

CITY OF ZANESVILLE
ANNUAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2014

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



Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditors' Report* of the City of Zanesville, Muskingum County, prepared by Wilson, Phillips & Agin, CPA's, Inc., for the audit period January 1, 2014 through December 31, 2014. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

October 21, 2015

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**CITY OF ZANESVILLE
MUSKINGUM COUNTY**

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

INDEPENDENT AUDITORS' REPORT

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

To the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Zanesville, Muskingum City, , Ohio as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Zanesville, Muskingum County, Ohio as of December 31, 2014, and the respective changes in financial position and where applicable, cash flows, thereof, and the respective budgetary comparison for the General Fund, Police Expenditure Fund and Fire Operating Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated August 18, 2015, on our consideration of the City of Zanesville's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Zanesville's internal control over financial reporting and compliance.

Wilson, Phillips & Agin, CPA's, Inc.
Zanesville, Ohio
August 18, 2015

City of Zanesville, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2014
Unaudited

The discussion and analysis of the City of Zanesville's financial performance provides an overall review of the City's financial activities for the year ended December 31, 2014. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the City's financial performance.

Financial Highlights

Key financial highlights for 2014 are as follows:

- In total, net position decreased \$33,569. Net position of governmental activities decreased \$553,204. Also, the business-type activities increased \$519,635.
- General governmental revenues accounted for \$21,375,216 in revenue or 85% of all revenues in governmental activities. Program specific revenues in the form of charges for services, grants, contributions, and interest accounted for \$3,679,837 or 15% of total revenues of \$25,055,053.

Using this Annual Financial Report

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

The statement of Net Position and Statement of Activities provide information about the activities of the whole City, presenting both an aggregate view of the City's finances and a longer-term view of those assets. Major fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what dollars remain for future spending. The fund financial statements also look at the City's most significant funds with all other nonmajor funds presented in total in one column.

Reporting the City of Zanesville as a Whole

Statement of Net Position and the Statement of Activities

While this document contains information about the funds used by the City to provide services to our citizens, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2014?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets and deferred outflows of resources and all liabilities and deferred inflows of resources using the accrual basis of accounting similar to the accounting used by private sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when the cash is received or paid.

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

City of Zanesville, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2014
Unaudited

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

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

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

Reporting the City of Zanesville's Most Significant Funds

Fund Financial Statements

Fund financial statements begin on page 14. Fund financial reports provide detailed information about the City's major funds. Based upon restrictions on the use of monies, the City has established many funds which account for the multitude of services provided to our residents. However, these fund financial statements focus on the City's most significant funds. In the case of the City of Zanesville, our major funds are the General Fund, the Police Expenditure and Fire Operating Special Revenue Funds, and the Sewer and Water Enterprise Funds.

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

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

The City of Zanesville as a Whole

Recall that the Statement of Net position looks at the City as a whole. Table 1 provides a summary of the City's net position for 2014 compared to 2013.

City of Zanesville, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2014
Unaudited

(Table 1)
Net Position

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Assets						
Current and Other Assets	\$17,810,222	\$17,484,755	\$6,361,507	\$6,271,841	\$24,171,729	\$23,756,596
Capital Assets, Net	19,048,533	20,120,512	68,058,469	66,760,229	87,107,002	86,880,741
<i>Total Assets</i>	<u>36,858,755</u>	<u>37,605,267</u>	<u>74,419,976</u>	<u>73,032,070</u>	<u>111,278,731</u>	<u>110,637,337</u>
Deferred Outflows of Resources						
Deferred Charge on Refunding	4,156	0	3,321	0	7,477	0
Liabilities						
Current and Other Liabilities	2,483,060	2,580,921	845,187	1,623,582	3,328,247	4,204,503
Long-term Liabilities	6,832,356	7,024,671	29,721,598	28,071,611	36,553,954	35,096,282
<i>Total Liabilities</i>	<u>9,315,416</u>	<u>9,605,592</u>	<u>30,566,785</u>	<u>29,695,193</u>	<u>39,882,201</u>	<u>39,300,785</u>
Deferred Inflows of Resources						
Property Taxes	1,137,550	1,036,526	0	0	1,137,550	1,036,526
Net Position						
Net Investment in Capital Assets	14,028,304	14,646,710	38,809,539	38,380,907	52,837,843	53,027,617
Restricted	4,736,838	4,438,094	0	0	4,736,838	4,438,094
Unrestricted	7,644,803	7,878,345	5,046,973	4,955,970	12,691,776	12,834,315
<i>Total Net Position</i>	<u>\$26,409,945</u>	<u>\$26,963,149</u>	<u>\$43,856,512</u>	<u>\$43,336,877</u>	<u>\$70,266,457</u>	<u>\$70,300,026</u>

Total assets increased \$641,394. Governmental activities decreased \$746,512 and the business-type activities increased \$1,387,906. Total liabilities increased \$581,416. Governmental activities decreased \$290,176 while the business-type activities increased \$871,592.

For governmental activities, total assets decreased \$746,512. Capital assets decreased \$1,071,979 mainly due to depreciation exceeding capital outlay in the current period. This decrease was offset by increases in property taxes, municipal income tax, and intergovernmental receivables. Long-term liabilities decreased \$192,315 due to the general pay down of debt.

For business-type activities, capital assets increased \$1,298,240 primarily due to the current year capitalizations exceeding depreciation. Current liabilities decreased \$778,395 mainly due to the completion of contracts for the sewer separation project. Long-term liabilities increased \$1,649,987 due to the issuance of new loans exceeding debt retirements during the year.

Table 2 shows the changes in net position for the year ended December 31, 2014, and comparisons to 2013.

City of Zanesville, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2014
Unaudited

(Table 2)
Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues						
Program Revenues						
Charges for Services	\$1,390,364	\$1,889,537	\$12,921,063	\$13,532,653	\$14,311,427	\$15,422,190
Operating Grants, Contributions and Interest	1,848,822	1,909,349	46,000	164,811	1,894,822	2,074,160
Capital Grants and Contributions	440,651	20,975	0	0	440,651	20,975
Total Program Revenues	3,679,837	3,819,861	12,967,063	13,697,464	16,646,900	17,517,325
General Revenues						
Property Taxes	1,125,890	1,073,287	0	0	1,125,890	1,073,287
Income Tax	16,220,280	15,490,549	0	0	16,220,280	15,490,549
Payments in Lieu of Taxes	624,096	597,598	0	0	624,096	597,598
Franchise Tax	299,113	314,546	0	0	299,113	314,546
Grants and Entitlements	2,734,519	2,676,863	0	0	2,734,519	2,676,863
Gain on Sale of Capital Assets	0	16,177	0	10,000	0	26,177
Investment Earnings	52,244	52,989	1,213	0	53,457	52,989
Other	319,074	138,297	98,300	100,211	417,374	238,508
Total General Revenues	21,375,216	20,360,306	99,513	110,211	21,474,729	20,470,517
<i>Total Revenues</i>	<i>25,055,053</i>	<i>24,180,167</i>	<i>13,066,576</i>	<i>13,807,675</i>	<i>38,121,629</i>	<i>37,987,842</i>
Program Expenses						
General Government:						
Legislative and Executive	4,647,917	4,269,178	0	0	4,647,917	4,269,178
Court	594,149	489,978	0	0	594,149	489,978
Security of Persons and Property:						
Police	8,399,391	8,367,191	0	0	8,399,391	8,367,191
Fire	5,773,793	5,588,118	0	0	5,773,793	5,588,118
Other	137,805	15,489	0	0	137,805	15,489
Public Health Services	502,857	407,192	0	0	502,857	407,192
Community Environment	1,005,308	977,621	0	0	1,005,308	977,621
Transportation	3,651,975	2,869,008	0	0	3,651,975	2,869,008
Leisure Time Activities	739,516	714,016	0	0	739,516	714,016
Interest and Fiscal Charges	155,546	184,091	0	0	155,546	184,091
Sanitation	0	0	1,514,304	1,821,296	1,514,304	1,821,296
Sewer	0	0	5,756,637	5,992,429	5,756,637	5,992,429
Water	0	0	5,276,000	5,472,034	5,276,000	5,472,034
Total Program Expenses	25,608,257	23,881,882	12,546,941	13,285,759	38,155,198	37,167,641
<i>Increase in Net Position</i>	<i>(553,204)</i>	<i>298,285</i>	<i>519,635</i>	<i>521,916</i>	<i>(33,569)</i>	<i>820,201</i>
Net Position Beginning of Year	26,963,149	26,664,864	43,336,877	42,814,961	70,300,026	69,479,825
Net Position End of Year	<u>\$26,409,945</u>	<u>\$26,963,149</u>	<u>\$43,856,512</u>	<u>\$43,336,877</u>	<u>\$70,266,457</u>	<u>\$70,300,026</u>

City of Zanesville, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2014
Unaudited

Governmental Activities

Charges for services accounted for 6 percent of total governmental revenues and operating and capital grants, contributions, and interest accounted for 7 percent of total governmental revenues. During 2014, charges for services decreased 26 percent. This decrease is primarily due to a decrease in the number of new special assessments entered into during 2014 compared to 2013. During 2014, operating and capital grants, contributions, and interest increased 19 percent. This increase is primarily due to the City receiving a city wide paving grant in 2014 in the amount of \$390,551. The City did not receive a paving grant in 2013.

