

CITY OF ZANESVILLE
ANNUAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2010

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

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Dave Yost • Auditor of State

Honorable Mayor and Members of Council
City of Zanesville
401 Market Street
Zanesville, Ohio 43701

We have reviewed the *Independent Auditors' Report* of the City of Zanesville, Muskingum County, prepared by Wolfe, Wilson & Phillips, Inc., for the audit period January 1, 2010 through December 31, 2010. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

November 23, 2011

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**CITY OF ZANESVILLE
MUSKINGUM COUNTY**

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

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Zanesville, Muskingum County as of and for the year ended December 31, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates, if any, made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, based on our report, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Zanesville, Muskingum County as of December 31, 2010, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparison for the General Fund, Police Fund, and Fire Operating Fund for the year then ended in conformity generally accepted accounting principles accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated July 22, 2011, on our consideration of City of Zanesville's internal control over financial reporting and our tests of its compliance with laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. It does not opine on the internal control over financial reporting or on compliance. That report is an integral part of an audit in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

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

Wolfe, Wilson, & Phillips, Inc.
Zanesville, Ohio
July 22, 2011

City of Zanesville
Management's Discussion and Analysis
For the Year Ended December 31, 2010
(Unaudited)

The discussion and analysis of the City of Zanesville's financial performance provides an overview of the City's financial performance as a whole for the year ended December 31, 2010.

Financial Highlights

Key financial highlights for 2010 follow:

- In total, net assets increased \$9,375,477. Net assets of governmental activities increased \$2,218,274. Net assets of business-type activities increased \$7,157,203.
- Governmental Activities general revenues accounted for \$20,157,823 in revenue or 73 percent of all governmental activities revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants accounted for \$7,591,146 or 27 percent of total revenues of \$27,748,969. Business-type activities general revenues accounted for \$51,383 in revenue or less than 1 percent of all business-type activities revenues. Program specific revenues accounted for \$16,297,493 or more than 99 percent of total revenues of \$16,348,876.
- The City had \$25,530,695 in expenses related to governmental activities; \$7,591,146 of these expenses was offset by program specific charges for services, grants or contributions. The City had \$9,140,290 in expenses related to business-type activities; the entire amount was offset by program specific charges for services, grants or contributions.

Using this Annual Financial Report

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

The Statement of Net Assets and Statement of Activities provide information about the activities of the whole City, presenting both an aggregate view of the City's finances and a longer-term view of those assets. 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 as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains information about the funds used by the City to provide services to our citizens, the view of the City as a whole looks at all financial transactions and ask the question, "How did we do financially during 2010?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by private sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when the cash is received or paid.

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

City of Zanesville
Management's Discussion and Analysis
For the Year Ended December 31, 2010
(Unaudited)

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

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

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

Reporting the City's Most Significant Funds

Fund Financial Statements

The basic governmental fund financial statements begin on page 14. Fund financial statements provide detailed information about the City's major funds. Based upon restrictions on the use of monies, the City has established many funds which account for the multitude of services provided to our residents. However, these fund financial statements focus on the City's most significant funds. In the case of the City of Zanesville, our major funds are the General, Police, 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 Assets and the Statement of Activities) and governmental funds is reconciled as part of the financial statements.

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

Fiduciary Funds Fiduciary Funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected on the government-wide financial statements because the resources from these funds are not available to support the City's programs. These funds also use the accrual basis of accounting.

Using This Annual Report

This annual report consists of a series of financial statements and notes to those statements, prepared and organized so the reader can understand the City's financial position.

The Statement of Net Assets (Table 1) and the Statement of Changes in Net Assets (Table 2) provide information about the activities of the whole City. In these statements, the City is divided into two types of activities:

- Governmental Activities—Most of the City's programs and services are reported here. These services, listed in Table 3, are primarily funded by income taxes, property taxes and intergovernmental revenues.
- Business-Type Activities—These services are provided on a charge for service basis and are intended to recover all or most of the cost of the service provided. The City's sewer and water funds are reported here.

The financial statements proceed to provide a more detailed look at the City's financial condition.

City of Zanesville
Management's Discussion and Analysis
For the Year Ended December 31, 2010
(Unaudited)

Government-Wide Financial Analysis

Table 1 provides a summary of the City's net assets for 2010 compared to 2009.

Table 1
Net Assets

	<u>Governmental Activities</u>		<u>Business Type Activities</u>		<u>Total</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Assets						
Current and Other Assets	\$14,830,066	\$13,496,448	\$5,341,850	\$5,829,577	\$20,171,916	\$19,326,025
Capital Assets, Net	18,408,436	18,863,949	58,261,599	50,537,375	76,670,035	69,401,324
Total Assets	\$33,238,502	\$32,360,397	\$63,603,449	\$56,366,952	\$96,841,951	\$88,727,349
Liabilities						
Long-Term Liabilities	\$8,512,935	\$7,608,674	\$23,072,651	\$22,532,902	\$31,585,586	\$30,141,576
Current and Other Liabilities	2,747,395	4,991,825	823,107	1,283,562	3,570,502	6,275,387
Total Liabilities	\$11,260,330	\$12,600,499	\$23,895,758	\$23,816,464	\$35,156,088	\$36,416,963
Net Assets						
Invested in Capital Assets						
Net of Debt	\$11,778,305	\$12,416,548	\$35,578,476	\$28,406,382	\$47,356,781	\$40,822,930
Restricted	4,775,681	4,474,942	0	0	4,775,681	4,474,942
Unrestricted	5,424,186	2,868,408	4,129,215	4,144,106	9,553,401	7,012,514
Total Net Assets	\$21,978,172	\$19,759,898	\$39,707,691	\$32,550,488	\$61,685,863	\$52,310,386

Total capital assets increased \$7,268,711 due primarily to acquisition and construction of capital assets. See Note 8 for additional information regarding capital assets. Current and Other Assets decreased in the business type activities due to a decrease in cash held by the City primarily as a result of increased disbursements for construction. Current and Other Assets increased in the governmental activities due to an increase in cash and accounts receivable, as a result of increased revenues, specifically grants and entitlements revenue. Long-term liabilities decreased \$1,444,010 due to the payment of long term debt, which was partially offset by new loans during the year. See Note 13 for additional information regarding long-term liabilities. Current and other liabilities decreased as a result of decreased accounts payable, contracts payable, intergovernmental payable, and notes payable. The City paid off the outstanding note during the year.

City of Zanesville
Management's Discussion and Analysis
For the Year Ended December 31, 2010
(Unaudited)

Table 2 reflects the changes in net assets for the 2010 compared to 2009.

Table 2
Changes in Net Assets

	Governmental Activities 2010	Business Type Activities 2010	Governmental Activities 2009	Business Type Activities 2009
Revenues				
Program Revenues:				
Charges for Services	\$4,317,410	\$11,188,642	\$3,048,696	\$11,071,584
Operating Grants and Contributions	3,273,736	0	3,631,835	0
Capital Grants and Contributions	0	5,057,468	0	2,325,112
Total Program Revenues	7,591,146	16,246,110	6,680,531	13,396,696
General Revenues:				
Property Taxes	1,819,433	0	1,724,477	0
Municipal Income Tax	14,312,415	0	14,282,261	0
Grants and Entitlements	3,341,878	0	1,994,323	0
Others	684,097	51,383	286,942	9,764
Total General Revenues	20,157,823	51,383	18,288,003	9,764
Total Revenues	27,748,969	16,297,493	24,968,534	13,406,460
Program Expenses:				
General Government	3,434,290	0	3,650,367	0
Security of Persons and Property	14,466,886	0	13,574,458	0
Public Health Services	2,021,828	0	2,070,324	0
Leisure Time Activities	752,478	0	1,187,028	0
Community Environment	1,861,920	0	1,124,071	0
Transportation	2,714,065	0	3,219,173	0
Interest and Fiscal Charges	279,228	0	256,923	0
Sewer	0	5,317,556	0	5,085,075
Water	0	3,822,734	0	5,497,269
Total Expenses	25,530,695	9,140,290	25,082,344	10,582,344
Changes in Net Assets	2,218,274	7,157,203	(113,810)	2,824,116
Net Assets Beginning of Year	19,759,898	32,550,488	19,873,708	29,726,372
Net Assets End of Year	\$21,978,172	\$39,707,691	\$19,759,898	\$32,550,488

City of Zanesville
Management's Discussion and Analysis
For the Year Ended December 31, 2010
(Unaudited)

Governmental Activities

Total revenues of governmental activities in 2010 were \$27,748,969.

The largest single source of revenue to fund the City's governmental activities is the 1.9% income tax collected within the City. The general 1% portion of the tax was established in 1959 by Ordinance No. 59-86; \$7,973,006 was collected in 2010. In 1980, City Council passed Ordinance No. 80-62 (subsequently approved by voters) establishing a .5% tax devoted to the operation of the Police Department; \$3,523,996 was collected in 2010. In 1991, Ordinance No. 91-14 was passed by City Council (and approved by voters), establishing a .2% tax earmarked for the construction and operation of the city jail; \$1,410,401 was collected in 2010. In 2006, Ordinance No. 06-152 was passed by City Council (and approved by voters), establishing a .2% tax earmarked for the operation of the City's three fire stations. \$1,405,012 was collected in 2010. Total income tax collections in 2010 were \$14,312,415.

The decrease to operating grants is due to the city receiving less money from various grants in the current year than in the prior year. Leisure time activities decreased due to a donation that was received in the prior year, which was not received in the current year, and therefore funds were not available to use. Leisure Time Activities decreased due to a decrease in staffing in that department.

Security of Persons and Property increased due increased costs of security and protection of the City's citizens. Community Environment expense increased as a result of the clean up and revitalization of Riverside Park. Transportation decreased due to less paving and resurfacing projects during 2010.

Also, the City has entered into three Joint Economic Development District agreements (JEDDs) that allow it to collect income taxes in special districts in return for City participation in infrastructure improvements in the districts.

Other major sources of funds include transportation-related taxes, local government funds and property taxes. In total these revenues showed no significant growth from the prior year; this lack of growth has been a multi-year trend. During 2010, unrestricted grants significantly increased due to an increase in inheritance tax.

Table 3 shows the total cost of services for governmental activities and the net cost of services. The net cost of services represents the cost of services supported by tax revenues and unrestricted intergovernmental revenues.

Table 3
Governmental Activities

	Total Cost of Services 2010	Net Cost of Services 2010	Total Cost of Services 2009	Net Cost of Services 2009
General Government	\$3,434,290	\$2,499,140	\$3,650,367	\$2,946,599
Security of Persons and Property	14,466,886	9,984,113	13,574,458	9,880,994
Public Health Services	2,021,828	1,443,823	2,070,324	1,570,281
Leisure Time Activities	752,478	534,827	1,187,028	986,032
Community Environment	1,861,920	1,301,283	1,124,071	875,602
Transportation	2,714,065	2,015,225	3,219,173	2,006,857
Interest and Fiscal Charges	279,228	161,138	256,923	135,448
Total Expenses	\$25,530,695	\$17,939,549	\$25,082,344	\$18,401,813

Total expenses of governmental activities in 2010 were \$25,530,695.

At \$14,466,886, or 57% of the total, expenses related to Security of Persons and Property, primarily police and fire operations, accounted for the largest single share of total governmental activities. This was followed by General Government activities at \$3,434,290, or 13% of the total.

City of Zanesville
Management's Discussion and Analysis
For the Year Ended December 31, 2010
(Unaudited)

Business-Type Activities

On its financial statements, the City's enterprise funds are the sewer and water funds. The major source of revenue for these funds is charges for services.

