0	67,372	6,447	3,491	77,644
Vehicle Maintenance	0	0	0	0	3,535	3,535
<b>Total All Funds</b>	<b>\$1,347</b>	<b>\$460,000</b>	<b>\$67,372</b>	<b>\$39,534</b>	<b>\$119,786</b>	<b>\$688,039</b>

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

Certain interfund receivable/payables of a longer term repayment schedule also exist. The Cemetery Endowment Fund provided interfund loans to the General Fund in the amount of \$238,860 in 2010 for the purchase of police cruisers and to the Fire Operating Special Revenue Fund in the amount of \$482,021 in 2013 for the purchase of a fire truck. The Debt Service Fund will make repayments on the loan from portions of tax revenue.

Also, a short term loan was advanced from the General Fund to the Community Development Special Revenue Fund. This advance was repaid during 2013.

**NOTE 19 - JOINTLY GOVERNED ORGANIZATIONS**

- A. The Ohio Mid-Eastern Governments Association (OMEGA) is a ten-county regional council of governments comprised of Belmont, Carroll, Coshocton, Columbiana, Guernsey, Harrison, Holmes, Jefferson, Muskingum, and Tuscarawas Counties. OMEGA was formed to aid and assist the participating counties in the application for Appalachian Regional Commission and Economic

**City of Zanesville, Ohio**  
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*For the Year Ended December 31, 2013*

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Development grant monies. OMEGA is governed by a sixteen member executive board comprised of members appointed from each participating county and cities within each county. City membership is voluntary. The mayor of the City of Zanesville serves as the City's representative on the board. The board has total control over budgeting, personnel, and financial matters. Each member currently pays a thirteen cent per capita membership fee based upon the most recent U.S. census. During 2013, OMEGA received \$3,823 from the City of Zanesville. The continued existence of OMEGA is not dependent on the City's continued participation and no equity interest exists. OMEGA has no outstanding debt. Financial information can be obtained from OMEGA, P.O. Box 130, Cambridge, Ohio 43725.

- B. The Zanesville-Muskingum County Port Authority (Authority) is a separate legal entity. The Authority is governed by a five member board and was created by a resolution of the City of Zanesville and Muskingum County. The Authority is incorporated as a non-profit corporation under the laws of the State of Ohio. The City appoints two members to the Authority board and Muskingum County appoints two members. The fifth member is appointed jointly by the City and the County. The Authority board adopts its own budget, is its own contracting authority, hires and fires its own staff, authorizes all expenditures and does not rely on the City or the County to finance deficits. The Authority derives its revenues from lease/rental income, interest income, contributions from the City and County, and other miscellaneous revenue sources. The City and County leased the Anchor Glass Facilities from the Authority, and sublet the facilities to the Anchor Glass Corporation. The lease was a twenty year lease ending in 2008, wherein the lease was paid in full. The City and the County provide operating subsidies to the Authority. During 2013, the City provided \$116,663 in operating subsidies to the Authority. Financial information is available from the Zanesville-Muskingum County Port Authority, 205 North Fifth Street, Zanesville, Ohio 43701.
- C. The Muskingum County Convention Facilities Authority (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 2013, the Authority received \$536,558 from excise taxes and rental income. The Authority has no outstanding debt. Complete financial information can be obtained from the Muskingum County Convention Facilities Authority, 205 North Fifth Street, Zanesville, Ohio 43701.
- D. The Zanesville Metropolitan Housing Authority (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.

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*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2013*

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- E. The Muskingum County Center for Seniors (Center) is a jointly governed organization which operates as a not-for-profit organization created under 501(c)(3) of the Internal Revenue Code. The Center provides various services to seniors, including transportation services, nutritional and physical fitness information and instruction, meals, and legal counseling. The Center is governed by a seven member board consisting of three members appointed by the Muskingum County Board of County Commissioners, three members appointed by the Mayor of the City of Zanesville, and one member appointed by the above appointed six members. The Center was the recipient of support from the Muskingum County Senior Services Levy. Additional revenue is provided through contracts with the Area Agency on Aging. Continued existence of the Center is not dependent upon the City's continued participation, no equity interest exists, and no debt is outstanding. Financial information can be obtained from the Muskingum County Center for Seniors, 200 Sunrise Center Drive, Zanesville, Ohio 43701.
- F. 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 Chapter 1724 of the Ohio Revised Code. The purpose of the Land Bank is to facilitate the acquisition, reclamation, rehabilitation, and reutilization of vacant abandoned tax foreclosed and/or other real properties. In addition, the Land Bank will assist governmental entities and non-profit and/or not-for-profit entities in the assembly of real property to further the Land Bank mission. The Land Bank is governed by a five member Board of Directors, consisting of two County Commissioners, the County Treasurer, one representative from the City of Zanesville, and one representative appointed by the Muskingum County Township Trustees Association from a township having a population of ten thousand or more. The Board of Directors has the authority to make, prescribe, and enforce all rules and regulations for the conduct of all business and affairs of the Land Bank and the management and control of its properties. Continued existence of the Land Bank is not dependent upon the City's continued participation, no equity interest exists, and no debt is outstanding.