Several revenue sources fund our governmental activities, with the City income tax being the biggest contributor. The income tax rate is 1.9 percent. General revenues from grants and entitlements, such as local government funds, are also a large revenue generator. The City monitors both of these revenue sources very closely for fluctuations because the income tax and intergovernmental revenue represent 65 and 11 percent, respectively, of all revenues in the governmental activities.

Intergovernmental revenues (operating and capital grants), contributions, and interest accounted for 7 percent of all revenues. These revenues are not generated from the City's own resources. Such revenues are often unpredictable and accompanied by administrative requirements. The lower this percentage the better in regards to independence.

Security of persons and property is the largest activity of the City, generating 56% of the governmental expenses. During 2014, expenses for police and fire operations amounted to \$8,399,391 and \$5,773,793, respectively. These activities are, for the most part, funded by the municipal income tax. The City attempts to supplement the income and activities of the police department with grants to enable the police department to widen the scope of its activities.

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

Business-Type Activities

The City's business-type activities consist of the sanitation, sewer, and water departments. The major source of revenue for these funds is charges for services.

The increase in net position for the Sewer Fund is due primarily to the reduction in operating expenses by 5 percent from 2013. The Water Fund's decrease in net position is primarily due to a decrease in customers. During 2014, the City lost customers to Muskingum County as a result of the County completing their own water plant.

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 \$25,004,311 and expenditures of \$24,769,537.

City of Zanesville, Ohio
Management's Discussion and Analysis
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The fund balance of the General Fund decreased \$524,301. The General Fund's Unassigned Fund Balance of \$4,377,915 represented 67% of current year expenditures. Most of this balance remains in the City's treasury and is invested.

The fund balance of the Police Expenditure Fund increased \$215,681. The Police Expenditure Fund had a restricted fund balance of \$871,166 at year end.

The fund balance of the Fire Operating Fund increased \$154,709. The Fire Operating Fund had an unassigned fund balance of (\$230,313) at year end.

During 2014, the Sewer Fund had operating revenues of \$6,687,642 and operating expenses of \$5,032,295. The Water Fund had operating revenues of \$4,641,400 and operating expenses of \$4,952,280. The major expenses for these funds are salaries and wages and depreciation on capital assets.

General Fund Budgeting Highlights

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

During the course of 2014, the City amended its General Fund budget several times. Since the legal level of budgetary control is at the object level, any budgetary modifications at this level may only be made by resolution of the Council.

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

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

Original budgeted revenues were increased \$436,979 with the largest increases in intergovernmental and other revenue sources. Actual revenues were under the final budget in the amount of \$260,139. The original appropriations were increased \$221,301; however, the actual expenditures were \$3,561,265 less than the final budget.

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

City of Zanesville, Ohio
Management's Discussion and Analysis
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Capital Assets and Debt Administration

Capital Assets

Table 3 shows year 2014 balances compared to 2013.

(Table 3)
 Capital Assets at December 31, 2014

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land	\$1,188,231	\$1,188,231	\$233,184	\$233,184	\$1,421,415	\$1,421,415
Buildings and Improvements	6,159,937	5,230,906	23,423,173	23,936,668	29,583,110	29,167,574
Machinery and Equipment	535,277	535,413	6,034,305	6,767,710	6,569,582	7,303,123
Vehicles	1,313,272	1,526,402	316,654	331,911	1,629,926	1,858,313
Infrastructure	9,579,765	10,358,703	34,744,668	33,790,240	44,324,433	44,148,943
Construction in Progress	272,051	1,280,857	3,306,485	1,700,516	3,578,536	2,981,373
Totals	\$19,048,533	\$20,120,512	\$68,058,469	\$66,760,229	\$87,107,002	\$86,880,741

Note 9 (Capital Assets) provides capital asset activity during 2014.

Debt

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

(Table 4)
 Outstanding Debt, at Year End

	Governmental Activities		Business-Type Activities	
	2014	2013	2014	2013
2003 Capital Facilities Refunding Bonds	\$0	\$871,500	\$0	\$0
2014 Capital Facilities Refunding Bonds	721,000	0	0	0
2010 Street Improvement Bonds	960,000	1,010,000	0	0
OPWC Bridge Replacement Loan	51,853	69,138	0	0
2013 Ohio Department of Transportation Loan	74,079	77,318	0	0
2005 Ohio Department of Transportation Loan	3,217,453	3,345,920	0	0
2003 Capital Facilities Refunding Water Bond	0	0	0	373,500
2014 Capital Facilities Refunding Water Bond	0	0	309,000	0
OPWC Water Loan	0	0	0	37,784
OPWC Sewer Loan	0	0	1,243,059	0
OWDA Water Loans	0	0	12,022,362	12,573,779
OWDA Sewer Loans	0	0	15,528,450	14,481,180
Capital Leases	0	0	87,130	114,371
Totals	\$5,024,385	\$5,373,876	\$29,190,001	\$27,580,614

City of Zanesville, Ohio
Management's Discussion and Analysis
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The total amount of general obligation indebtedness outstanding at any one time shall not exceed 10.5% of the actual value of taxable real and personal property in the City. The City's overall debt limit at December 31, 2014, is \$34,400,895.

Additional information on the City's debt can be found in Notes 15 and 16 of this report.

Current Financial Issues

The following are a few projects of note. The Y-Bridge Lift Station was constructed over 50 years ago, and is undergoing a complete renovation. The lift station transports all sanitary sewers north of Chaps Run and west of the Muskingum River for both the City and the County. The feasibility study for this project started in 2009 and actual construction started in 2013. The \$3.1 million project is financed through an OWDA loan and was completed in July 2015. Our Secrest Auditorium is in need of structural repairs, and the City has started the design build process for those repairs. The auditorium roof will be replaced, the west wall will be repaired, a loading dock will be added, and the entire HVAC system will be replaced. The estimated cost of this project is \$1.5 million. \$2 million in Bond Anticipation Notes will be issued to finance this project as well as financing the replacement of the HVAC system in the City jail. Early in 2015, the Army Reserve chose not to renew their land lease with the City. Per the terms of the lease, any buildings and/or improvements made to the land would become the City's if the lease was terminated. After taking possession of the property, the City declared the property to be surplus and put it out for public bid. The City received \$300,000 from the sale for that property. Approximately \$2 million in City and grant funds will be spent on paving 16 miles of roadway during 2015. The City has hired a consulting firm to develop a pavement management program for the 164 miles of roadway the City is responsible for maintaining.

Contacting the City Auditor's Department

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

City of Zanesville, Ohio
Statement of Net Position
December 31, 2014

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$9,052,092	\$3,935,152	\$12,987,244
Cash and Cash Equivalents in Segregated Accounts	16,527	0	16,527
Investments	50,000	0	50,000
Accounts Receivable	108,405	1,621,019	1,729,424
Accrued Interest Receivable	24,321	0	24,321
Intergovernmental Receivable	1,513,353	0	1,513,353
Permissive Motor Vehicle Tax Receivable	8,128	0	8,128
Internal Balances	178,953	(178,953)	0
Municipal Income Tax Receivable	2,785,897	0	2,785,897
Loans Receivable	79,257	0	79,257
Special Assessments Receivable	2,119,423	10,598	2,130,021
Materials and Supplies Inventory	369,619	931,141	1,300,760
Prepaid Items	72,698	42,550	115,248
Property Taxes Receivable	1,431,549	0	1,431,549
Non-Depreciable Capital Assets	1,460,282	3,539,669	4,999,951
Depreciable Capital Assets, Net	17,588,251	64,518,800	82,107,051
<i>Total Assets</i>	<u>36,858,755</u>	<u>74,419,976</u>	<u>111,278,731</u>
Deferred Outflows of Resources			
Deferred Charge on Refunding	4,156	3,321	7,477
Liabilities			
Accounts Payable	509,803	128,044	637,847
Contracts Payable	0	11,549	11,549
Matured Compensated Absences Payable	29,860	0	29,860
Accrued Wages Payable	669,553	221,649	891,202
Accrued Interest Payable	8,417	386	8,803
Intergovernmental Payable	818,683	112,223	930,906
Retainage Payable	0	50,701	50,701
Claims Payable	446,744	0	446,744
Customer Deposits Payable	0	320,635	320,635
Long-Term Liabilities:			
Due Within One Year	1,010,660	2,431,716	3,442,376
Due In More Than One Year	5,821,696	27,289,882	33,111,578
<i>Total Liabilities</i>	<u>9,315,416</u>	<u>30,566,785</u>	<u>39,882,201</u>
Deferred Inflows of Resources			
Property Taxes	1,137,550	0	1,137,550
Net Position			
Net Investment in Capital Assets	14,028,304	38,809,539	52,837,843
Restricted for:			
Street	1,068,928	0	1,068,928
Cemetery	121,369	0	121,369
Community Development	832,138	0	832,138
Jail Operations	461,937	0	461,937
Police Operations	433,864	0	433,864
Court Operations	460,182	0	460,182
Police and Fire Pension	73,578	0	73,578
Capital Outlay	566,436	0	566,436
Cemetery - Non-expendable	669,444	0	669,444
Unclaimed Monies	5,433	0	5,433
Other Purposes	43,529	0	43,529
Unrestricted	7,644,803	5,046,973	12,691,776
<i>Total Net Position</i>	<u>\$26,409,945</u>	<u>\$43,856,512</u>	<u>\$70,266,457</u>