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

The City's Funds

The City's governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$26,092,082 and expenditures of \$25,103,082.

The most significant change in fund balance was an increase to the General Fund in the amount of \$1,865,111. This was due in part to an increase in the intergovernmental revenue due to a one time increase in the inheritance tax from the State; overall close budgetary monitoring of expenditures, and a decrease in capital outlay expenditures. The Police and Fire Operating funds showed increases in fund balance of \$371,038 and \$122,885 which was primarily due to transfers from the General Fund to subsidize these funds.

During 2010, the Water Fund had operating revenues of \$5,157,028, which is an increase from 2009, and operating expenses of \$3,773,507. The Sewer Fund had operating revenues of \$6,031,614 and operating expenses of \$4,447,235.

Budgetary Highlights

The City prepares an annual budget of revenues and appropriations for all funds effective the first day of its fiscal year on January 1. This version of the budget contains estimates of the amounts carried over in each fund from the previous year. Prior to April 1, the budget is revised to reflect the actual amounts carried over. Periodically through the year the budget is revised to reflect actual activity or changes in priority. Though some minor budgetary changes can be made administratively, the initial budget and most amendments must be passed by City Council.

The most significant budgeted fund is the General Fund. This fund supports many major activities such as the Fire Division, Building Code Enforcement, Parks and Recreation, and the Municipal Court. Additionally, large transfers are made from the General Fund to support other activities such as the Police, Fire, Community Development, Cemetery, Sanitation and Vehicle Maintenance Divisions, this amount totaled \$7,260,267 for 2010. On a cash basis, in 2010 the General Fund had a beginning balance of \$1,056,060, received \$13,249,422 in revenue and had expenditures of \$6,538,952. Actual revenues and other financing sources were \$1,523,708 above the final estimated resources. Budget basis expenditures and other financing uses (cash basis expenditures plus encumbrances) were \$4,485,877 below the final appropriations. General government expenditures continued to decrease from the original budget to actual due to the city's cost cutting efforts and transfers out being less than budgeted.

Capital Assets and Debt Administration

Capital Assets

The assets of the City are reported at historical cost, net of depreciation. Total capital assets net of depreciation at December 31, 2010 were \$18,408,436 for governmental activities and \$58,261,599 for business type activities. For additional information on capital assets, see Note 8 to the basic financial statements.

City of Zanesville
Management's Discussion and Analysis
For the Year Ended December 31, 2010
(Unaudited)

Debt

Total debt outstanding at December 31, 2010 for governmental activities was \$6,630,131, and for business type activities was \$22,683,123. For additional information on debt, see Note 13 to the basic financial statements.

Current Issues

Over the past 2 to 3 years the City has experienced low growth in revenues while costs, primarily employee-related, have increased. The national recession has had a local impact. Consequently, the City has relied more heavily than it would like on the strong fund balances built up from the good economic times of the mid- to late-1990s. The current year increase in intergovernmental revenue has been a significant assistance to the operation of the City. Revenue from the City's JEDDs has also helped.

There is one project to note:

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

Request for Information

This financial report is designed to provide a general overview of the City's finances and to show the City's accountability for the money it receives, spends and invests. Questions concerning any of the information provided in this report or requests for additional information should be directed to the City Auditor, City of Zanesville, 401 Market Street, Zanesville, OH 43701; (740) 455-0673.

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City of Zanesville
Statement of Net Assets
December 31, 2010

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
Assets			
Equity in Pooled Cash and Cash Equivalents	\$ 5,691,602	\$ 2,272,361	\$ 7,963,963
Cash and Cash Equivalents in Segregated Accounts	19,472		19,472
Accounts Receivable	2,030,703	1,808,634	3,839,337
Municipal Income Taxes Receivable	2,447,773	0	2,447,773
Accrued Interest Receivable	28,055	0	28,055
Intergovernmental Receivable	2,733,462	5354	2,738,816
Material and Supplies Inventory	278,305	862,926	1,141,231
Prepaid Items	90,649	26,338	116,987
Property and Other Local Taxes Receivable	1,173,736	0	1,173,736
Special Assessments Receivable	0	15,480	15,480
Loans Receivable	251,777	0	251,777
Internal Balances	17,112	(17,112)	0
Deferred Charges	67,420	0	67,420
Restricted Assets:			
Cash and Cash Equivalents-Customer Deposits	0	367,869	367,869
Non-Depreciable Capital Assets	3,703,015	7,976,429	11,679,444
Depreciable Capital Assets, net	14,705,421	50,285,170	64,990,591
Total Assets	<u>33,238,502</u>	<u>63,603,449</u>	<u>96,841,951</u>
Liabilities			
Accounts Payable	255,231	195,585	450,816
Accrued Wages and Benefits Payable	526,235	118,115	644,350
Intergovernmental Payable	1,000,601	140,470	1,141,071
Matured Severences Payable	72,599	0	72,599
Accrued Interest Payable	16,613	1,068	17,681
Retainage Payable	0	62,588	62,588
Claims Payable	671,900	0	671,900
Customer Deposits Payable	0	305,281	305,281
Deferred Revenue	322,760	0	322,760
Unearned Revenue	204,216	0	204,216
Long-Term Liabilities:			
Due Within One Year	1,821,341	2,333,820	4,155,161
Due In More Than One Year	6,691,594	20,738,831	27,430,425
Total Liabilities	<u>11,583,090</u>	<u>23,895,758</u>	<u>35,478,848</u>
NET ASSETS:			
Invested in Capital Assets, Net of Related Debt	11,778,305	35,578,476	47,356,781
Restricted for:			
Capital Projects	859,714	0	859,714
Restricted for Community Development Projects	1,652,827	0	1,652,827
Restricted for Cemetery	712,384	0	712,384
Restricted for Jail Operating	328,466	0	328,466
Restricted for Sanitation	332,633	0	332,633
Other Purposes	889,657	0	889,657
Unrestricted	5,101,426	4,129,215	9,230,641
Total Net Assets	<u>\$ 21,655,412</u>	<u>\$ 39,707,691</u>	<u>\$ 61,363,103</u>

See accompanying notes to the basic financial statements

City of Zanesville
Statement of Activities
For the Year Ended December 31, 2010

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
General Government	\$ 3,434,290	\$ 906,303	\$ 28,847	\$ -	\$ (2,499,140)	\$ -	\$ (2,499,140)
Security of Person and Property	14,466,886	2,378,203	2,104,570	-	(9,984,113)	-	(9,984,113)
Public Health Services	2,021,828	256,511	321,494	-	(1,443,823)	-	(1,443,823)
Leisure Time Activities	752,478	176,446	41,205	-	(534,827)	-	(534,827)
Community Environment	1,861,920	297,408	263,229	-	(1,301,283)	-	(1,301,283)
Transportation	2,714,065	263,221	435,619	-	(2,015,225)	-	(2,015,225)
Interest and Fiscal Charges	279,228	39,318	78,772	-	(161,138)	-	(161,138)
<i>Total Governmental Activities</i>	<u>25,530,695</u>	<u>4,317,410</u>	<u>3,273,736</u>	<u>-</u>	<u>(17,939,549)</u>	<u>-</u>	<u>(17,939,549)</u>
Business Type Activities							
Water	5,317,556	6,031,614	-	340,111	-	1,054,169	1,054,169
Sewer	3,822,734	5,157,028	-	4,717,357	-	6,051,651	6,051,651
<i>Total Business Type Activities</i>	<u>9,140,290</u>	<u>11,188,642</u>	<u>-</u>	<u>5,057,468</u>	<u>-</u>	<u>7,105,820</u>	<u>7,105,820</u>
<i>Total Primary Government</i>	<u>\$ 34,670,985</u>	<u>\$ 15,506,052</u>	<u>\$ 3,273,736</u>	<u>\$ 5,057,468</u>	<u>(17,939,549)</u>	<u>7,105,820</u>	<u>(10,833,729)</u>
General Revenues:							
Property and Other Taxes Levied for General Purposes					380,638	-	380,638
Property and Other Taxes Levied for Courts and Public Safety					226,514	-	226,514
Property and Other Taxes Levied for Debt Service					347,054	-	347,054
Property and Other Taxes Levied for Capital Projects					542,467	-	542,467
Municipal Income Tax Levied for General Purposes					7,973,006	-	7,973,006
Municipal Income Tax Levied for Police					3,523,996	-	3,523,996
Municipal Income Tax Levied for Jail Operations					1,410,401	-	1,410,401
Municipal Income Tax Levied for Fire Operations					1,405,012	-	1,405,012
Grants and Entitlements not Restricted to Specific Programs					3,341,878	-	3,341,878
Special Assessments					-	20,078	20,078
Gain on Sale of Capital Assets					100	-	100
Interest					184,255	290	184,545
Miscellaneous					499,742	31,015	530,757
Total General Revenues					<u>19,835,063</u>	<u>51,383</u>	<u>19,886,446</u>
Change in Net Assets					1,895,514	7,157,203	9,052,717
<i>Net Assets Beginning of Year</i>					<u>19,759,898</u>	<u>32,550,488</u>	<u>52,310,386</u>
<i>Net Assets End of Year</i>					<u>\$ 21,655,412</u>	<u>\$ 39,707,691</u>	<u>\$ 61,363,103</u>

See accompanying notes to the basic financial statements

City of Zanesville
Balance Sheet
Governmental Funds
December 31, 2010

	General	Police	Fire Operating	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	\$2,180,836	\$237,849	\$31,583	\$2,514,512	\$4,964,780
Cash and Cash Equivalents					
In Segregated Accounts	7,787	0	0	11,685	19,472
Receivables:					
Property and Other Local Taxes	681,930	0	0	491,806	1,173,736
Municipal Income Tax	1,288,264	644,009	257,750	257,750	2,447,773
Accounts	1,644,162	0	0	386,541	2,030,703
Loans	0	0	0	251,777	251,777
Interfund	7,089	0	0	278,327	285,416
Intergovernmental	916,014	0	0	1,817,448	2,733,462
Accrued Interest	27,904	0	0	151	28,055
Materials and Supplies Inventory	569	5,660	0	30,052	36,281
Prepaid Items	37,104	18,593	5,705	27,600	89,002
<i>Total Assets</i>	<u>\$6,791,659</u>	<u>\$906,111</u>	<u>\$295,038</u>	<u>\$6,067,649</u>	<u>\$14,060,457</u>
Liabilities and Fund Balances					
Liabilities					
Accounts Payable	\$44,821	\$20,607	\$3,614	\$167,908	\$236,950
Accrued Wages and Benefits Payable	100,732	155,211	139,805	114,778	510,526
Matured Severance Payable	5,152	0	50,272	17,175	72,599
Intergovernmental Payable	250,328	290,405	322,699	120,059	983,491
Interfund Payable	5,133	14,056	3,496	299,901	322,586
Deferred Revenue	3,306,435	91,001	36,421	2,509,101	5,942,958
<i>Total Liabilities</i>	<u>3,712,601</u>	<u>571,280</u>	<u>556,307</u>	<u>3,228,922</u>	<u>8,069,110</u>
Fund Balances					
Reserved for Encumbrances	33,839	0	1,271	160,241	195,351
Reserved for Unclaimed Monies	9,651	0	0	0	9,651
Reserved for Loans	0	0	0	251,777	251,777
Unreserved, Undesignated, Reported in:					
General Fund	3,035,568	0	0	0	3,035,568
Special Revenue Funds	0	334,831	(262,540)	2,017,042	2,089,333
Debt Service Funds	0	0	0	(212,542)	(212,542)
Capital Projects Funds	0	0	0	622,209	622,209
<i>Total Fund Balances</i>	<u>3,079,058</u>	<u>334,831</u>	<u>(261,269)</u>	<u>2,838,727</u>	<u>5,991,347</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$6,791,659</u>	<u>\$906,111</u>	<u>\$295,038</u>	<u>\$6,067,649</u>	<u>\$14,060,457</u>