**NOTE 20 - JOINT VENTURES**

- A. Zanesville, South Zanesville and Springfield Joint Economic Development District (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, contracting, 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 (JEDD) was created by contract during 2000 pursuant to Revised Code Section 715.77. The JEDD was created to facilitate

**City of Zanesville, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2013*

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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 over the budgeting, appropriation, contracting, and management. The JEDD's board, pursuant to Revised Code Section 715.74 has implemented a 1.7 percent income tax that will be used for the purposes of the JEDD. The continued existence of the JEDD is dependent upon the continued participation by the City and Township; however, the City or Township does not have an equity interest in the JEDD. The JEDD is not accumulating significant financial resources and is not experiencing fiscal distress that may cause an additional financial burden on the City. The City serves as fiscal agent for the JEDD. Complete financial information can be obtained from the Zanesville, South Zanesville-Washington Joint Economic Development District, Zanesville, Ohio.

- C. Zanesville-Newton Township Joint Economic Development District (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 over the budgeting, appropriation, contracting, and management. The JEDD's board, pursuant to Revised Code Section 715.74 has implemented a 1.7 percent income tax that will be used for the purposes of the JEDD. The continued existence of the JEDD is dependent upon the continued participation by the City and Township; however, the City or Township does not have an equity interest in the JEDD. The JEDD is not accumulating significant financial resources and is not experiencing fiscal distress that may cause an additional financial burden on the City. The City serves as fiscal agent for the JEDD. Complete financial information can be obtained from the Zanesville-Newton Township Joint Economic Development District, Zanesville, Ohio.

**NOTE 21 - RELATED PARTY ORGANIZATION**

The South East Area Transit Authority (SEAT) 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 SEAT is an independent political subdivision of the State of Ohio and thus is not subject to federal or state income taxes.

The SEAT is managed by a ten member Board of Trustees, who establishes policies and sets direction for the management of the SEAT. 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 SEAT 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 SEAT, but its role is limited to a ministerial function. The SEAT may issue debt and determine its own budget. Complete financial information can be obtained from the South East Area Transit Authority, 375 Fairbanks Street, Zanesville, Ohio 43701.

**City of Zanesville, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2013*

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**NOTE 22 - CONTINGENCIES**

A. Grants

The City received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the City at December 31, 2013.

B. Litigation

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

**NOTE 23 - ACCOUNTABILITY AND COMPLIANCE**

A. Accountability

The Fire Operating Special Revenue Fund has a deficit fund balance of \$375,940 as of December 31, 2013. The deficit is the result of the recognition of interfund payable to the Cemetery Endowment Fund.

B. Compliance

The following budgetary violations were noted:

The General Fund had original appropriations in excess of estimated resources in the amount of \$545,373 which is contrary to Section 5705.39, Revised Code.