See accompanying notes to the basic financial statements

City of Zanesville, Ohio
Statement of Activities
For the Year Ended December 31, 2014

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants, Contributions, and Interest	Capital Grants and Contributions	Governmental Activities	Business- Type Activities	Total
Governmental Activities							
General Government:							
Legislative and Executive	\$4,647,917	\$575,983	\$0	\$0	(\$4,071,934)	\$0	(\$4,071,934)
Court	594,149	347,642	0	0	(246,507)	0	(246,507)
Security of Persons and Property:							
Police	8,399,391	42,951	111,204	0	(8,245,236)	0	(8,245,236)
Fire	5,773,793	4,916	11,578	100	(5,757,199)	0	(5,757,199)
Other	137,805	0	0	0	(137,805)	0	(137,805)
Public Health Services	502,857	72,191	21,448	0	(409,218)	0	(409,218)
Community Environment	1,005,308	55,443	489,785	0	(460,080)	0	(460,080)
Transportation	3,651,975	126,857	1,214,807	440,551	(1,869,760)	0	(1,869,760)
Leisure Time Activities	739,516	164,381	0	0	(575,135)	0	(575,135)
Interest and Fiscal Charges	155,546	0	0	0	(155,546)	0	(155,546)
<i>Total Governmental Activities</i>	<u>25,608,257</u>	<u>1,390,364</u>	<u>1,848,822</u>	<u>440,651</u>	<u>(21,928,420)</u>	<u>0</u>	<u>(21,928,420)</u>
Business-Type Activities							
Sanitation	1,514,304	1,592,021	6,000	0	0	83,717	83,717
Sewer	5,756,637	6,687,642	0	0	0	931,005	931,005
Water	5,276,000	4,641,400	40,000	0	0	(594,600)	(594,600)
<i>Total Business-Type Activities</i>	<u>12,546,941</u>	<u>12,921,063</u>	<u>46,000</u>	<u>0</u>	<u>0</u>	<u>420,122</u>	<u>420,122</u>
<i>Total</i>	<u>\$38,155,198</u>	<u>\$14,311,427</u>	<u>\$1,894,822</u>	<u>\$440,651</u>	<u>(21,928,420)</u>	<u>420,122</u>	<u>(21,508,298)</u>

General Revenues

Property Taxes Levied for:

General Purposes	922,765	0	922,765
Police and Fire Pension	201,675	0	201,675
Debt Service	1,450	0	1,450
Income Taxes Levied for:			
General Purposes	8,821,094	0	8,821,094
Police Operations	4,109,950	0	4,109,950
Jail Operations	1,644,917	0	1,644,917
Fire Operations	1,644,319	0	1,644,319
Payments in Lieu of Taxes	624,096	0	624,096
Franchise Taxes	299,113	0	299,113
Grants and Entitlements not Restricted to Specific Progr	2,734,519	0	2,734,519
Investment Earnings	52,244	1,213	53,457
Other	319,074	98,300	417,374

<i>Total General Revenues</i>	21,375,216	99,513	21,474,729
<i>Change in Net Position</i>	(553,204)	519,635	(33,569)
<i>Net Position Beginning of Year</i>	<u>26,963,149</u>	<u>43,336,877</u>	<u>70,300,026</u>
<i>Net Position End of Year</i>	<u>\$26,409,945</u>	<u>\$43,856,512</u>	<u>\$70,266,457</u>

See accompanying notes to the basic financial statements

City of Zanesville, Ohio

Balance Sheet

Governmental Funds

December 31, 2014

	<u>General</u>	<u>Police Expenditure</u>	<u>Fire Operating</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets					
Equity in Pooled Cash and Cash Equivalents	\$4,039,174	\$754,199	\$329,356	\$3,022,154	\$8,144,883
Cash and Cash Equivalents in Segregated Accounts	2,462	0	0	14,065	16,527
Restricted Cash	5,433	0	0	0	5,433
Investments	0	0	0	50,000	50,000
Receivables:					
Accrued Interest	22,870	0	0	1,451	24,321
Accounts	80,328	0	0	28,077	108,405
Interfund	80,296	0	0	413,000	493,296
Intergovernmental	461,874	0	1,000	1,042,072	1,504,946
Permissive Motor Vehicle Tax	0	0	0	8,128	8,128
Municipal Income Tax	1,466,217	732,970	293,355	293,355	2,785,897
Taxes	1,173,770	0	0	257,779	1,431,549
Loans	0	0	0	79,257	79,257
Special Assessments	2,118,511	0	0	912	2,119,423
Materials and Supplies Inventory	1,397	13,480	0	85,044	99,921
Prepaid Items	22,717	13,776	9,082	26,184	71,759
<i>Total Assets</i>	<u>\$9,475,049</u>	<u>\$1,514,425</u>	<u>\$632,793</u>	<u>\$5,321,478</u>	<u>\$16,943,745</u>
Liabilities					
Accounts Payable	\$435,053	\$7,569	\$3,633	\$45,362	\$491,617
Accrued Wages Payable	124,977	227,102	178,773	114,473	645,325
Matured Compensated Absences Payable	0	0	29,860	0	29,860
Interfund Payable	39,152	114,966	461,950	86,684	702,752
Intergovernmental Payable	455,483	137,930	127,404	86,224	807,041
<i>Total Liabilities</i>	<u>1,054,665</u>	<u>487,567</u>	<u>801,620</u>	<u>332,743</u>	<u>2,676,595</u>
Deferred Inflows of Resources					
Property Taxes	931,679	0	0	205,871	1,137,550
Unavailable Revenue	2,937,344	128,436	52,404	964,635	4,082,819
<i>Total Deferred Inflows of Resources</i>	<u>3,869,023</u>	<u>128,436</u>	<u>52,404</u>	<u>1,170,506</u>	<u>5,220,369</u>
Fund Balances					
Nonspendable	29,547	27,256	9,082	780,672	846,557
Restricted	0	871,166	0	2,779,078	3,650,244
Committed	6,896	0	0	258,479	265,375
Assigned	137,003	0	0	0	137,003
Unassigned (Deficit)	4,377,915	0	(230,313)	0	4,147,602
<i>Total Fund Balances (Deficit)</i>	<u>4,551,361</u>	<u>898,422</u>	<u>(221,231)</u>	<u>3,818,229</u>	<u>9,046,781</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$9,475,049</u>	<u>\$1,514,425</u>	<u>\$632,793</u>	<u>\$5,321,478</u>	<u>\$16,943,745</u>

See accompanying notes to the basic financial statements

City of Zanesville, Ohio
*Reconciliation of Total Governmental Fund Balances to
 Net Position of Governmental Activities
 December 31, 2014*

Total Governmental Fund Balances \$9,046,781

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 19,048,533

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

Property Taxes	293,999	
Charges for Services	2,126,029	
Municipal Income Tax	488,164	
Intergovernmental Revenues	1,152,185	
Investment Earnings	16,491	
Other Revenues	5,951	
Total	4,082,819	4,082,819

Deferred outflows of resources represent deferred charges on refundings which do not provide current financial resources and therefore are not reported in the funds. 4,156

Internal service funds are used by management to charge the costs of insurance and vehicle maintenance to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position (excluding the capital assets reported above and the compensated absences reported below). 903,597

An interfund payable is recorded in governmental activities to reflect overpayments to the internal service fund by the business-type activities. 164,832

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

Bonds Payable	(1,681,000)	
Accrued Interest Payable	(8,417)	
Loans Payable	(3,343,385)	
Workers' Compensation Claims Payable	(90,667)	
Compensated Absences Payable	(1,717,304)	
Total	(6,840,773)	(6,840,773)