See accompanying notes to the basic financial statements

City of Zanesville
 Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 December 31, 2010

Total Governmental Fund Balances		\$5,991,347
<i>Amounts reported for governmental activities in the statement of net assets are different because</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds (governmental internal service fund capital assets included).		18,408,436
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:		
Property and Other Taxes	217,208	
Deferred Assessments	2,661,051	
Intergovernmental	2,537,723	
Total		5,415,982
Unamortized issuance costs represent deferred charges which do not provide current financial resources and, therefore, are not reported in the funds.		67,420
Internal service funds are used by management to charge the cost of insurance and vehicle maintenance to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets (excluding capital assets reported above and compensated absences reported below).		301,775
Some liabilities are not due and payable in the current period and therefore are not reported in the funds:		
General Obligation Bonds and ODOT Loans Payable	(6,630,131)	
Accrued Interest Payable	(16,613)	
Compensated Absences Payable	(1,882,804)	
Total		(8,529,548)
<i>Net Assets of Governmental Activities</i>		\$21,655,412

See accompanying notes to the basic financial statements

City of Zanesville
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2010

	General	Police	Fire Operating	Other Governmental Funds	Total Governmental Funds
Revenues					
Property and Other Taxes	\$604,731	\$0	\$0	\$1,210,842	\$1,815,573
Municipal Income Tax	7,985,236	3,530,110	1,407,459	1,453,033	14,375,838
Charges for Services	232,957	11,277	3,339	1,752,918	2,000,491
Licenses and Permits	89,625	8,860	0	436,262	534,747
Fines and Forfeitures	270,072	0	0	67,234	337,306
Intergovernmental	3,299,217	13,455	0	3,004,025	6,316,697
Interest	136,071	0	0	48,184	184,255
Rent	6,692	0	0	20,741	27,433
Other	411,014	12,273	1,146	75,309	499,742
<i>Total Revenues</i>	<u>13,035,615</u>	<u>3,575,975</u>	<u>1,411,944</u>	<u>8,068,548</u>	<u>26,092,082</u>
Expenditures					
Current:					
General Government	2,508,277	0	0	516,142	3,024,419
Security of Persons and Property	1,519,788	5,640,358	5,034,297	1,733,074	13,927,517
Public Health Services	53,743	0	0	1,914,311	1,968,054
Leisure Time Activities	404,128	0	0	243,498	647,626
Community Environment	284,039	0	0	1,576,977	1,861,016
Transportation	0	0	0	1,877,096	1,877,096
Capital Outlay	247,582	13,140	0	713,022	973,744
Debt Service:					
Principal Retirement	0	0	0	479,376	479,376
Interest and Fiscal Charges	24,307	0	0	251,232	275,539
Issuance Costs	0	0	0	69,149	69,149
<i>Total Expenditures</i>	<u>5,041,864</u>	<u>5,653,498</u>	<u>5,034,297</u>	<u>9,373,877</u>	<u>25,103,536</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>7,993,751</u>	<u>(2,077,523)</u>	<u>(3,622,353)</u>	<u>(1,305,329)</u>	<u>988,546</u>
Other Financing Sources (Uses)					
Proceeds from Sale of Capital Assets	100	0	0	0	100
Proceeds from Bonds	1,131,527	0	0	78,473	1,210,000
Transfers In	0	2,448,561	3,745,238	969,746	7,163,545
Transfers Out	(7,260,267)	0	0	0	(7,260,267)
<i>Total Other Financing Sources (Uses)</i>	<u>(6,128,640)</u>	<u>2,448,561</u>	<u>3,745,238</u>	<u>1,048,219</u>	<u>1,113,378</u>
<i>Net Change in Fund Balances</i>	1,865,111	371,038	122,885	(257,110)	2,101,924
<i>Fund Balances Beginning of Year</i>	<u>1,213,947</u>	<u>(36,207)</u>	<u>(384,154)</u>	<u>3,095,837</u>	<u>3,889,423</u>
<i>Fund Balances End of Year</i>	<u>\$3,079,058</u>	<u>\$334,831</u>	<u>(\$261,269)</u>	<u>\$2,838,727</u>	<u>\$5,991,347</u>

See accompanying notes to the basic financial statements

City of Zanesville
 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, 2010

Net Change in Fund Balance - Total Governmental Funds		\$2,101,924
<p>Amounts reported for governmental activities on the statement of activities are different because:</p>		
<p>Governmental funds report capital outlays as expenditures. However, on the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded asset additions in the current year:</p>		
Capital Asset Additions	937,740	
Current Year Depreciation	<u>(1,393,253)</u>	
Total		(455,513)
<p>Revenues on the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds:</p>		
Property and Municipal Taxes	(59,563)	
Charges for Services	1,417,433	
Intergovernmental	<u>298,917</u>	
Total		1,656,787
<p>Repayments of general obligation bonds and loans are an expenditure in the governmental funds, but the repayments reduce long-term liabilities in the statement of net assets.</p>		
General Obligation Bonds	233,500	
ODOT SIB Loan	<u>245,876</u>	
Total		479,376
<p>General obligation refunding bonds issued are other financing sources in governmental funds, but the issuance increases long-term liabilities on the statement of net assets.</p>		
General Obligation Refunding Bonds Issued		(1,210,000)
<p>Bond issuance costs are recorded as an expenditure in the governmental funds, but are recognized as an asset and are not recorded in the statement of activities.</p>		
		69,149
<p>The amortization of bond issuance costs are not included as expenditures in the funds, but are recorded as interest expense in the government-wide financial statements.</p>		
		(1,729)
<p>Some expenses reported on the statement of activities do not require the use of current financial resources, therefore, are not reported as expenditures in governmental funds.</p>		
Accrued Interest Payable	(2,861)	
Compensated Absences Payable	<u>(174,538)</u>	
Total		(177,399)
<p>Premiums are reported as other financing sources when received in the governmental funds; however, these amounts are deferred and amortized over the life of the debt on the statement of activities.</p>		
		901
<p>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. Change in net assets is net of depreciation expense and change in compensated absences, which are included above.</p>		
		<u>(245,222)</u>
Change in Net Assets of Governmental Activities		<u><u>\$2,218,274</u></u>

See accompanying notes to the basic financial statements

City of Zanesville
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Year Ended December 31, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
Revenues				
Property and Other Local Taxes	\$ 1,023,064	\$ 600,981	\$ 604,731	\$ 3,750
Municipal Income Taxes	13,418,061	7,735,411	7,931,384	195,973
Charges for Services	571,458	677,451	644,793	(32,658)
Licenses and Permits	58,004	77,200	69,500	(7,700)
Fines and Forfeitures	260,877	390,000	290,046	(99,954)
Rent	845	6,252	6,692	440
Intergovernmental	2,831,739	2,100,430	3,181,698	1,081,268
Interest	99,246	50,000	110,343	60,343
Other	387,149	403,086	410,235	7,149
<i>Total Revenues</i>	<u>18,650,443</u>	<u>12,040,811</u>	<u>13,249,422</u>	<u>1,208,611</u>
Expenditures				
Current:				
General Government	3,938,797	2,820,000	2,810,889	9,111
Security of Persons and Property	1,580,691	1,580,000	1,575,274	4,726
Public Health Services	54,517	55,000	54,330	670
Leisure Time Activities	437,721	440,000	436,221	3,779
Community Environment	279,889	280,000	278,930	1,070
Capital Outlay	273,929	272,695	251,781	20,914
Debt Service:				
Principal Retirements	111,027	1,120,000	1,107,220	12,780
Interest and Fiscal Charges	24,391	30,000	24,307	5,693
<i>Total Expenditures</i>	<u>6,700,962</u>	<u>6,597,695</u>	<u>6,538,952</u>	<u>58,743</u>
<i>Excess of Revenues Over Expenditures</i>	11,949,481	5,443,116	6,710,470	1,267,354
Other Financing Sources (Uses)				
Proceeds from Sale of Notes	1,131,527	1,131,530	1,131,527	(3)
Advances In	315,000	0	315,000	315,000
Transfers In	0	0	-	0
Proceeds from Sale of Capital Assets	0	0	100	100
Advances Out	(315,000)	(315,000)	(315,000)	0
Transfers Out	(21,413,490)	(7,260,267)	(7,260,267)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(20,281,963)</u>	<u>(6,443,737)</u>	<u>(6,128,640)</u>	<u>315,097</u>
Net Change in Fund Balance	(8,332,482)	(1,000,621)	581,830	1,582,451
<i>Fund Balance Beginning of Year</i>	<u>1,056,060</u>	<u>1,056,060</u>	<u>1,056,060</u>	<u>0</u>
Prior Year Encumbrances Appropriated	304,410	304,410	304,410	0
<i>Fund Balance End of Year</i>	<u>\$ (6,972,012)</u>	<u>\$ 359,849</u>	<u>\$ 1,942,300</u>	<u>\$ 1,582,451</u>

See accompanying notes to the basic financial statements

City of Zanesville
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
Police Fund
For the Year Ended December 31, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Municipal Income Taxes	\$0	\$3,503,189	\$3,503,189	\$0
Charges for Services	13,438	78,882	11,277	(67,605)
Licenses and Permits	0	8,860	8,860	0
Intergovernmental	17,156	94,155	13,455	(80,700)
Other	28,270	149,208	12,573	(136,635)
<i>Total Revenues</i>	58,864	3,834,294	3,549,354	(284,940)
Expenditures				
Current:				
Security of Persons and Property	6,289,620	5,908,499	5,818,669	89,830
Capital Outlay	16,509	28,493	13,140	15,353
<i>Total Expenditures</i>	6,306,129	5,936,992	5,831,809	105,183
<i>Excess of Revenues Under Expenditures</i>	(6,247,265)	(2,102,698)	(2,282,455)	(179,757)
Other Financing Sources				
Transfers In	5,951,750	2,448,561	2,448,561	0
<i>Total Other Financing Sources</i>	5,951,750	2,448,561	2,448,561	0
<i>Net Change in Fund Balance</i>	(295,515)	345,863	166,106	(179,757)
<i>Fund Balance Beginning of Year</i>	50,300	50,300	50,300	0
Prior Year Encumbrances Appropriated	11,207	11,207	11,207	0
<i>Fund Balance End of Year</i>	<u>(\$234,008)</u>	<u>\$407,370</u>	<u>\$227,613</u>	<u>(\$179,757)</u>