**CITY OF ZANESVILLE  
MUSKINGUM COUNTY**

**FEDERAL AWARDS EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED DECEMBER 31, 2013**

<b>FEDERAL GRANTOR</b> <i>Pass-Through Grantor</i> Program Title	Pass-Through Entity Number	Federal CFDA Number	Expenditures
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>			
<i>Passed Through Ohio Development Services Agency</i>			
Community Development Block Grants/State's Program	A-F-11-2ES-1	14.228	\$65,106
	A-F-12-2ES-1		106,376
	A-Z-08-204-1		<u>9,272</u>
Total Community Development Block Grant			<u>180,754</u>
HOME Investment Partnership Program	A-C-12-2ES-1	14.239	88,698
	A-C-12-2ES-2		57,229
	S-C-12-2ES-1		<u>18,329</u>
Total HOME Investment Partnership Program			<u>164,256</u>
Total U.S. Department of Housing and Urban Development			345,010
<b>U.S. DEPARTMENT OF TRANSPORTATION</b>			
<i>Direct Program</i>			
Airport Improvement Program	3-39-0097-1212	20.106	302,535
	3-39-0097-1313	20.106	<u>86,107</u>
Total Airport Improvement Program			<u>388,642</u>
<i>Passed Through Ohio Department of Transportation</i>			
Highway Planning and Construction	MUS CR 146	20.205	11,871
	MUS CR 2004		<u>199,444</u>
Total Highway Planning and Construction			<u>211,315</u>
Total U.S. Department of Transportation			599,957
<b>U.S. DEPARTMENT OF SECURITY</b>			
<i>Passed Through Ohio Department of Public Safety</i>			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	4077-DR-119-88084	97.036	<u>53,720</u>
Total U.S. Department of Security			<u>53,720</u>
<b>Total Federal Awards Expenditures</b>			<b><u><u>\$998,687</u></u></b>

*The accompanying notes are an integral part of this schedule.*

**CITY OF ZANESVILLE  
MUSKINGUM COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED DECEMBER 31, 2013**

**NOTE A – SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B – COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) REVOLVING LOAN PROGRAMS**

The City has a revolving loan fund (RLF) to provide low-interest loans to businesses to create jobs for low to moderate income persons and also to lend money to eligible persons to rehabilitate homes. The federal Department of Housing and Urban Development (HUD) grants money for these loans to the City, passed through the Ohio Department of Development. The Schedule reports loans made and administrative costs as disbursements on the Schedule. Subsequent loans are subject to the same compliance requirements imposed by HUD as the initial loans.

These loans are collateralized by mortgages on the property, including that the individual must remain at the property for at least ten years, and also the individual must inform the City if the property is sold, and the City in turn will notify the Ohio Department of Development of the sale.

Activity in the CDBG revolving loan fund during 2013 is as follows:

Beginning loans receivable balance as of January 1, 2013	\$ 105,459
Loans made	-
Loan principal repaid	<u>15,137</u>
Ending loans receivable balance as of December 31, 2013	\$ 90,322
Cash balance on hand in the revolving loan fund as of December 31, 2013	\$ 64,044
Cash balance on hand in the housing rehab fund as of December 31, 2013	\$ 69,918
Administrative costs expended during 2013	\$ 49,913

The table above reports gross loans receivable. Of the loans receivable as of December 31, 2013, the City estimates that \$19,116 are more than 90 days past due.

**NOTE C – MATCHING REQUIREMENTS**

Certain Federal programs require the City contribute non-Federal funds (matching funds) to support the Federally-funded programs. The City has met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S 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 generally 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, Ohio (the City), as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated September 16, 2014.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the City'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 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 of this section and was not designed to identify all internal control deficiencies 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 reasonably assuring whether the City'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 with those provisions 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.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive, flowing style.

**Dave Yost**  
Auditor of State  
Columbus, Ohio

September 16, 2014



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

To the City Council:

### ***Report on Compliance for the Major Federal Program***

We have audited the City of Zanesville's, Muskingum County, Ohio (the City), compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the City of Zanesville's major federal program for the year ended December 31, 2013. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the City's major federal program.

### ***Management's Responsibility***

The City's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal program.

### ***Auditor's Responsibility***

Our responsibility is to opine on the City's compliance for the City's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

### ***Opinion on the Major Federal Program***

In our opinion, the City of Zanesville complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended December 31, 2013.

***Report on Internal Control Over Compliance***

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

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

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

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

September 16, 2014

**CITY OF ZANESVILLE  
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
DECEMBER 31, 2013**

**1. SUMMARY OF AUDITOR'S RESULTS**

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Airport Improvement Program CFDA #20.106
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

None.

**3. FINDINGS FOR FEDERAL AWARDS**

None.

**CITY OF ZANESVILLE  
MUSKINGUM COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A -133 § .315 (b)  
DECEMBER 31, 2013**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2012-01	Significant Deficiency – Prior period adjustments were made to capital assets and internal service eliminations due to the City’s records not accurately and completely supporting the amounts reported.	Yes	



# 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  
SEPTEMBER 30, 2014**