Net Position of Governmental Activities **\$26,409,945**

See accompanying notes to the basic financial statements

City of Zanesville, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2014

	General	Police Expenditure	Fire Operating	Other Governmental Funds	Total Governmental Funds
Revenues					
Property Taxes	\$912,410	\$0	\$0	\$200,851	\$1,113,261
Permissive Motor Vehicle License	0	0	0	107,007	107,007
Municipal Income Tax	8,801,134	4,099,972	1,640,325	1,640,923	16,182,354
Payments in Lieu of Taxes	0	0	0	624,096	624,096
Charges for Services	652,515	6,439	3,005	242,278	904,237
Fines, Licenses and Permits	316,057	9,380	0	120,221	445,658
Franchise Tax	299,113	0	0	0	299,113
Intergovernmental	2,721,694	14,809	0	2,150,046	4,886,549
Investment Earnings	38,535	0	0	23,944	62,479
Donations	0	15,020	100	0	15,120
Rent	35,822	0	0	21,460	57,282
Other	82,776	65,571	63,096	95,712	307,155
<i>Total Revenues</i>	<u>13,860,056</u>	<u>4,211,191</u>	<u>1,706,526</u>	<u>5,226,538</u>	<u>25,004,311</u>
Expenditures					
Current:					
General Government:					
Legislative and Executive	4,534,199	0	0	0	4,534,199
Court	512,768	0	0	81,713	594,481
Security of Persons and Property:					
Police	1,426	6,147,400	0	1,981,873	8,130,699
Fire	0	0	5,446,032	109,129	5,555,161
Other	137,805	0	0	0	137,805
Public Health Services	0	0	0	469,504	469,504
Community Environment	420,943	0	0	606,553	1,027,496
Transportation	444,372	0	0	2,178,150	2,622,522
Leisure Time Activities	385,272	0	0	294,069	679,341
Capital Outlay	62,378	0	0	417,268	479,646
Debt Service:					
Principal Retirement	0	0	0	368,127	368,127
Interest and Fiscal Charges	0	0	0	161,736	161,736
Issuance Costs	0	0	0	8,820	8,820
<i>Total Expenditures</i>	<u>6,499,163</u>	<u>6,147,400</u>	<u>5,446,032</u>	<u>6,676,942</u>	<u>24,769,537</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>7,360,893</u>	<u>(1,936,209)</u>	<u>(3,739,506)</u>	<u>(1,450,404)</u>	<u>234,774</u>
Other Financing Sources (Uses)					
Refunding Bonds Issued	0	0	0	889,000	889,000
Payment to refunded bond escrow agent	0	0	0	(879,910)	(879,910)
Transfers In	0	2,151,890	3,894,215	1,642,937	7,689,042
Proceeds from Loans	0	0	0	1,136	1,136
Transfers Out	(7,885,194)	0	0	0	(7,885,194)
<i>Total Other Financing Sources (Uses)</i>	<u>(7,885,194)</u>	<u>2,151,890</u>	<u>3,894,215</u>	<u>1,653,163</u>	<u>(185,926)</u>
<i>Net Change in Fund Balances</i>	(524,301)	215,681	154,709	202,759	48,848
<i>Fund Balances Beginning of Year</i>	<u>5,075,662</u>	<u>682,741</u>	<u>(375,940)</u>	<u>3,615,470</u>	<u>8,997,933</u>
<i>Fund Balances (Deficit) End of Year</i>	<u>\$4,551,361</u>	<u>\$898,422</u>	<u>(\$221,231)</u>	<u>\$3,818,229</u>	<u>\$9,046,781</u>

See accompanying notes to the basic financial statements

City of Zanesville, Ohio
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2014*

Net Change in Fund Balances - Total Governmental Funds \$48,848

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

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

Capital Outlay	478,450	
Depreciation	(1,550,429)	
Excess of Depreciation Expense Over Capital Outlay		(1,071,979)

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

Property Taxes	12,629	
Charges for Services - Special Assessments	(117,398)	
Charges for Services	(5,166)	
Municipal Income Tax	37,926	
Intergovernmental Revenues	97,807	
Rent	(1,256)	
Other Revenues	5,696	
Investment Earnings	14,281	
Total		44,519

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

Accrued interest	5,943	
Amortization of deferred amount on refunding	(354)	
Amortization of bond premium	601	6,190

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

Long-Term Loans	150,127	
General Obligation Bonds	50,000	
Refunding Bonds	168,000	368,127

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

Refunding Bonds Issued	(889,000)	
Long-term Loan	(1,136)	(890,136)

Payment to refunded bond escrow agent is an other financing use in governmental funds, but the payment reduces long-term liabilities on the statement of net position.

879,910

The internal service funds used by management to charge the costs of issuance and vehicle maintenance to individual funds is not reported in the statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net change of the internal service funds is allocated among governmental activities.

222,994

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

Compensated Absences Payable	(71,010)	
Claims Payable - BWC Retro	(90,667)	(161,677)

Change in Net Position of Governmental Activities

(\$553,204)

See accompanying notes to the basic financial statements

City of Zanesville, Ohio
*Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Year Ended December 31, 2014*

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
Revenues				
Property Taxes	\$894,671	\$912,451	\$912,410	(\$41)
Municipal Income Tax	8,471,400	8,471,400	8,758,763	287,363
Charges for Services	704,775	704,975	651,477	(53,498)
Fines, Licenses and Permits	390,344	360,544	327,689	(32,855)
Franchise Tax	319,999	319,999	301,966	(18,033)
Intergovernmental	2,179,336	2,620,136	2,709,944	89,808
Investment Earnings	80,000	20,000	18,168	(1,832)
Rent	39,852	39,852	35,422	(4,430)
Other	7,918	75,917	69,574	(6,343)
<i>Total Revenues</i>	13,088,295	13,525,274	13,785,413	260,139
Expenditures				
Current:				
General Government:				
Legislative and Executive	7,598,975	7,755,277	4,493,864	3,261,413
Court	535,022	545,022	517,452	27,570
Security of Persons and Property:				
Other	173,726	183,726	137,518	46,208
Community Environment	511,707	521,707	463,560	58,147
Transportation	450,164	455,164	453,077	2,087
Leisure Time Activities	479,709	509,708	380,453	129,255
Capital Outlay	100,000	100,000	63,415	36,585
<i>Total Expenditures</i>	9,849,303	10,070,604	6,509,339	3,561,265
<i>Excess of Revenues Over Expenditures</i>	3,238,992	3,454,670	7,276,074	3,821,404
Other Financing Sources (Uses)				
Advances In	0	0	168,024	168,024
Advances Out	0	0	(168,024)	(168,024)
Transfers Out	(7,743,693)	(7,959,371)	(7,885,194)	74,177
<i>Total Other Financing Sources (Uses)</i>	(7,743,693)	(7,959,371)	(7,885,194)	74,177
<i>Net Change in Fund Balance</i>	(4,504,701)	(4,504,701)	(609,120)	3,895,581
<i>Fund Balance Beginning of Year</i>	4,377,267	4,377,267	4,377,267	0
Prior Year Encumbrances Appropriated	127,434	127,434	127,434	0
<i>Fund Balance End of Year</i>	\$0	\$0	\$3,895,581	\$3,895,581

See accompanying notes to the basic financial statements

City of Zanesville, Ohio
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
Police Expenditure Fund
For the Year Ended December 31, 2014

	<u>Budgeted Amounts</u>			Variance with Final Budget Over (Under)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Municipal Income Tax	\$4,075,170	\$4,075,170	\$4,075,170	\$0
Charges for Services	6,000	6,000	6,439	439
Intergovernmental	35,000	35,000	18,986	(16,014)
Fines, Licenses and Permits	0	0	9,380	9,380
Donations	1,000	16,800	15,020	(1,780)
Other	9,300	87,300	65,571	(21,729)
<i>Total Revenues</i>	4,126,470	4,220,270	4,190,566	(29,704)
Expenditures				
Current:				
Security of Persons and Property:				
Police	6,839,066	6,932,866	6,284,559	648,307
<i>Excess of Revenues Under Expenditures</i>	(2,712,596)	(2,712,596)	(2,093,993)	618,603
Other Financing Source				
Transfers In	2,151,890	2,151,890	2,151,890	0
<i>Net Change in Fund Balance</i>	(560,706)	(560,706)	57,897	618,603
<i>Fund Balance Beginning of Year</i>	493,345	493,345	493,345	0
Prior Year Encumbrances Appropriated	67,361	67,361	67,361	0
<i>Fund Balance End of Year</i>	<u>\$0</u>	<u>\$0</u>	<u>\$618,603</u>	<u>\$618,603</u>

See accompanying notes to the basic financial statements

City of Zanesville, Ohio
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
Fire Operating Fund
For the Year Ended December 31, 2014

	<u>Budgeted Amounts</u>			Variance with Final Budget Over (Under)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Municipal Income Tax	\$1,630,399	\$1,630,399	\$1,630,399	\$0
Charges for Services	4,300	4,300	3,005	(1,295)
Intergovernmental	0	216,515	0	(216,515)
Donation	0	500	100	(400)
Other	3,000	68,600	63,096	(5,504)
<i>Total Revenues</i>	1,637,699	1,920,314	1,696,600	(223,714)
Expenditures				
Current:				
Security of Persons and Property:				
Fire	5,699,694	5,982,309	5,666,416	315,893
<i>Excess of Revenues Under Expenditures</i>	(4,061,995)	(4,061,995)	(3,969,816)	92,179
Other Financing Source				
Transfers In	3,894,215	3,894,215	3,894,215	0
<i>Net Change in Fund Balance</i>	(167,780)	(167,780)	(75,601)	92,179
<i>Fund Balance Beginning of Year</i>	158,286	158,286	158,286	0
Prior Year Encumbrances Appropriated	9,494	9,494	9,494	0
<i>Fund Balance End of Year</i>	<u>\$0</u>	<u>\$0</u>	<u>\$92,179</u>	<u>\$92,179</u>