See accompanying notes to the basic financial statements

City of Zanesville
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
Fire Operating Fund
For the Year Ended December 31, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Municipal Income Tax	\$0	\$1,396,685	\$1,396,685	\$0
Charges for Services	120,906	7,760	3,339	(4,421)
Other	41,497	2,340	1,146	(1,194)
<i>Total Revenues</i>	162,403	1,406,785	1,401,170	(5,615)
Expenditures				
Current:				
Security of Persons and Property	5,137,870	5,126,598	5,120,831	5,767
<i>Total Expenditures</i>	5,137,870	5,126,598	5,120,831	5,767
<i>Excess of Revenues Under Expenditures</i>	(4,975,467)	(3,719,813)	(3,719,661)	152
Other Financing Sources				
Transfers In	5,141,923	3,745,238	3,745,238	0
<i>Total Other Financing Sources</i>	5,141,923	3,745,238	3,745,238	0
<i>Net Change in Fund Balance</i>	166,456	25,425	25,577	152
<i>Fund Balance Beginning of Year</i>	0	0	0	0
Prior Year Encumbrances Appropriated	4,032	4,032	4,032	0
<i>Fund Balance End of Year</i>	<u>\$170,488</u>	<u>\$29,457</u>	<u>\$29,609</u>	<u>\$152</u>

See accompanying notes to the basic financial statements

City of Zanesville
Statement of Fund Net Assets
Proprietary Funds
December 31, 2010

	Business Type Activities - Enterprise Funds			Governmental Activities- Internal Service Funds
	Sewer	Water	Total	
Assets				
Current:				
Equity in Pooled Cash and Cash Equivalents	\$1,468,638	\$803,723	\$2,272,361	\$726,822
Receivables:				
Accounts	1,047,725	760,909	1,808,634	0
Special Assessments	15,480	0	15,480	0
Intergovernmental	0	5,354	5,354	0
Interfund	0	0	0	54,282
Materials and Supplies Inventory	274,250	588,676	862,926	242,024
Prepaid Items	7,869	18,469	26,338	1,647
Restricted Assets:				
Cash and Cash Equivalents - Customer Deposits	0	305,281	305,281	0
Cash and Cash Equivalents in Segregated Accounts	62,588	0	62,588	0
<i>Total Current Assets</i>	<u>2,876,550</u>	<u>2,482,412</u>	<u>5,358,962</u>	<u>1,024,775</u>
Noncurrent:				
Non-Depreciable Capital Assets	791,330	7,185,099	7,976,429	0
Depreciable Capital Assets, Net	44,806,942	5,478,228	50,285,170	3,817
<i>Total Noncurrent Assets</i>	<u>45,598,272</u>	<u>12,663,327</u>	<u>58,261,599</u>	<u>3,817</u>
<i>Total Assets</i>	<u>48,474,822</u>	<u>15,145,739</u>	<u>63,620,561</u>	<u>1,028,592</u>
Liabilities				
Current:				
Accounts Payable	37,078	158,507	195,585	18,281
Accrued Wages and Benefits Payable	55,564	62,551	118,115	15,709
Compensated Absences Payable	171,678	136,202	307,880	25,767
Intergovernmental Payable	67,514	72,956	140,470	17,110
Claims Payable	0	0	0	671,900
Interfund Payable	4,667	12,445	17,112	0
Accrued Interest Payable	0	1,068	1,068	0
OWDA Loans Payable	1,573,294	354,405	1,927,699	0
OPWC Loans Payable	0	35,241	35,241	0
General Obligation Bonds Payable	0	63,000	63,000	0
<i>Total Current Liabilities</i>	<u>1,909,795</u>	<u>896,375</u>	<u>2,806,170</u>	<u>748,767</u>
Current Liabilities Payable from Restricted Assets:				
Customer Deposits	0	305,281	305,281	0
Retainage Payable	62,588	0	62,588	0
<i>Total Current Liabilities Payable from Restricted Assets</i>	<u>62,588</u>	<u>305,281</u>	<u>367,869</u>	<u>0</u>
Long-Term (Net of Current Portion):				
Compensated Absences Payable	0	81,648	81,648	28,800
OWDA Loans Payable	16,946,995	3,076,015	20,023,010	0
OPWC Loans Payable	0	128,673	128,673	0
General Obligation Bonds Payable	0	505,500	505,500	0
<i>Total Long-Term Liabilities</i>	<u>16,946,995</u>	<u>3,791,836</u>	<u>20,738,831</u>	<u>28,800</u>
<i>Total Liabilities</i>	<u>18,919,378</u>	<u>4,993,492</u>	<u>23,912,870</u>	<u>777,567</u>
Net Assets				
Invested in Capital Assets, Net of Related Debt	27,077,983	8,500,493	35,578,476	3,817
Unrestricted	2,477,461	1,651,754	4,129,215	247,208
<i>Total Net Assets</i>	<u>\$29,555,444</u>	<u>\$10,152,247</u>	<u>39,707,691</u>	<u>\$251,025</u>

See accompanying notes to the basic financial statements

City of Zanesville
Statement of Revenues, Expenses
and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended December 31, 2010

	Business Type Activities - Enterprise Funds			Governmental Activities- Internal Service Funds
	Sewer	Water	Total	
Operating Revenues				
Charges for Services	\$6,031,614	\$5,157,028	\$11,188,642	\$5,383,171
<i>Total Operating Revenues</i>	<u>6,031,614</u>	<u>5,157,028</u>	<u>11,188,642</u>	<u>5,383,171</u>
Operating Expenses				
Personal Services	1,968,562	2,051,964	4,020,526	391,587
Contractual Services	1,380,439	1,040,631	2,421,070	87,971
Materials and Supplies	229,884	488,793	718,677	686,376
Claims	0	0	0	4,573,256
Depreciation	868,350	192,119	1,060,469	1,404
<i>Total Operating Expenses</i>	<u>4,447,235</u>	<u>3,773,507</u>	<u>8,220,742</u>	<u>5,740,594</u>
<i>Operating Income (Loss)</i>	1,584,379	1,383,521	2,967,900	(357,423)
Non-Operating Revenues (Expenses)				
Special Assessments	20,078	0	20,078	0
Interest	41	249	290	0
Interest and Fiscal Charges	(870,321)	(49,227)	(919,548)	0
Other Non-Operating Revenues	10,318	20,697	31,015	158
<i>Total Non-Operating Revenues (Expenses)</i>	<u>(839,884)</u>	<u>(28,281)</u>	<u>(868,165)</u>	<u>158</u>
<i>Income (Loss) Before Transfers</i>	744,495	1,355,240	2,099,735	(357,265)
Transfers In	0	0	0	96,722
<i>Income (Loss) Before Capital Contributions</i>	744,495	1,355,240	2,099,735	(260,543)
Capital Contributions - Intergovernmental	340,111	4,717,357	5,057,468	0
<i>Change in Net Assets</i>	1,084,606	6,072,597	7,157,203	(260,543)
<i>Net Assets Beginning of Year</i>	<u>28,470,838</u>	<u>4,079,650</u>	<u>32,550,488</u>	<u>511,568</u>
<i>Net Assets End of Year</i>	<u>\$29,555,444</u>	<u>\$10,152,247</u>	<u>\$39,707,691</u>	<u>\$251,025</u>

See accompanying notes to the basic financial statements

City of Zanesville
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2010

	<u>Business Type Activities - Enterprise Funds</u>			<u>Governmental Activities- Internal Service Funds</u>
	<u>Sewer</u>	<u>Water</u>	<u>Total</u>	
<i>Increase (Decrease) in Cash and Cash Equivalents</i>				
Cash Flows from Operating Activities:				
Cash Received from Customers	\$5,880,879	\$5,198,736	\$11,079,615	\$5,356,878
Cash Payments for Employee Services and Benefits	(1,737,442)	(1,737,664)	(3,475,106)	(783,838)
Cash Payments to Suppliers for Goods and Services	(2,020,371)	(2,123,498)	(4,143,869)	(376,017)
Cash Payments for Claims	0	0	0	(4,382,956)
<i>Net Cash Provided by (Used in) Operating Activities</i>	<u>2,123,066</u>	<u>1,337,574</u>	<u>3,460,640</u>	<u>(185,933)</u>
Cash Flows from Noncapital Financing Activities:				
Transfer In	0	0	0	96,722
<i>Net Cash Provided by (Used in) Noncapital Financing Activities</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>96,722</u>
Cash Flows from Capital and Related Financing Activities:				
Acquisition of Capital Assets	(1,132,876)	(7,651,817)	(8,784,693)	0
OWDA Loans Issued	629,364	6,985,619	7,614,983	0
Other Non-Operating Receipts	30,396	20,697	51,093	158
Principal Paid on Debt	(1,914,250)	(5,148,603)	(7,062,853)	0
Interest Paid on Debt	(870,321)	(49,227)	(919,548)	0
Capital Contributions	340,111	4,717,357	5,057,468	0
<i>Net Cash Provided by Capital and Related Financing Activities</i>	<u>(2,917,576)</u>	<u>(1,125,974)</u>	<u>(4,043,550)</u>	<u>158</u>
Cash Flows from Investing Activities:				
Interest on Investments	41	249	290	0
<i>Net Cash Provided by Investing Activities</i>	<u>41</u>	<u>249</u>	<u>290</u>	<u>0</u>
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	(794,469)	211,849	(582,620)	(89,053)
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>2,325,695</u>	<u>897,155</u>	<u>3,222,850</u>	<u>815,875</u>
<i>Cash and Cash Equivalents End of Year</i>	<u>\$1,531,226</u>	<u>\$1,109,004</u>	<u>\$2,640,230</u>	<u>\$726,822</u>

(Continued)

City of Zanesville
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2010
(Continued)

	<u>Business Type Activities - Enterprise Funds</u>			<u>Governmental Activities- Internal Service Funds</u>
	<u>Sewer</u>	<u>Water</u>	<u>Total</u>	
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:				
<i>Operating Income (Loss)</i>	\$1,584,379	\$1,383,521	\$2,967,900	(\$357,423)
Adjustments:				
Depreciation	868,350	192,119	1,060,469	1,404
Changes in Assets and Liabilities:				
(Increase) Decrease in Accounts Receivable	(150,780)	37,382	(113,398)	46,348
(Increase) Decrease in Interfund Receivable	0	0	0	(5,819)
(Increase) Decrease in Intergovernmental Receivable	0	(5,354)	(5,354)	0
(Increase) Decrease in Materials and Supplies Inventory	30,345	(18,419)	11,926	(66,124)
(Increase) Decrease in Prepaid Items	12,842	999	13,841	(38)
Increase (Decrease) in Accounts Payable	(170,752)	(32,148)	(202,900)	5,282
Increase (Decrease) in Contracts Payable	0	(156,318)	(156,318)	0
Increase (Decrease) in Accrued Wages and Benefits Payable	4,377	1,631	6,008	249
Increase (Decrease) in Intergovernmental Payable	(50,737)	(58,534)	(109,271)	(14,029)
Increase/(Decrease) in Claims Payable	0	0	0	190,300
Increase (Decrease) in Compensated Absences Payable	(6,703)	(5,678)	(12,381)	13,917
Increase/(Decrease) in Matured Severance Payable	1,254	(8,953)	(7,699)	0
Increase (Decrease) in Interfund Payable	446	(2,354)	(1,908)	0
Increase/(Decrease) in Customer Deposits	45	9,680	9,725	0
<i>Net Cash Provided by (Used in) Operating Activities</i>	<u>\$2,123,066</u>	<u>\$1,337,574</u>	<u>\$3,460,640</u>	<u>(\$185,933)</u>

See accompanying notes to the basic financial statements

City of Zanesville
Statement of Fiduciary Net Assets
Fiduciary Funds
December 31, 2010

	Private Purpose Trust Funds	Agency Funds
Assets		
Equity in Pooled Cash and Cash Equivalents	\$11,396	\$42,800
Investments	11,960	0
Accrued Interest Receivable	21	0
<i>Total Assets</i>	<i>\$23,377</i>	<i>\$42,800</i>
Liabilities		
Undistributed Monies	0	42,800
<i>Total Liabilities</i>	<i>0</i>	<i>\$42,800</i>
Net Assets		
Held in Trust	23,377	
<i>Total Net Assets</i>	<i>\$23,377</i>	

See accompanying notes to the basic financial statements

City of Zanesville
Statement of Changes in Fiduciary Net Assets
Fiduciary Fund
For the Year Ended December 31, 2010

	<u>Private Purpose Trust Funds</u>
Additions	
Interest	<u>\$303</u>
Deletions	
Other	<u>0</u>
<i>Change in Net Assets</i>	303
<i>Net Assets Beginning of Year</i>	<u>23,074</u>
<i>Net Assets End of Year</i>	<u><u>\$23,377</u></u>

See accompanying notes to the basic financial statements

NOTE 1 - REPORTING ENTITY AND BASIS OF PRESENTATION

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 City employs approximately 342 people. 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.