See accompanying notes to the basic financial statements

City of Zanesville, Ohio
Statement of Fund Net Position
Proprietary Funds
December 31, 2014

	Business Type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Sewer	Water	Nonmajor	Total	
Assets					
Current:					
Equity in Pooled Cash and Cash Equivalents	\$2,578,737	\$592,015	\$443,765	\$3,614,517	\$901,776
Accounts Receivable	762,082	585,613	273,324	1,621,019	0
Intergovernmental Receivable	0	0	0	0	8,407
Interfund Receivable	50,487	0	0	50,487	228,672
Special Assessments Receivable	10,598	0	0	10,598	0
Materials and Supplies Inventory	302,821	628,320	0	931,141	269,698
Restricted Assets:					
Customer Deposits - Equity in Pooled Cash and Cash Equivalents	0	320,635	0	320,635	0
Prepaid Items	18,045	20,541	3,964	42,550	939
Total Current Assets	3,722,770	2,147,124	721,053	6,590,947	1,409,492
Noncurrent:					
Non-Depreciable Capital Assets	3,451,482	88,187	0	3,539,669	0
Depreciable Capital Assets, Net	40,646,564	23,619,831	252,405	64,518,800	3,817
Total Noncurrent Assets	44,098,046	23,708,018	252,405	68,058,469	3,817
Total Assets	47,820,816	25,855,142	973,458	74,649,416	1,413,309
Deferred Outflows of Resources					
Deferred Charge on Refunding	0	3,321	0	3,321	0
Liabilities					
Current:					
Accounts Payable	58,094	50,004	19,946	128,044	18,186
Contracts Payable	7,157	4,392	0	11,549	0
Accrued Wages Payable	91,345	90,238	40,066	221,649	24,228
Intergovernmental Payable	47,411	45,876	18,936	112,223	11,642
Retainage Payable	50,701	0	0	50,701	0
Accrued Interest Payable	0	386	0	386	0
Claims Payable	0	0	0	0	446,744
Interfund Payable	11,490	29,337	23,781	64,608	5,095
Compensated Absences Payable	56,754	59,165	41,380	157,299	22,152
General Obligation Bonds Payable	0	76,500	0	76,500	0
Capital Leases Payable	28,123	0	0	28,123	0
OPWC Loans Payable	63,746	0	0	63,746	0
OWDA Loans Payable	1,544,386	561,662	0	2,106,048	0
Current Liabilities Payable from Restricted Assets:					
Customer Deposits	0	320,635	0	320,635	0
Total Current Liabilities	1,959,207	1,238,195	144,109	3,341,511	528,047
Long-Term:					
Compensated Absences Payable	136,659	173,411	64,228	374,298	55,924
Notes Payable	0	232,500	0	232,500	0
Capital Leases Payable	59,007	0	0	59,007	0
OPWC Loans Payable	1,179,313	0	0	1,179,313	0
OWDA Loans Payable	13,984,064	11,460,700	0	25,444,764	0
Total Long-Term Liabilities	15,359,043	11,866,611	64,228	27,289,882	55,924
Total Liabilities	17,318,250	13,104,806	208,337	30,631,393	583,971
Net Position					
Net Investment in Capital Assets	27,181,549	11,375,585	252,405	38,809,539	3,817
Unrestricted	3,321,017	1,378,072	512,716	5,211,805	825,521
Total Net Position	\$30,502,566	\$12,753,657	\$765,121	44,021,344	\$829,338

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

Net position of business-type activities	(164,832)
	\$43,856,512

See accompanying notes to the basic financial statements

City of Zanesville, Ohio
*Statement of Revenues, Expenses
and Changes in Fund Net Position
Proprietary Funds
For the Year Ended December 31, 2014*

	Business Type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Sewer	Water	Nonmajor	Total	
Operating Revenues					
Charges for Services	\$6,687,642	\$4,641,400	\$1,592,021	\$12,921,063	\$6,096,305
Other Operating Revenues	0	0	0	0	38
<i>Total Operating Revenues</i>	<u>6,687,642</u>	<u>4,641,400</u>	<u>1,592,021</u>	<u>12,921,063</u>	<u>6,096,343</u>
Operating Expenses					
Salaries and Wages	1,504,275	1,429,389	562,044	3,495,708	364,264
Fringe Benefits	476,969	672,476	326,943	1,476,388	292,287
Contractual Services	1,578,291	1,431,795	535,056	3,545,142	456,182
Materials and Supplies	272,945	333,176	25,883	632,004	888,836
Claims	0	0	0	0	4,139,581
Other Operating Expenses	0	0	0	0	2,619
Depreciation	1,199,815	1,085,444	53,388	2,338,647	0
<i>Total Operating Expenses</i>	<u>5,032,295</u>	<u>4,952,280</u>	<u>1,503,314</u>	<u>11,487,889</u>	<u>6,143,769</u>
<i>Operating Income (Loss)</i>	<u>1,655,347</u>	<u>(310,880)</u>	<u>88,707</u>	<u>1,433,174</u>	<u>(47,426)</u>
Non-Operating Revenues (Expenses)					
Interest	0	1,213	0	1,213	0
Grants	0	40,000	6,000	46,000	0
Other Non-Operating Revenues	26,242	62,939	9,119	98,300	6,223
Interest and Fiscal Charges	(702,421)	(299,232)	0	(1,001,653)	0
<i>Total Non-Operating Revenues (Expenses)</i>	<u>(676,179)</u>	<u>(195,080)</u>	<u>15,119</u>	<u>(856,140)</u>	<u>6,223</u>
<i>Income (Loss) Before Transfers</i>	<u>979,168</u>	<u>(505,960)</u>	<u>103,826</u>	<u>577,034</u>	<u>(41,203)</u>
Transfers In	0	0	0	0	196,152
<i>Change in Net Position</i>	<u>979,168</u>	<u>(505,960)</u>	<u>103,826</u>	<u>577,034</u>	<u>154,949</u>
<i>Net Position Beginning of Year</i>	<u>29,523,398</u>	<u>13,259,617</u>	<u>661,295</u>		<u>674,389</u>
<i>Net Position End of Year</i>	<u>\$30,502,566</u>	<u>\$12,753,657</u>	<u>\$765,121</u>		<u>\$829,338</u>

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

Change in net position of business-type activities	(57,399)
	\$519,635

See accompanying notes to the basic financial statements

City of Zanesville, Ohio
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2014

	Business Type Activities - Enterprise Funds			Total Funds	Governmental Activities - Internal Service Funds
	Sewer	Water	Nonmajor		
Increase (Decrease) in Cash and Cash Equivalents					
Cash Flows from Operating Activities:					
Cash Received from Customers	\$6,838,735	\$4,694,804	\$1,570,697	\$13,104,236	\$0
Cash Received from Transactions with Other Funds	0	0	0	0	6,028,182
Cash Payments for Employee Services and Benefits	(1,954,892)	(2,116,097)	(904,612)	(4,975,601)	(642,369)
Cash Payments to Suppliers for Goods and Services	(1,856,998)	(1,868,318)	(567,290)	(4,292,606)	(1,373,427)
Other Operating Expenses	0	0	0	0	(2,619)
Cash Payments for Claims	0	0	0	0	(4,219,353)
Other Non-Operating Revenues	42,778	26,107	9,119	78,004	6,223
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u>3,069,623</u>	<u>736,496</u>	<u>107,914</u>	<u>3,914,033</u>	<u>(203,363)</u>
Cash Flows from Capital and Related Financing Activities:					
Acquisition of Capital Assets	(4,218,873)	(158,863)	0	(4,377,736)	0
Refunding Bonds Issued	0	381,000	0	381,000	0
Loan Proceeds	3,944,733	0	0	3,944,733	0
Principal Paid on Capital Lease	(27,241)	0	0	(27,241)	0
Interest Paid on Capital Lease	(3,703)	0	0	(3,703)	0
Principal Paid on Debt	(1,654,404)	(1,038,305)	0	(2,692,709)	0
Interest Paid on Debt	(698,718)	(295,955)	0	(994,673)	0
Issuance Costs	0	(3,780)	0	(3,780)	0
<i>Net Cash Used for Capital and Related Financing Activities</i>	<u>(2,658,206)</u>	<u>(1,115,903)</u>	<u>0</u>	<u>(3,774,109)</u>	<u>0</u>
Cash Flows from Non-Capital and Related Financing Activities:					
Operating Grants	0	40,000	6,000	46,000	0
Operating Transfers In	0	0	0	0	196,152
<i>Net Cash Provided by Non-Capital and Related Financing Activities</i>	<u>0</u>	<u>40,000</u>	<u>6,000</u>	<u>46,000</u>	<u>196,152</u>
Cash Flows from Investing Activities:					
Investment Earnings	0	1,213	0	1,213	0
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	411,417	(338,194)	113,914	187,137	(7,211)
<i>Cash and Cash Equivalents Beginning of Year</i>	2,167,320	1,250,844	329,851	3,748,015	908,987
<i>Cash and Cash Equivalents End of Year</i>	<u>2,578,737</u>	<u>\$912,650</u>	<u>\$443,765</u>	<u>\$3,935,152</u>	<u>\$901,776</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:					
<i>Operating Income (Loss)</i>	\$1,655,347	(\$310,880)	\$88,707	\$1,433,174	(\$47,426)
Adjustments:					
Depreciation	1,199,815	1,085,444	53,388	2,338,647	0
Other Non-Operating Revenues	42,778	26,107	9,119	78,004	6,223
(Increase)/Decrease in Assets:					
Accounts Receivable	145,424	53,404	(21,324)	177,504	0
Intergovernmental Receivable	0	0	0	0	1,191
Interfund Receivable	0	14,505	0	14,505	(69,352)
Special Assessments Receivable	5,669	0	0	5,669	0
Materials and Supplies Inventory	(16,750)	(123,931)	0	(140,681)	6,089
Prepaid Items	(865)	(3,689)	(248)	(4,802)	9
Increase/(Decrease) in Liabilities:					
Accounts Payable	10,641	5,376	(18,899)	(2,882)	(23,320)
Contracts Payable	0	4,392	0	4,392	0
Accrued Wages Payable	8,498	11,263	5,051	24,812	3,127
Intergovernmental Payable	(564)	(33,167)	(35,186)	(68,917)	(12,338)
Interfund Payable	1,212	0	12,796	14,008	1,560
Claims Payable	0	0	0	0	(79,772)
Compensated Absences Payable	18,418	7,672	14,510	40,600	10,646
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u>\$3,069,623</u>	<u>\$736,496</u>	<u>\$107,914</u>	<u>\$3,914,033</u>	<u>(\$203,363)</u>

See accompanying notes to the basic financial statements

City of Zanesville, Ohio
Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2014

	Private Purpose Trust Funds	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$23,526	\$62,915
Cash and Cash Equivalents in Segregated Accounts	0	1,705
Accrued Interest	2	0
<i>Total Assets</i>	23,528	\$64,620
Liabilities		
Undistributed Monies	0	\$42,800
Deposits Held and Due to Others	0	21,820
<i>Total Liabilities</i>	0	\$64,620
Net Position		
Held in Trust for Private Purposes	23,528	
Total Net Position	\$23,528	

See accompanying notes to the basic financial statements

City of Zanesville, Ohio
Statement of Changes in Fiduciary Net Position
Private Purpose Trust Funds
December 31, 2014

Additions	
Interest	\$7
Deletions	
Other	<u>0</u>
<i>Change in Net Position</i>	7
<i>Net Position Beginning of Year</i>	<u>23,521</u>
<i>Net Position End of Year</i>	<u><u>\$23,528</u></u>

See accompanying notes to the basic financial statements

City of Zanesville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

NOTE 1 - DESCRIPTION OF THE CITY AND REPORTING ENTITY

The City of Zanesville (the "City") is a body politic, incorporated and established for the purpose of exercising the rights and privileges conveyed to it by the laws of the State of Ohio. The City is organized as a Mayor/Council form of government. Located in Muskingum County, the City was established in 1814. The City is located 55 miles east of Columbus, once served as the state capital, and currently serves as the county seat. The Mayor, Council, Auditor, Treasurer, and Law Director are elected officials. Department directors and public members of various boards and commissions are appointed by the Mayor.

Reporting Entity

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

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

The City is involved with the following organizations which are defined as jointly governed organizations. Additional information concerning the jointly governed organizations is presented in Note 18.

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

City of Zanesville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

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

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

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

A. Basis of Presentation

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

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

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

City of Zanesville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

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

B. Fund Accounting

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

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

General Fund The General Fund accounts for and reports all financial resources not 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 Expenditure Fund The Police Expenditure Fund is used to account for that portion of income tax collections designated for security of persons and property within the City.

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

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

Proprietary Funds Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows. Proprietary funds are classified as either enterprise or internal service. Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. All of the City's enterprise funds are major funds.

Sewer Fund The Sewer Fund is used to account for the revenues generated from the charges for sanitary sewer services provided to the residential and commercial users of the City.

Water Fund The Water Fund is used to account for the revenues generated from the charges for distribution of water to the residential and commercial users of the City.

City of Zanesville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

Internal Service Funds Internal Service funds account for the financing of services provided by one department or agency to other departments or agencies of the City on a cost reimbursement basis. One internal service fund of the City accounts for self-insurance for health care claims and the other internal service fund accounts for vehicle maintenance costs.

Fiduciary Funds Fiduciary fund reporting focuses on net position and changes in net position. There are four categories of fiduciary funds; pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the City's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City's agency funds account for grant money passed through for payroll activity and mayor's court collections that are distributed to various local governments. The City's private purpose trust funds are used to hold in trust monies that do not benefit the City.

C. Measurement Focus

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

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

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

D. Basis of Accounting

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

City of Zanesville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

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

Nonexchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements, and donations. On an accrual basis, revenue from income taxes is recognized in the period in which the income is earned. Revenue from property taxes is recognized in the year for which the taxes are levied (See Note 6). Revenue from grants, entitlements, and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the City must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from a nonexchange transaction must also be available before it can be recognized.

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

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

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the City, deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2014, but which were levied to finance 2015 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the City, unavailable revenue includes delinquent property taxes, investment earnings, income taxes, charges for services, miscellaneous revenues, and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

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

City of Zanesville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

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

E. Budget Process

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

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

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

F. Cash and Cash Equivalents

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

During 2014, investments were limited to certificates of deposit and federal, state, and local agency securities.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest is credited to the General Fund, the Street and State Highway and Law Enforcement Special Revenue Funds. Interest revenue credited to the General Fund during 2014 amounted to \$38,535, which includes \$27,039 assigned from other City funds.

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

City of Zanesville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

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

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

G. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation.

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

H. Inventory

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

I. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2014, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed.

J. Capital Assets

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

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

City of Zanesville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

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

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

K. Compensated Absences

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

L. Accrued Liabilities and Long-Term Obligations

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

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

City of Zanesville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

M. Fund Balance

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

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

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

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

Committed The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (ordinance or resolution) of City Council. Those committed amounts cannot be used for any other purpose unless City Council removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

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

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

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

City of Zanesville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

N. Net Position

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

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

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

O. Operating Revenues and Expenses

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

P. Internal Activity

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

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

Q. Interfund Balances

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

R. Bond Premiums

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

City of Zanesville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

S. Deferred Charge on Refunding

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

T. Extraordinary and Special Items

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

U. Estimates

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

NOTE 3 - BUDGETARY BASIS OF ACCOUNTING

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

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

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

City of Zanesville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

Net Change in Fund Balance

	<u>General</u>	<u>Police Expenditure</u>	<u>Fire Operating</u>
GAAP Basis	(\$524,301)	\$215,681	\$154,709
Net Adjustment for Revenue Accruals	(74,456)	(20,625)	(9,926)
Beginning of Year:			
Unrecorded Cash	21,424	0	0
Unrecorded Interest	1,702	0	0
Difference in Fair Market Value	(12,848)	0	0
Prepaid Items	20,782	13,816	8,510
Segregated Accounts	8,487	0	0
End of Year:			
Unrecorded Cash	(8,766)	0	0
Unrecorded Interest	(1,208)	0	0
Difference in Fair Market Value	(6,516)	0	0
Prepaid Items	(22,717)	(13,776)	(9,082)
Segregated Accounts	(2,462)	0	0
Net Adjustment for Expenditure Accruals	124,295	(1,603)	17,365
Advances In	168,024	0	0
Advances Out	(168,024)	0	0
Encumbrances	<u>(132,536)</u>	<u>(135,596)</u>	<u>(237,177)</u>
Budget Basis	<u><u>(\$609,120)</u></u>	<u><u>\$57,897</u></u>	<u><u>(\$75,601)</u></u>

NOTE 4 - FUND BALANCES

Fund balance is classified as nonspendable, restricted, committed, assigned, and/or unassigned based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

City of Zanesville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

Fund Balances	General	Police Expenditure	Fire Operating	Other Governmental Funds	Total
<u>Nonspendable:</u>					
Prepays	\$22,717	\$13,776	\$9,082	\$26,184	\$71,759
Cemetery Endowments	0	0	0	669,444	669,444
Unclaimed monies	5,433	0	0	0	5,433
Inventory	1,397	13,480	0	85,044	99,921
<i>Total Nonspendable</i>	<u>29,547</u>	<u>27,256</u>	<u>9,082</u>	<u>780,672</u>	<u>846,557</u>
<u>Restricted for:</u>					
Street Improvements	0	0	0	744,361	744,361
Community Development	0	0	0	343,898	343,898
Cemetery	0	0	0	131,778	131,778
Law Enforcement	0	871,166	0	92,657	963,823
Court Operations	0	0	0	460,182	460,182
Jail Operating	0	0	0	481,807	481,807
Police and Fire Pension	0	0	0	11,392	11,392
Airport Improvements	0	0	0	52,784	52,784
Capital Improvements	0	0	0	460,219	460,219
<i>Total Restricted</i>	<u>0</u>	<u>871,166</u>	<u>0</u>	<u>2,779,078</u>	<u>3,650,244</u>
<u>Committed to:</u>					
Capital Improvements	0	0	0	106,217	106,217
Purchases on Order	6,896	0	0	0	6,896
Auditorium Operating	0	0	0	152,262	152,262
<i>Total Committed</i>	<u>6,896</u>	<u>0</u>	<u>0</u>	<u>258,479</u>	<u>265,375</u>
<u>Assigned to:</u>					
Purchases on Order	103,611	0	0	0	103,611
Other purposes	33,392	0	0	0	33,392
<i>Total Assigned</i>	<u>137,003</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>137,003</u>
Unassigned (Deficit)	<u>4,377,915</u>	<u>0</u>	<u>(230,313)</u>	<u>0</u>	<u>4,147,602</u>
Total Fund Balances (Deficit)	<u>\$4,551,361</u>	<u>\$898,422</u>	<u>(\$221,231)</u>	<u>\$3,818,229</u>	<u>\$9,046,781</u>