A. Reporting Entity

The City utilizes the standards of Governmental Accounting Standards Board Statement 14 for determining the reporting entity.

The financial reporting entity consists of a) the primary government, b) component units, which are legally separate organizations which are fiscally dependent on the City or for which the City is financially accountable, and c) governmental organizations for which the primary government is not financially accountable, but for which the nature and significance of their financial relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The City provides various services including police and fire protection, recreation (including parks), planning, zoning, street maintenance and repair, water and water pollution control, sanitation services, and general administrative services. The operation of each of these activities is directly controlled by the Council through the budgetary process. These City operations form the legal entity of the City and are included as part of the primary government.

The following have been excluded from the financial reporting entity:

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

The City is involved with the following organizations which are defined as jointly governed organizations. Additional information concerning the jointly governed organizations is presented in Note 15.

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

The City is involved with the following organizations which are defined as joint ventures. Additional information concerning the joint ventures is presented in Note 16.

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)

NOTE 1 - REPORTING ENTITY AND BASIS OF PRESENTATION (Continued)

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

The South East Area Transit Authority

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed in the preparation of these financial statements are summarized below. These policies conform to accounting principles generally accepted in the United States of America (GAAP) for local governmental units as prescribed in the statements issued by the Governmental Accounting Standards Board and other recognized authoritative sources. The City applies Financial and Accounting Standards Board Statements and Interpretations issued prior to November 30, 1989 to its business type activities and to its proprietary activities provided they do not conflict with Governmental Accounting Standards Board Statements and Interpretations. The City has elected not to follow FASB guidance issue after December 1, 1989.

A. Basis of Presentation

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

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

The statement of net assets presents the financial condition of the governmental and business-type activities of the City at year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities and for business-type activities of the City. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants, and contributions that are restricted to meeting the operational or capital requirements of a particular program. 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 proprietary fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Fund Accounting

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

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

General Fund The General Fund accounts for all financial resources except those required to be accounted for in another fund. The General Fund balance is available to the City for any purpose provided it is expended or transferred according to the general laws of Ohio.

Police Fund The Police 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 designed for operating costs of the City's three fire stations.

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

Proprietary Funds Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position, and cash flows. Proprietary funds are classified as either enterprise or internal service.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus

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

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

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

D. Basis of Accounting

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

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.

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, and entitlements. 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 5). Revenue from grants and entitlements is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the City must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from a non-exchange 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, loans, grants, fees, and rentals.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting (Continued)

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

Property taxes for which there is an enforceable legal claim as of December 31, 2010, but which were levied to finance year 2011 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements were met also have been recorded as deferred revenue.

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

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

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

E. Budget Process

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

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

The appropriation ordinance fixes spending authority at the fund, department, and object level. The appropriation ordinance may be amended during the year as new information becomes available, provided that total fund appropriations do not exceed current estimated resources, as certified. The allocation of appropriations among departments and objects within a fund may be modified during the year by an ordinance of Council. The amounts reported on the budgetary statement reflect the amounts on the amended official certificate of estimated resources in effect at the time final appropriations were adopted by Council. The amounts reported as the original budgeted amounts in the budgetary statements reflect the first appropriation resolution for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by Council during the year.

F. Cash and Cash Equivalents

To improve cash management, cash received by the City treasurer is pooled in a central bank account. Monies for all funds are maintained in this account or temporarily used to purchase short term investments. Individual fund integrity is maintained through City records. Interest in the pool is presented as "equity in pooled cash and cash equivalents."

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Cash and Cash Equivalents (Continued)

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

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

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

The City invested funds in repurchase agreements, money market mutual funds and U.S. Treasury Notes during 2010.

G. Inventory

On government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used.

On fund financial statements, inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. The cost of inventory items is recorded as an expenditure in the governmental fund types when used. Inventories of the proprietary funds are expensed when used.

Inventory consists of expendable supplies held for consumption.

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2010, 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.

I. 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 in the enterprise funds represent customer deposits and retainage payable. Restricted assets in the governmental funds represents funds restricted as part of the bond indenture for debt service.

City of Zanesville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. 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. The City's infrastructure consists of U.S. and State roads, City streets, street signs, and water and sewer systems. 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. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

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 Estimated Lives</u>	<u>Business-Type Activities Estimated Lives</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 - 10 years	8 - 10 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. The balances are to be used by employees following the year earned. Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those that the City has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employee wage rates at year end taking into consideration any limits specified in the City's termination policy. The City records a liability for accumulated unused sick leave for police and jail employees after five years of service; street, water, sewer and sanitation employees after seven years of service; fire department employees after one year of service; and all other City employees after nine years of service.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. Long-term loans are recognized as a liability on the governmental fund financial statements when due.

M. Unamortized Issuance Costs/Bond Premiums

Issuance costs and bond premiums are deferred and amortized over the term of the bonds using the bonds-outstanding method, which approximates the effective interest method. Issuance costs are recorded as deferred charges. Bond premiums are presented as an addition to the face amount of bonds payable.

N. Fund Balance Reserves

Fund balance reserves represent those portions of fund balance not appropriable for expenditure or legally segregated for a specific future use. Fund balances are reserved for encumbrances, loans receivables, and unclaimed monies. Under Ohio law, unclaimed funds are not available for appropriation until they have remained unclaimed for five years.

O. Net Assets

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

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

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

Of the City's \$4,775,681 restricted net assets, \$328,466 is restricted by enabling legislation.

P. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are charges for services for 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Q. Contributions of Capital

Contributions of capital in the proprietary fund financial statements arise from outside contributions of capital assets, tap-in fees to the extent they exceed the cost of the connection to the system, or from grants or outside contributions of resources restricted to capital acquisition and construction.

R. Interfund Activity

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues.

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 non-operating 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. Transfers within governmental activities or within business-type activities are eliminated in the statement of activities.

S. Interfund Balances

On fund financial statements, outstanding interfund loans and unpaid amounts for interfund services are reported as "interfund receivables/payables." Interfund transactions which do not represent available expendable resources are offset by a fund balance reserve account. Interfund balance amounts are eliminated in the Statement of Net Assets, except for any residual amounts due between governmental and business-type activities, which are presented as internal balances.

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 as a reservation of fund balance (GAAP).

City of Zanesville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010

NOTE 3 – BUDGETARY BASIS OF ACCOUNTING (Continued)

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, and Fire Operating Special Revenue Funds.

Net Change in Fund Balance

	General	Police	Fire Operating
GAAP Basis	\$1,865,111	\$371,038	\$122,885
Revenue Accruals	213,807	(26,621)	(10,774)
Expenditure Accruals	(1,457,549)	(167,776)	(84,559)
Encumbrances	(39,539)	(10,535)	(1,975)
Budget Basis	\$581,830	\$166,106	\$25,577

NOTE 4 - DEPOSITS AND INVESTMENTS

State statutes classify monies held by the City into three categories.

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

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

Interim deposits are deposits of interim monies. Interim monies are those which are not needed for immediate use by which will be needed before the end of the current period of designation of depositories.

State statute permits interim monies to be deposited or invested in the following securities:

1. United States treasury notes, bills, bonds, or other obligations of or securities issued by the United States treasury or any other obligation guaranteed as to the payment of principal and interest by the United States;
2. Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above, provided that 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 that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;

NOTE 4 - DEPOSITS AND INVESTMENTS (Continued)

5. Interim deposits in the eligible institutions applying for interim money as provided in section 135.08 of the Revised Code;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio);
8. Certain bankers' acceptances for a period not to exceed one hundred eighty days and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time; and
9. Linked deposits as authorized by ordinance adopted pursuant to section 135.80 of the Revised Code.

Protection of the City's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution, or by a single collateral pool established by the financial institution to secure the repayment of all public money deposited with the institution.

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

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

Deposits Custodial credit risk is the risk that, in the event of a bank failure, the City's deposits may not be returned. According to state law, public depositories must give security for all public funds on a deposit in excess of those funds that are insured by the federal deposit insurance corporation (FDIC) or by any other agency or instrumentality of the federal government. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the FDIC, or may pledge a pool of government securities value at least 105% of the total value of public monies on deposit at the institution. The City's policy is to deposit money with financial institutions that are able to abide by the laws governing insurance and collateral of public funds.

City of Zanesville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010

NOTE 4 - DEPOSITS AND INVESTMENTS (Continued)

The City's bank balance of \$11,049,027 is either covered by FDIC or collateralized by the financial institutions public entity deposit pools in the manner as described above.

Investments The City had the following investments at December 31, 2010:

	<u>Fair Value</u>	<u>Weighted Average Maturity</u>
U.S. Treasury Notes	\$10,000	<1 Year
Repurchase Agreement	<u>3,901,065</u>	<1 Year
Total	<u><u>\$3,911,065</u></u>	

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

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

Concentration of credit risk – Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The City places no limit on the amount the City may invest in any on issuer. The City has invested 99.7% in repurchase agreements and .3% in U.S. Treasury Notes.

Custodial credit risk is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All of the City's securities are either insured and registered in the name of the City or at least registered in the name of the City with the exception of the repurchase agreements.

NOTE 5 - PROPERTY TAXES

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the City. Property tax revenue received during 2010 for real and public utility property taxes represents collections of the 2009 taxes. Property tax payments received during 2010 for tangible personal property (other than public utility property) are for 2010 taxes.

2010 real property taxes are levied after October 1, 2010, on the assessed value as of January 1, 2010, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2010 real property taxes are collected in and intended to finance 2011.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2009 public utility property taxes became a lien December 31, 2009, are levied after October 1, 2010, and are collected in 2011 with real property taxes.

City of Zanesville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010

NOTE 5 - PROPERTY TAXES (Continued)

Taxes collected from tangible personal property (other than public utility) in one calendar year are levied in the prior calendar year on assessed values during and at the close of the most recent fiscal year of the taxpayer that ended on or before March 31 of that calendar year, and at the tax rates determined in the preceding year. Due to the phase out which began in 2005, the tangible personal property tax percentage fell to zero in 2009 for businesses. Therefore, Ohio no longer has a general tax on tangible personal property used in business. The tax temporarily applies to telephone and inter-exchange telecommunications companies, which is being passed out to 10% for 2009, 5% for 2010, and zero for 2011. After 2011, tangible personal property, exclusive of public utility tangible personal property, will not be subject to tax. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The full tax rate for all City operations for the year ended December 31, 2010, was \$3.40 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2010 property tax receipts were based are as follows:

Real Property	\$365,026,930
Tangible Personal Property	13,056,155
	<u>\$378,083,085</u>

Real property taxes are payable annually or semi-annually. If paid annually, the 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.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable at September 20.