NOTE 5 - DEPOSITS AND INVESTMENTS

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

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

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

City of Zanesville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

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

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

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

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

City of Zanesville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

Deposits

Custodial credit risk for deposits is the risk that, in the event of bank failure, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, the carrying amount of the City's deposits was \$13,091,916 and the bank balance was \$11,117,455. Of the bank balance, \$6,896,617 was covered by Federal depository insurance and \$4,220,838 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

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

NOTE 6 - PROPERTY TAXES

Property taxes include amounts levied against all real and public utility property located in the City. Property tax revenue received during 2014 for real and public utility property taxes represents collections of 2013 taxes.

2014 real property taxes are levied after October 1, 2014, on the assessed value as of January 1, 2014, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2014 real property taxes are collected in and intended to finance 2015.

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

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2014 public utility property taxes which became a lien on December 31, 2013, were levied after October 1, 2014, and are collected in 2015 with real property taxes.

The full tax rate for all City operations for the year ended December 31, 2014, was \$3.40 per \$1,000 of assessed value. The assessed values of real property and public utility property upon which 2014 property tax receipts were based are as follows:

Real Property	\$352,450,350
Public Utility Property	16,161,840
	<u>\$368,612,190</u>

City of Zanesville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the City of Zanesville. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real and public utility taxes which are measurable as of December 31, 2014, and for which there is an enforceable legal claim. In the governmental funds, the portion of the receivable not levied to finance 2014 operations is offset to deferred inflows of resources – property taxes. On the accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on the modified accrual basis the revenue has been reported as deferred inflows of resources – unavailable revenue.

NOTE 7 - RECEIVABLES

Receivables at December 31, 2014, consisted of taxes, special assessments, accounts (billings for user charged services including unbilled utility services), interfund, accrued interest, loans, and intergovernmental receivables arising from grants, entitlements, and shared revenues. All receivables are considered collectible in full. Delinquent sewer accounts receivable (billings for user charged services) are certified and collected as a special assessment, subject to foreclosure for nonpayment. The financial statements reflect loans receivable of \$79,257. This amount is for the principal owed to the City for Federal Community Development Block Grant Program monies loaned to individuals for the demolition of condemned buildings and home improvements. The loans bear interest at annual rates of three and one-half to nine percent. The loans are to be repaid over periods ranging from two to fifteen years. The amount not scheduled for collection during the subsequent year is \$63,163.

A summary of the principal items of intergovernmental receivables follows:

Governmental Activities:	<u>Amount</u>
Gasoline Tax and Motor Vehicle License	\$489,662
Community Development Block Grant	493,000
Local Government	387,968
Homestead and Rollback	57,623
Probation Grant	30,010
Airport Layout Grant	11,394
Emergency Management Services Grant	1,000
Permissive Tax	8,128
Other	23,645
Social Security Reimbursement	800
Estate Tax Settlement Reimbursement	<u>10,123</u>
 Total Receivable	 <u><u>\$1,513,353</u></u>

City of Zanesville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

NOTE 8 - INCOME TAX

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

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

NOTE 9 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2014, was as follows:

	Balance 12/31/13	Increases	Decreases	Balance 12/31/14
Governmental Activities:				
Capital Assets not being Depreciated:				
Land	\$1,188,231	\$0	\$0	\$1,188,231
Construction in Progress	1,280,857	251,541	(1,260,347)	272,051
Total Capital Assets not being Depreciated	<u>2,469,088</u>	<u>251,541</u>	<u>(1,260,347)</u>	<u>1,460,282</u>
Capital Assets being Depreciated:				
Buildings and Improvements	17,960,187	1,212,558	(1,820,387)	17,352,358
Machinery and Equipment	2,572,755	119,226	(61,796)	2,630,185
Vehicles	4,484,665	155,472	0	4,640,137
Infrastructure	17,719,657	0	0	17,719,657
Total Capital Assets being Depreciated	<u>42,737,264</u>	<u>1,487,256</u>	<u>(1,882,183)</u>	<u>42,342,337</u>
Less Accumulated Depreciation:				
Buildings and Improvements	(12,729,281)	(283,527)	1,820,387	(11,192,421)
Machinery and Equipment	(2,037,342)	(119,362)	61,796	(2,094,908)
Vehicles	(2,958,263)	(368,602)	0	(3,326,865)
Infrastructure	(7,360,954)	(778,938)	0	(8,139,892)
Total Accumulated Depreciation	<u>(25,085,840)</u>	<u>(1,550,429) *</u>	<u>1,882,183</u>	<u>(24,754,086)</u>
Total Capital Assets being Depreciated, Net	<u>17,651,424</u>	<u>(63,173)</u>	<u>0</u>	<u>17,588,251</u>
Governmental Activities Capital Assets, Net	<u>\$20,120,512</u>	<u>\$188,368</u>	<u>(\$1,260,347)</u>	<u>\$19,048,533</u>

City of Zanesville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

* Depreciation expense was charged to governmental programs as follows:

General Government - Legislative and Executive	\$77,312
Security of Persons and Property:	
Police	316,006
Fire	305,338
Public Health Services	21,625
Community Environment	1,209
Transportation	734,506
Leisure Time Activities	94,433
Total Depreciation Expense	\$1,550,429

	Balance 12/31/13	Increases	Decreases	Balance 12/31/14
Business-Type Activities:				
Capital Assets not being Depreciated:				
Land	\$233,184	\$0	\$0	\$233,184
Construction in Progress	1,700,516	3,441,280	(1,835,311)	3,306,485
Total Capital Assets not being Depreciated	1,933,700	3,441,280	(1,835,311)	3,539,669
Capital Assets being Depreciated:				
Buildings and Improvements	30,908,803	65,730	0	30,974,533
Machinery and Equipment	14,046,148	68,345	0	14,114,493
Vehicles	1,550,090	61,532	0	1,611,622
Infrastructure	43,131,520	1,835,311	0	44,966,831
Total Capital Assets being Depreciated	89,636,561	2,030,918	0	91,667,479
Less Accumulated Depreciation:				
Buildings and Improvements	(6,972,135)	(579,225)	0	(7,551,360)
Machinery and Equipment	(7,278,438)	(801,750)	0	(8,080,188)
Vehicles	(1,218,179)	(76,789)	0	(1,294,968)
Infrastructure	(9,341,280)	(880,883)	0	(10,222,163)
Total Accumulated Depreciation	(24,810,032)	(2,338,647)	0	(27,148,679)
Total Capital Assets being Depreciated, Net	64,826,529	(307,729)	0	64,518,800
Business-Type Activities Capital Assets, Net	\$66,760,229	\$3,133,551	(\$1,835,311)	\$68,058,469

NOTE 10 - 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, 2014, the City contracted with U.S. Specialty Insurance Company for general liability insurance, EMT and Ambulance Malpractice liability, fire legal liability, personal injury and advertising injury. Bodily injury and property damage are covered for \$1,000,000 each occurrence, \$3,000,000 aggregate. The City has a \$5,000 deductible per occurrence for general liability insurance. Personal injury and advertising injury are covered up to \$1,000,000 for each occurrence, premises medical payments limit is \$10,000 per person and fire legal liability is covered \$500,000 per occurrence and subject to \$5,000 deductible. Ohio Stop Gap insurance of \$1,000,000 per occurrence and \$1,000,000 aggregate employee benefit liability is also maintained with a \$1,000 deductible, cemetery professional and fire division liability insurance are covered up to \$1,000,000 per occurrence. Property and contents coverage is maintained per summary of values and cost of reproduction new, less exclusions, plus leased and rented items, with a \$1,000

City of Zanesville, Ohio
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For the Year Ended December 31, 2014

deductible per occurrence. Earthquake coverage is maintained with a \$5,000,000 occurrence limit, \$5,000,000 policy year limit, with a \$100,000 deductible each occurrence. Police professional liability coverage is maintained with a \$1,000,000 each occurrence, \$1,000,000 aggregate limit with a \$10,000 deductible per claim, including loss adjustment expense. Inland Marine is maintained per schedule with a \$1,000 deductible.