The County Treasurer collects property taxes on behalf of Muskingum County, including the City of Zanesville. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real and tangible personal property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2010. In the governmental funds, the entire receivable has been offset by deferred revenue since the current taxes were not levied to finance 2010 operations and the collection of delinquent taxes during the available period is not subject to reasonable estimation. On a full accrual basis, delinquent property taxes have been recorded as revenue, while the remainder of the receivable has been deferred.

NOTE 6 - RECEIVABLES

Receivables at December 31, 2010, consisted of taxes, accounts (billings for user charged services including unbilled utility services), special assessments, loans, interest, and intergovernmental receivables arising from grants, entitlements, and shared revenues. All receivables are collectible in full. Delinquent accounts receivable are certified and collected as a special assessment, subject to foreclosure for nonpayment.

City of Zanesville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010

NOTE 6 – RECEIVABLES (Continued)

A summary of intergovernmental receivables follows:

	<u>Amounts</u>
Governmental Activities	
Local Government	\$690,294
Estate Tax	219,429
Gasoline Tax	394,524
Motor Vehicle License Tax	167,706
Rollback and Homestead	32,707
De-regulation (SB3) Tax	7,769
Court and Public Safety Grants	30,010
Community Development Grants	<u>1,191,023</u>
Total	<u><u>\$2,733,462</u></u>

NOTE 7 - INCOME TAX

The City levies a municipal income tax of one and seven 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. Income tax revenue for 2010 as reported in the City was \$14,312,415.

City of Zanesville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010

NOTE 8 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2010, was as follows:

	<u>Balance</u> <u>12/31/2009</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>12/31/2010</u>
Governmental Activities:				
Non Depreciable Capital Assets:				
Land	\$1,188,231	\$0	\$0	\$1,188,231
Construction in Progress	<u>2,578,204</u>	<u>0</u>	<u>(63,420)</u>	<u>2,514,784</u>
Total Non Depreciable Capital Assets	<u>3,766,435</u>	<u>0</u>	<u>(63,420)</u>	<u>3,703,015</u>
Depreciable Capital Assets:				
Buildings and Improvements	17,871,529	63,420	0	17,934,949
Machinery and Equipment	2,217,723	97,110	0	2,314,833
Infrastructure	12,614,513	682,414	0	13,296,927
Vehicles	<u>3,295,749</u>	<u>158,216</u>	<u>(70,594)</u>	<u>3,383,371</u>
Total Depreciable Capital Assets	<u>35,999,514</u>	<u>1,001,160</u>	<u>(70,594)</u>	<u>36,930,080</u>
Accumulated Depreciation:				
Buildings and Improvements	(11,591,730)	(339,297)	0	(11,931,027)
Machinery and Equipment	(1,716,436)	(132,800)	0	(1,849,236)
Infrastructure	(4,479,311)	(674,081)	0	(5,153,392)
Vehicles	<u>(3,114,523)</u>	<u>(247,075)</u>	<u>70,594</u>	<u>(3,291,004)</u>
Total Accumulated Depreciation	<u>(20,902,000)</u>	<u>(1,393,253)</u>	<u>70,594</u>	<u>(22,224,659)</u>
Total Depreciable Capital Assets	<u>15,097,514</u>	<u>(392,093)</u>	<u>0</u>	<u>14,705,421</u>
Governmental Capital Assets, Net	<u>\$18,863,949</u>	<u>(\$392,093)</u>	<u>(\$63,420)</u>	<u>\$18,408,436</u>

Depreciation expense was charged to governmental activities as follows:

<u>Governmental Activities:</u>	
General Government	\$24,370
Security of Persons and Property	463,569
Public Health	53,774
Leisure Time Activities	92,213
Transportation	755,227
Community Environment	<u>4,100</u>
Total Depreciation Expense	<u>\$1,393,253</u>

City of Zanesville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010

NOTE 8 – CAPITAL ASSETS (Continued)

	Balance 12/31/2009	Additions	Reductions	Balance 12/31/2010
<u>Business Type Activities:</u>				
Non Depreciable Capital Assets:				
Land	\$233,184	\$0	\$0	\$233,184
Construction in Progress	658,246	7,959,262	(874,263)	7,743,245
Total Non Depreciable Capital Assets	<u>891,430</u>	<u>7,959,262</u>	<u>(874,263)</u>	<u>7,976,429</u>
Depreciable Capital Assets:				
Buildings and Improvements	22,621,394	0	0	22,621,394
Machinery and Equipment	7,946,750	0	0	7,946,750
Infrastructure	35,598,538	1,578,544	0	37,177,082
Vehicles	1,571,571	121,150	0	1,692,721
Total Depreciable Capital Assets	<u>67,738,253</u>	<u>1,699,694</u>	<u>0</u>	<u>69,437,947</u>
Accumulated Depreciation:				
Buildings and Improvements	(5,254,132)	(386,129)	0	(5,640,261)
Machinery and Equipment	(5,827,388)	(218,292)	0	(6,045,680)
Infrastructure	(6,171,907)	(429,917)	0	(6,601,824)
Vehicles	(838,881)	(26,131)	0	(865,012)
Total Accumulated Depreciation	<u>(18,092,308)</u>	<u>(1,060,469)</u>	<u>0</u>	<u>(19,152,777)</u>
Total Depreciable Capital Assets, Net	<u>49,645,945</u>	<u>639,225</u>	<u>0</u>	<u>50,285,170</u>
Business Type Capital Assets, Net	<u>\$50,537,375</u>	<u>\$8,598,487</u>	<u>(\$874,263)</u>	<u>\$58,261,599</u>

NOTE 9 - 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, 2008, the City contracted with US Specialty Insurance Company for general liability insurance including police professional liability, EMT and Ambulance Malpractice liability, fire legal liability, personal injury and advertising injury. Bodily injury and property damage are covered for \$1,000,000 each occurrence, \$3,000,000 aggregate. The City has a \$5,000 deductible per occurrence for general liability insurance. Personal injury and advertising injury are covered up to \$1,000,000 for each occurrence, premises medical payments limit is \$10,000 per person and fire legal liability is covered \$500,000 per occurrence. Ohio Stop Gap insurance of \$1,000,000 per occurrence and \$3,000,000 aggregate employee benefit liability is also maintained with a \$1,000 deductible, cemetery professional and fire division liability insurance are covered up to \$1,000,000 per occurrence. Property and contents coverage is maintained per summary of values and cost of reproduction new, less exclusions, plus leased and rented items, with a \$1,000 deductible per occurrence. Earthquake coverage is maintained with a \$5,000,000 occurrence limit, \$5,000,000 policy year limit, with a \$100,000 deductible each occurrence. Police professional liability coverage is maintained with a \$1,000,000 each occurrence, \$1,000,000 aggregate limit with a \$10,000 deductible per claim, including loss adjustment expense. Inland Marine is maintained per schedule with a \$1,000 deductible.

City of Zanesville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010

NOTE 9 - RISK MANAGEMENT (Continued)

US 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.

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

Boiler and machinery insurance is contracted with US Specialty Insurance Company with a limit of \$25,000,000 and a \$1,000 deductible.

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

The Cincinnati Insurance Company provides crime insurance coverage for robbery and safe burglary with a \$25,000 per occurrence limit and a \$500 deductible.

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

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

The City maintains a limited risk health insurance program for employees. Premiums are paid to a third party administrator, Medical Benefits Administrators, Inc. All claims are processed and monitored by the third party administrator. An internal service fund is presented in the financial statements and reflects premiums paid into the Health Self-Insurance internal service fund by other funds which are available to pay claims and administrative costs, and establish claim reserves. An excess coverage insurance policy covers aggregate annual claims at 125% of estimated claims. Excess coverage is maintained for individual claims over \$150,000.

The claims liability of the Health Self-Insurance internal service fund of \$671,900 reported at December 31, 2010, 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 2009 and 2010 were:

<u>Year</u>	<u>Beginning Balance</u>	<u>Current Year Claims</u>	<u>Claims Payments</u>	<u>Ending Balance</u>
2009	\$ 478,500	\$ 4,436,537	\$ 4,433,437	\$ 481,600
2010	481,600	4,573,256	4,382,956	671,900

NOTE 10 - DEFINED BENEFIT PENSION PLANS

Ohio Public Employees Retirement System

- A. The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans as described below:
- 1) The Traditional Pension Plan (TP) – a cost-sharing multiple-employer defined benefit pension plan.
 - 2) The Member-Directed Plan (MD) – a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings.
 - 3) The Combined Plan (CO) – 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 the Traditional Pension 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.
- B. OPERS provides retirement, disability, and survivor and death benefits and annual cost-of-living adjustments to qualifying members of the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits.
- C. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.
- D. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing to OPERS, Attention: Finance Director, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 1-800-222-7377.
- E. The Ohio Revised Code provides statutory authority for member and employer contributions. For 2010, member and employer contribution rates were consistent across all three plans.

The 2010, 2009, and 2008 member contribution rates were 10.0% for members in state and local classifications. Public safety members contributed at a rate of 10.5%, 10.1%, and 10.1%, respectively, and law enforcement members contributed at a rate of 11.1%, 10.1%, and 10.1%, respectively.

The 2010, 2009, and 2008 employer contribution rates for members in state and local classifications were 14.0% of covered payroll. For both public safety and law enforcement divisions, the employer contribution rates were 17.87%, 17.63%, and 17.4%, respectively.

The City's contributions to the PERS of Ohio for the years ending December 31, 2010, 2009, and 2008 were \$1,384,456, \$1,439,368, and \$1,325,556. 98% has been contributed for 2010, and 100% of the 2009 and 2008 amounts have been contributed.

Ohio Police and Fire Pension Fund

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

Plan members are required to contribute 10% of their annual covered salary, while employers are required to contribute 19.5% and 24% respectively for police officers and firefighters. The City's contributions to OP&F for the years ending December 31, 2010, 2009, and 2008 were \$526,409, \$510,177, and \$562,428, for policemen and \$659,901, \$648,044, and \$617,442, for firefighters, respectively. 95% of the required amounts have been contributed for 2010, and 100% of the 2009 and 2008 amounts have been contributed.

NOTE 11 - POSTEMPLOYMENT BENEFITS

Ohio Public Employees Retirement System

- A. Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional Pension Plan (TP) – a cost-sharing multiple-employer defined benefit pension plan; the Member-Directed Plan (MD) – a defined contribution plan; and the Combined Plan (CO) – a cost-sharing multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing multiple employer defined benefit post-employment healthcare plan, which includes a medical plan, prescription drug program, and Medicare Part B premium reimbursement, to qualifying members of both the TP and the CO Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-employment health care coverage, age and service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 45.

The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

OPERS issues a stand-alone financial report. Interest parties may obtain a copy by writing OPERS, Attention: Finance Director, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

- B. The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post retirement health care benefits.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2010, state and local employers contributed at 14.0% of covered payroll, and public safety and law enforcement employers contributed at 17.87%. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14.0% of covered payroll for state and local employer units and 18.1% for law and public safety employer units. Active members do not make contributions to the OPEB Plan.

OPERS' Post Employment Health Care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. The portion of employer contributions allocated to health care was 5.5% from January 1 through February 28, 2010 and 5.0% from March 1 through December 31, 2010, 7.0% from January 1 through March 31, 2009 and 5.5% from April 1 through December 31, 2009. For 2008, the employer contributions allocated to the health care plan was 7.0% of covered payroll. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care coverage by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

- C. The employer contributions that were used to fund post-employment benefits were \$543,953 for 2010, \$604,067 for 2009, and \$598,025 for 2008.

NOTE 11 - POSTEMPLOYMENT BENEFITS (Continued)

- D. The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased January 1 of each year from 2006 to 2008. Rates for law and public safety employers increased over a six year period beginning January 1, 2006, with a final increase January 1, 2011. These rate increases allowed additional funds to be allocated to the health care plan.

Ohio Police and Fire Pension Fund

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

OP&F provides access to post-retirement health care coverage for any person who receives or is eligible to receive a monthly service, disability or survivor benefit check or is a spouse or eligible dependent child of such person. The health care coverage provided by OP&F meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 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.

The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F (defined benefit pension plan). Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.50% and 24.00%, of covered payroll for police and fire employers, for 2010, 2009, and 2008. The Ohio Revised Code states that the employer contribution may not exceed 19.50% of covered payroll for police employer units and 24.00% of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree healthcare benefits. For the year ended December 31, 2010, the employer contribution allocated to the healthcare plan was 6.75% of covered payroll. The amount of employer contributions allocated to the healthcare plan each year is subject to the trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

The OP&F board of trustees also is authorized to establish requirements for contributions to the 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 number of participants eligible to receive health care benefits as of December 31, 2009, (the latest information available) was 14,797 for Police and 10,915 for Firefighters. The City's actual contributions for 2010, 2009, and 2008 that were used to fund postemployment benefits were \$182,218, \$176,600, and \$194,600, respectively, for Police, and \$262,929, \$182,263, and \$173,501, respectively, for Firefighters. The Fund's total health care expenses for the year ended December 31, 2009 (the latest information available) were \$168,744,032, which was net of member contributions of \$59,148,831.

NOTE 12 - OTHER EMPLOYEE BENEFITS

A. Other Insurance Benefits

All employees are covered under a \$20,000 life insurance policy through Fort Deerborn Life Insurance except corrections officers whose life insurance policy is \$10,000. 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 vary according to employee group: non-union - \$300 family, \$150 single; and 911 unions -\$350 family, \$150 single. Employees with family coverage are responsible for a \$25.00 payroll deduction, and employees with single coverage are responsible for a \$10.00 payroll deduction, per pay for the cost of health insurance.

B. Compensated Absences

The criteria for determining vested vacation and sick leave components are derived from negotiated agreements and State laws. Upon retirement, AFSCME union employees and policemen are paid 33 percent of their sick leave up to a maximum of 385 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 650 hours. Upon retirement, 33 percent of balance with a maximum payment of 540 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.

City of Zanesville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010

NOTE 13 - LONG-TERM LIABILITIES

Changes in the City's long-term liabilities during 2010 consist of the following:

	Outstanding 12/31/2009	Additions	Reductions	Outstanding 12/31/2010	Amounts Due Within One Year
<u>Governmental Activities</u>					
<u>General Obligation Bonds</u>					
<i>Ohio Government Building - 1986 \$950,000</i>					
Serial/Term @ 7.375%	\$120,000	\$0	\$40,000	\$80,000	\$40,000
<i>Capital Facilities Refunding - 2003 \$5,490,000</i>					
Jail Construction Refunding - \$2,362,500					
Serial/Term @ 1.2%-4.00%	1,470,000	0	143,500	1,326,500	147,000
Premium Amortization	8,104	0	901	7,203	901
<i>Street Improvement Bonds - 2010 \$1,210,000</i>					
Serial/Term @ 4.138%	0	1,210,000	50,000	1,160,000	50,000
Total General Obligation Bonds	1,598,104	1,210,000	234,401	2,573,703	237,901
ODOT Loans	4,302,304	0	245,876	4,056,428	253,307
Compensated Absences	1,708,266	1,775,707	1,601,169	1,882,804	1,330,133
Total Governmental Activities	\$7,608,674	\$2,985,707	\$2,081,446	\$8,512,935	\$1,821,341
<u>Business Type Activities</u>					
<u>General Obligation Bonds</u>					
<i>Capital Facilities Refunding, 2003 \$5,490,000</i>					
Water - \$1,371,250					
Serial/Term @ 1.2%-4.0%	\$630,000	\$0	\$61,500	\$568,500	\$63,000
Total General Obligation Bonds	630,000	0	61,500	568,500	63,000
<i>OWDA Loans</i>					
Water - 1988,1989 \$3,293,470 @ 7.36% to 8.40%	1,497,012	6,985,619	5,052,211	3,430,420	354,405
Sewer - 1984-1986 \$16,633,305 @ 2.0% to 10.02%	19,805,175	629,364	1,914,250	18,520,289	1,573,294
Total OWDA Loans	21,302,187	7,614,983	6,966,461	21,950,709	1,927,699
OPWC Loans	198,806	0	34,892	163,914	35,241
Compensated Absences	401,909	267,721	280,102	389,528	307,880
Total Business Type Activities	\$22,532,902	\$7,882,704	\$7,342,955	\$23,072,651	\$2,333,820

City of Zanesville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010

NOTE 13 - LONG-TERM LIABILITIES (Continued)

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

Year Ending December 31	Governmental Activities	
	Principal	Interest
2011	\$40,000	\$8,850
2012	40,000	2,950
Totals	<u>\$80,000</u>	<u>\$11,800</u>

2003 Capital Facilities Refunding Bonds – On December 1, 2003, the City of Zanesville issued \$5,490,000 of general obligation bonds and included serial and term bonds in the amount of \$4,245,000 and \$1,245,000 respectively. These capital facilities refunding bonds were issued for governmental and business type activities \$3,042,500 and \$2,447,500, respectively. The refunding bonds were issued with a premium of \$17,397 for governmental and \$13,993 for business type activities, which was reported as an increase to bonds payable. These amounts are being amortized to interest expense over the life of the bonds using the straight-line method. The issuance costs, \$60,883 for governmental and \$48,975 for business type activities, are reported as deferred charges and are being amortized over the life of the bonds using the straight-line method. The refunding, called and paid in February of 2004, resulted in a difference between the net carrying amount of the debt and the acquisition price, \$23,380 for governmental and \$10,020 for business type activities. These differences, were being reported as a decrease to bonds payable, and are being amortized to interest expense over the life of the bonds using the 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 interest requirements to retire the 2003 Capital Facilities Refunding Bonds outstanding at December 31, 2010 are as follows:

Year Ending December 31	Governmental Activities		Business Type Activities	
	Principal	Interest	Principal	Interest
2011	\$147,000	\$49,166	\$63,000	\$21,071
2012	154,000	44,205	66,000	18,945
2013	154,000	38,816	66,000	16,636
2014	161,000	33,271	69,000	14,259
2015	168,000	27,475	72,000	11,775
2016-2018	542,500	43,339	232,500	18,574
Totals	<u>\$1,326,500</u>	<u>\$236,272</u>	<u>\$568,500</u>	<u>\$101,260</u>

City of Zanesville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010

NOTE 13 - LONG-TERM LIABILITIES (Continued)

OWDA Loans – The City has issued numerous OWDA Loans for various water and sewer projects. Six of the outstanding loans are not yet completed, and therefore the repayments schedules have not yet been issued, they are reflected as not yet scheduled payments in the table below. In connection with the loan funds received from the Ohio Water Development Authority, the City has pledged future customer revenues of the Water and Sewer Funds, net of specified operating expenses and net of debt service requirements on the general obligation bonds (which have first priority and a lien on net income available for debt service), to repay these loans. The loans will be repaid through charges for services revenue in the enterprise funds. For 2010, the net revenue available for these loans was \$3,945,682 and principal and interest paid was \$7,909,796. The coverage ratio for these loan funds was .50 for the year ended December 31, 2010. 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 Ending December 31	Principal	Interest
2011	\$1,927,699	\$807,120
2012	2,009,459	729,480
2013	1,475,065	626,622
2014	1,452,849	562,846
2015	1,515,386	500,312
2016-2020	3,876,749	1,819,470
2021-2025	3,563,934	1,066,908
2026-2029	2,820,389	257,714
Subtotal	18,641,530	<u>\$6,370,472</u>
Not Yet Scheduled	3,309,179	
Total	<u>\$21,950,709</u>	

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

Year Ending December 31	Principal	Interest
2011	\$253,307	\$135,965
2012	260,964	128,798
2013	268,851	121,413
2014	276,976	113,806
2015	2,996,330	105,969
Totals	<u>\$4,056,428</u>	<u>\$605,951</u>

City of Zanesville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010

NOTE 13 - LONG-TERM LIABILITIES (Continued)

OPWC Loan- During 2005, the City issued an OPWC loan in the amount of \$346,035. The loan was issued for the Blandly Water Tank Replacement Project. The loan was issued at .02% and will mature in 2015. A summary of the principal and interest requirements to retire this loan is as follows:

Year Ending December 31	Principal	Interest
2011	\$35,241	\$2,757
2012	36,309	2,042
2013	37,039	1,312
2014	37,783	568
2015	17,542	190
Totals	\$163,914	\$6,869

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 2030. A summary of the principal and interest requirements to retire the bonds are as follows:

Year Ending December 31	Principal	Interest
2011	\$50,000	\$43,070
2012	50,000	42,070
2013	50,000	41,070
2014	50,000	40,070
2015	50,000	38,820
2016-2020	250,000	170,975
2021-2025	335,000	116,385
2026-2030	325,000	36,900
Totals	\$1,160,000	\$529,360

Compensated Absences – The County will pay compensated absences from the General fund, Miscellaneous Special Revenue, Court and Public Safety, Police, Jail Operating, Community Development, Airport, Cemetery, Auditorium, and Sanitation Special Revenue funds, Vehicle Maintenance fund, and the Sewer and Water Enterprise funds.

Debt Margin:

The City's overall legal debt margin was \$35,761,328 at December 31, 2010.

City of Zanesville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010

NOTE 14 – INTERFUND TRANSACTIONS

Interfund balances at December 31, 2010 consist of the following individual interfund receivables and payables:

<u>Interfund Payable</u>	<u>Interfund Receivable</u>			
	<u>Major Fund</u>		<u>Internal Service Funds</u>	
	General	Other Nonmajor Governmental	Vehicle Maintenance	Total
Major Funds:				
General Fund	\$2,728	\$0	\$2,405	\$5,133
Police	0	0	14,056	14,056
Fire Operating	4	0	3,492	3,496
Sewer	115	0	4,552	4,667
Water	3,729	0	8,716	12,445
Other Nonmajor Governmental	513	278,327	21,061	299,901
Total All Funds	<u>\$7,089</u>	<u>\$278,327</u>	<u>\$54,282</u>	<u>\$339,698</u>

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

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

Interfund transfers for the year ended December 31, 2010 consisted of the following:

Transfer from	<u>Transfer to</u>					Totals
	<u>Major Fund</u>			<u>Internal Service Fund</u>		
	General	Police	Fire Operating	Other Nonmajor Governmental	Vehicle Maintenance	
Major Fund:						
General Fund	\$0	\$2,448,561	\$3,745,238	\$969,746	\$96,722	\$7,260,267
Other Nonmajor Governmental	7,260,267	0	0	0	0	7,260,267
Total All Funds	<u>\$7,260,267</u>	<u>\$2,448,561</u>	<u>\$3,745,238</u>	<u>\$969,746</u>	<u>\$96,722</u>	<u>\$14,520,534</u>

The above mentioned Transfers From/To were used to move unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 15 - JOINTLY GOVERNED ORGANIZATIONS

- A. The Ohio Mid-Eastern Governments Association (OMEGA) is a ten-county regional council of governments comprised of Belmont, Carroll, Coshocton, Columbiana, Guernsey, Harrison, Holmes, Jefferson, Muskingum, and Tuscarawas Counties. OMEGA was formed to aid and assist the participating counties in the application for Appalachian Regional Commission and Economic Development grant monies. OMEGA is governed by a sixteen member executive board comprised of members appointed from each participating county and cities within each county. City membership is voluntary. The mayor of the City of Zanesville serves as the City's representative on the board. The board has total control over budgeting, personnel, and financial matters. Each member currently pays a thirteen cent per capita membership fee based upon the most recent U.S. census. During 2010, OMEGA received \$3,838 from the City of Zanesville. The continued existence of OMEGA is not dependent on the City's continued participation and no equity interest exists. OMEGA has no outstanding debt. Financial information can be obtained from the Ohio Mid-Eastern Governments Association, Cambridge.
- B. The Zanesville/Muskingum County Port Authority is a separate legal entity. The Authority is governed by a five member board and was created by a resolution of the City of Zanesville and Muskingum County. The Authority is incorporated as a non-profit corporation under the laws of the State of Ohio. The City appoints two members to the Authority board and Muskingum County appoints two members. The fifth member is appointed jointly by the City and the County. The Authority board adopts its own budget, is its own contracting authority, hires and fires its own staff, authorizes all expenditures and does not rely on the City or the County to finance deficits. The Authority derives its revenues from lease/rental income, interest income, contributions from the City and County, and other miscellaneous revenue sources. The City and County leased the Anchor Glass Facilities from the Authority, and sublet the facilities to the Anchor Glass Corporation. The lease was a twenty year lease ending in 2008, wherein the lease was paid in full. The City and the County provide operating subsidies to the Authority. During 2010, the City provided \$100,000 in operating subsidies to the Authority. Financial information is available from the Zanesville/Muskingum County Port Authority, Zanesville, Ohio.
- C. The Zanesville/Muskingum Conventions Facility Authority was created pursuant to State Statutes for the purpose of acquiring, constructing, equipping, and operating a convention facility in Muskingum County. The Authority operates under the direction of an eleven member appointed board of directors. The board consists of three members appointed by the Mayor of the City of Zanesville, six members appointed by Muskingum County, and two members appointed by remaining municipal corporations located in the County. The board exercises total control over the operation of the Authority including budgeting, appropriating, contracting, and designating management. The Authority receives funding in the form of a four percent hotel and motel excise tax for each transaction occurring in the boundaries of Muskingum County. The tax is levied and collected by the Authority directly. The City is prohibited from contributing to the operations of the Authority by State Law. During 2010 the Authority received \$394,742 from excise taxes and rental income. The Authority has no outstanding debt. Complete financial information can be obtained from the Zanesville/Muskingum Conventions Facility Authority, Zanesville, Ohio.
- D. The Zanesville Metropolitan Housing Authority was created in 1938, and currently operates pursuant to Revised Code Section 3735.27. The Authority is operated by a five member board. The City appoints two members and the County appoints three members. The board adopts their own appropriations, is their own contracting authority, hires and fires their own staff, authorizes all expenditures, and does not rely on the City or the County to finance deficits. The Authority receives funding from the federal government in the form of grants. All monies are received directly by the Authority in the Authority's name. Although the City appoints members to the board, the City is not financially accountable for the Authority, nor is the Authority fiscally dependent on the City. The Authority has no outstanding debt. Complete financial information can be obtained from the Zanesville Metropolitan Housing Authority, Zanesville, Ohio.

NOTE 15 - JOINTLY GOVERNED ORGANIZATIONS (Continued)

- E. The Muskingum County Center for Seniors (Center) is a jointly governed organization which operates as a not-for-profit organization created under 501(c)(3) of the Internal Revenue Code. The Center provides various services to seniors, including transportation services, nutritional and physical fitness information and instruction, meals, and legal counseling. The Center is governed by a seven member board consisting of three members appointed by the Muskingum County Board of County Commissioners, three members appointed by the Mayor of the City of Zanesville, and one member appointed by the above appointed six members. The Center was the recipient of support from the Muskingum County Senior Services Levy. Additional revenue is provided through contracts with the Area Agency on Aging. Continued existence of the Center is not dependent upon the City's continued participation, no equity interest exists, and no debt is outstanding.

NOTE 16 - JOINT VENTURES

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

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

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

NOTE 16 - JOINT VENTURES (Continued)

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

NOTE 17 - INSURANCE PURCHASING POOL

Ohio Rural Water Association Workers' Compensation Group Rating Plan - The City participates in the Ohio Rural Water Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by an eleven member Board of directors. The board is a self-appointing board that coordinates the program. Each year, the participating members pay an enrollment fee to the GRP to cover the costs of administering the program.

NOTE 18 - RELATED PARTY TRANSACTIONS

South East Area Transit Authority

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

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

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

NOTE 19 - 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, 2010.

B. Litigation

Claims and lawsuits are pending against the City of Zanesville. Based upon information provided by the County's legal counsel, any potential liability and effect on the basic financial statements, if any, is not determinable at this time.

NOTE 20 - COMPLIANCE

The following funds have a fund balance deficit as of December 31, 2010:

<u>Major Funds</u>	
Fire Operating	\$261,269
<u>Nonmajor Funds</u>	
<u>Special Revenue Funds</u>	
State Grants	7,250
<u>Debt Service Fund</u>	
General Obligation Bond Retirement	212,542

These deficits are a result of the application of accounting principles generally accepted in the United States of America to the financial reporting of these funds. The General Fund is liable for any deficit in these funds and provides operating transfers when cash is required, not when accruals occur. Short term advances and bond anticipation note proceeds used to finance the projects are not recognized as "other financing sources," but rather as a fund liability. The deficits will be eliminated when the notes are bonded and/or resources are provided for the retirement of the notes.

Contrary to ORC 5705.39, appropriations exceeded estimated resources plus unencumbered fund balance in the General Fund's original budget by \$6,972,012; and in the Police Fund's original budget by \$234,008

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

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

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

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Zanesville, Muskingum County as of and for the year ended December 31, 2010, which collectively comprise the City's basic financial statements and have issued our report thereon dated July 22, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purposes described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Zanesville's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that we must report under *Government Auditing Standard*. However, we noted certain immaterial instances of noncompliance that we have reported to management in a separate letter dated July 22, 2011.

This report is intended for the information of the Mayor, City Council, management, Auditor of State, federal award agencies, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Wolfe, Wilson, & Phillips, Inc.
Zanesville, Ohio
July 22, 2011

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

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

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

Compliance

We have audited the compliance of City of Zanesville with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City of Zanesville's major federal programs for the year ended December 31, 2010. City of Zanesville's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of City of Zanesville management. Our responsibility is to express an opinion on City of Zanesville's compliance based on our audit.

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

In our opinion, the City of Zanesville complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2010.

Internal Control Over Compliance

Management of City of Zanesville is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit, we considered City of Zanesville's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and to report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Zanesville's internal control over compliance.

Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses in internal control over compliance. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended for the information of the Mayor, City Council, management, the Auditor of State, federal award agencies, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Wolfe, Wilson, & Phillips, Inc.
Zanesville, Ohio
July 22, 2011

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

1. Summary of Auditor's Results

(d)(1)(I)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	NO
(d)(1)(ii)	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	NO
(d)(1)(iii)	Was there any reported non-compliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	NO
(d)(1)(iv)	Were there any other significant deficiencies in internal control reported for major federal programs?	NO
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under section. 510?	NO
(d)(1)(vii)	Major Programs:	HOME Grant; CFDA #14.239 Highway Planning CFDA #20.205 Water/Waste Disposal CFDA #10.781 Capitalization Grant CFDA #66.458
(d)(1)(viii)	Dollar Threshold: Type A\B Programs:	Type A: >\$300,000; Type B: All Others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

NONE

3. Findings and Questioned Costs for Federal Awards

NONE

**CITY OF ZANESVILLE
MUSKINGUM COUNTY
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2010**

Federal Grantor/ Sub-Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Disbursements
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:</u>				
(pass through Ohio Department of Development)				
Community Development Block Grant	A-F-08-204-1	14.228	97,071	97,226
	A-F-09-2ES-1		151,258	151,255
	A-F-10-2ES-1		7,250	7,250
	A-N-10-2ES-1		500	500
	A-N-07-204-1		-	-
	A-Z-08-204-1		738,661	738,662
	Program income		45,270	49,491
			<u>1,040,010</u>	<u>1,044,384</u>
HOME Investment Partnership Program	A-C-08-2ES-1/2	14.239	322,612	323,194
	A-C-10-2ES-1/2		5,000	5,000
			<u>327,612</u>	<u>328,194</u>
Total U.S. Department of Housing and Urban Development			1,367,622	1,372,578
<u>U.S. DEPARTMENT OF TRANSPORTATION:</u>				
Direct Award				
Airport Improvement Program	3-39-0097-0705	20.106	108,711	108,711
			<u>108,711</u>	<u>108,711</u>
Pass through Ohio Department of Transportation				
Highway Planning and Construction - ARRA	PID 84941	20.205	725,704	725,704
			<u>725,704</u>	<u>725,704</u>
Total U.S. Department of Transportation			834,415	834,415
<u>U.S. DEPARTMENT OF JUSTICE:</u>				
Pass through Ohio Department of Justice				
Public Safety Grant	n/a	16.710	60,020	60,020
			<u>60,020</u>	<u>60,020</u>
Total U.S. Department of Justice			60,020	60,020
<u>U.S. DEPARTMENT OF AGRICULTURE:</u>				
Direct				
Water and Waste Disposal Systems for Rural Communities - ARRA	n/a	10.781	428,595	428,595
			<u>428,595</u>	<u>428,595</u>
Total U.S. Department of Agriculture			428,595	428,595
<u>ENVIRONMENTAL PROTECTION AGENCY</u>				
Pass through Ohio Water Development Authority				
Capitalization Grant for Clean Water State Revolving Funds - ARRA	n/a	66.458	6,525,896	6,525,896
			<u>6,525,896</u>	<u>6,525,896</u>
Total Environmental Protection Agency			6,525,896	6,525,896
Total Federal Awards Expenditures			<u>9,216,548</u>	<u>9,221,504</u>

See notes to Schedule of Federal Awards Expenditures.

CITY OF ZANESVILLE
NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES

NOTES A – SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - MATCHING REQUIREMENTS

Certain Federal programs require the City contribute non-Federal funds (matching funds) to support the Federally-funded programs. The City has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.

NOTE C - LOANS OUTSTANDING

The City has established a revolving loan program to provide low-interest loans to businesses to create jobs for persons from low to moderate income households. The U.S. Department of Housing and Urban Development (HUD) grants the money for these loans to the City, passed through the State Department of Development. The initial loan of this money is recorded as a disbursement on the schedule. Loans repaid, including interest, are used to make additional loans. Such subsequent loans are subject to certain compliance requirements imposed by HUD. Significant delinquencies existing at December 31, 2010 were \$21,176 in principal and related interest for outstanding Housing Program loans.

The City had the following loan balances outstanding at December 31, 2010:

<u>Program Title</u>	<u>CFDA Number</u>	<u>Amount Outstanding</u>
CDBG Economic Development Revolving Loan Fund Program	14.228	\$ 185,736
CDBG Housing Program	14.228	66,041
Total		<u>\$ 251,777</u>



Dave Yost • Auditor of State

CITY OF ZANESVILLE

MUSKINGUM COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
DECEMBER 8, 2011