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

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

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

U.S. Specialty Insurance Company provides excess liability insurance over general liability, EMT, ambulance malpractice, fire division liability, public official liability, police professional liability, and auto liability which is maintained in an aggregate amount of \$6,000,000 subject to \$10,000.00 self insured retention. Excess liability insurance excludes uninsured/underinsured motorist coverage.

The U.S. Specialty Insurance Company provides crime insurance coverage for theft, disappearance, and destruction (both inside and outside) with a \$25,000 per occurrence limit and a \$500 deductible.

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

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

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

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

The claims liability of the Health Self-Insurance internal service fund of \$446,744 reported at December 31, 2014, 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 2013 and 2014 were:

City of Zanesville, Ohio
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	Balance at Beginning of Year	Current Year Claims	Claims Payments	Balance at End of Year
2013	\$392,300	\$4,568,420	\$4,434,204	\$526,516
2014	526,516	4,139,581	4,219,353	446,744

The City participates in the State Workers' Compensation retrospective rating and payment program. Under the retrospective rating program, the City pays workers' compensation premiums based upon rates determined by their third party administrator. These premiums are paid to the State of Ohio to cover administrative fees and claims as they are billed by the State. Claims are billed to the City one year in arrears. Once the City receives notice of the 2014 claims paid by the Bureau of Workers' Compensation, the City will reimburse the State for claims paid on the City's behalf. This payable is reclassified from claims payable to intergovernmental payable.

Participation in the plan is approved on a yearly basis and is limited to entities that can meet the plan's selection criteria. The City contracts with the firm of Comp Management, Inc. to provide administrative, costs controls, and actuarial services for the plan. Incurred but not reported, incurred but not paid, and premiums have been accrued as liabilities at December 31, 2014, based on an estimate by the City Auditor's office and the Bureau of Workers' Compensation.

NOTE 11 - DEFINED BENEFIT PENSION PLANS

A. Ohio Public Employees Retirement System

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

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

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions and currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll. Member contribution rates, as set in the Ohio Revised Code, are not to exceed 10 percent of covered payroll. For the year ended December 31, 2014, members in state and local classifications contributed 10.0 percent of covered payroll. For 2014, member and employer contribution rates were consistent across all three plans.

City of Zanesville, Ohio
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For the Year Ended December 31, 2014

The City's 2014 contribution rate was 14.0 percent. The portion of employer contributions used to fund pension benefits is net of post-employment health care benefits. The portion of employer contribution allocated to health care for member in both the traditional and combined plans was 2 percent for 2014. Effective January 1, 2015, the portion of employer contribution allocated to health care remained at 2 percent. Employer contribution rates are actuarially determined.

The City's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2014, 2013, and 2012, were \$1,007,835, \$843,696, and \$776,733, respectively. For 2014, 89.90 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2013 and 2012. Contributions to the Member-Directed Plan for 2014 were \$22,113 made by the City and \$15,795 made by plan members.

B. Police and Firemen's Disability and Pension Fund

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

Funding Policy – Employer and employee contribution rates are set by the Ohio Revised Code. From January 1, 2014, thru July 1, 2014, plan members were required to contribute 10.75 percent of their annual covered salary. From July 2, 2014, thru December 31, 2014, plan members were required to contribute 11.5 percent of their annual covered salary. Throughout 2014, employers were required to contribute 19.5 percent and 24 percent respectively for police officers and firefighters.

The OP&F Pension Fund is authorized by the Ohio Revised Code to allocate a portion of the employer contributions used to retiree health care benefits. For 2014, the portion of employer contributions used to fund pension benefits was 19 percent of covered payroll for police officers and 23.5 percent of covered payroll for firefighters. The City's contributions to OP&F for police and firefighters pension were \$594,017 and \$722,752 for the year ended December 31, 2014, \$423,034 and \$540,065 for the year ended December 31, 2013, and \$327,337 and \$467,387 for the year ended December 31, 2012, respectively. For 2014, 90.03 percent for police and 90.55 percent for firefighters has been contributed with the balance for both police and firefighters being report as an intergovernmental payable. The full amount has been contributed for 2013 and 2012.

NOTE 12 - POSTEMPLOYMENT BENEFITS

A. Ohio Public Employees Retirement System

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

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

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

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

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

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2014, state and local government employers contributed 14 percent of covered payroll. This is the maximum employer contribution rate permitted by the Ohio Revised Code.

Each year, the OPERS retirement board determines the portion of the employer contribution rate that will be set aside for funding post-employment health care benefits. The portion of employer contribution allocated to health care for members in the traditional plan and the combined plan was 2 percent for 2014. Effective January 1, 2015, the portion of employer contribution allocated to healthcare remained at 2 percent for both plans, as recommended by the OPERS Actuary.

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

The City's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2014, 2013, and 2012, were \$77,526, \$337,478, and \$310,693, respectively. For 2014, 89.90 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2013 and 2012.

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

City of Zanesville, Ohio
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For the Year Ended December 31, 2014

B. Police and Firemen's Disability and Pension Fund

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

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

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

OP&F issues a publicly available financial report that includes financial information and required supplementary information for the Plan. That report may be obtained by visiting the OP&F website at www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding policy – The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F defined benefit pension plan. Participating employers are required by the Ohio Revised Code to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.5 percent and 24.0 percent of covered payroll for police and firefighters, respectively. Active members do not make contributions to the OPEB plan.

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree healthcare benefits. For 2014, the employer contribution allocated to the health care plan was .5 percent of covered payroll. The amount of employer contributions allocated to the healthcare plan each year is subject to the trustees' primary responsibility to ensure that pension benefits are adequately funded and also is limited by the provisions of Sections 115 and 401(h).

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

The City's contributions to OP&F which were allocated to fund post-employment health care benefits for police and firefighters were \$15,632 and \$15,378 for the year ended December 31, 2014, \$72,411 and \$72,411 for the year ended December 31, 2013, and \$173,296 and \$182,890 for the year ended December 31, 2012. For 2014, 90.03 percent has been contributed for police and 90.55 percent has been contributed for firefighters with the balance for both police and firefighters being report as an intergovernmental payable. The full amount has been contributed for 2013 and 2012.

NOTE 13 - OTHER EMPLOYEE BENEFITS

A. Other Insurance Benefits

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

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

B. Compensated Absences

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

NOTE 14 - SIGNIFICANT COMMITMENTS

A. Contractual Commitments

As of December 31, 2014, the City had contractual purchase commitments for projects in various funds. The amount for each project is as follows:

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	Purchase Commitments	Amount Expended	Amount Remaining on Contracts
Military Bridge Engineering - State and Federal Infrastructure Fund	\$44,996	\$40,169	\$4,827
Dearborn Street Bridge Engineering - General Fund	34,412	33,082	1,330
State Route 145 Turn Lane Engineering - General Fund	27,100	26,500	600
Construction of Dump Trucks - Street and State Highway Fund	<u>272,712</u>	<u>172,300</u>	<u>100,412</u>
Total Governmental Funds	<u>379,220</u>	<u>272,051</u>	<u>107,169</u>
Y Bridge Pump Station Upgrade - Sewer Fund	3,407,584	3,225,443	182,141
Sewer Separation Final Design Project - Sewer Fund	58,000	52,200	5,800
Putnam Water Tower Replacement Design - Water Fund	48,900	1,467	47,433
Storage Basin Feasibility Study - Sewer Fund	30,000	22,500	7,500
Putnam Water Tower Painting - Water Fund	<u>27,200</u>	<u>4,875</u>	<u>22,325</u>
Total Enterprise Funds	<u>3,571,684</u>	<u>3,306,485</u>	<u>265,199</u>
Total All Projects	<u><u>\$3,950,904</u></u>	<u><u>\$3,578,536</u></u>	<u><u>\$372,368</u></u>

B. Encumbrances

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

General Fund	\$132,536
Police Expenditure Fund	135,596
Fire Operating Fund	237,177
Nonmajor Governmental Funds	338,287
Sanitation Fund	133,036
Sewer Fund	108,619
Water Fund	200,372
Internal Service Funds	119,262
Agency Funds	<u>9</u>
Total	<u><u>\$1,404,894</u></u>

NOTE 15 - CAPITAL LEASES – LESSEE DISCLOSURE

In prior years, the City entered into a lease for a sewer camera in the amount of \$144,545. The lease meets the criteria of a capital lease which is defined as a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments are reflected as debt service expenditures in the proprietary fund financial statements. Principal payments made in 2014 totaled \$27,241 in the Sewer Enterprise fund. The capital leases payable have been recorded on the proprietary fund statements. The agreement provides for minimum annual lease payments as follows:

City of Zanesville, Ohio
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Year Ended	Amount
2015	\$30,944
2016	30,944
2017	30,944
Total Minimum Lease Payments	92,832
Less: Amount Representing Interest	(5,702)
Present Value of Net Minimum Lease Payments	\$87,130

The equipment has been capitalized in the amount of \$144,545, the present value of the minimum lease payments at the inception of the lease. The accumulated depreciation as of December 31, 2014, was \$18,068, leaving a remaining book value of \$126,477.

NOTE 16 - LONG-TERM OBLIGATIONS

Changes in long-term obligations of the City for the year ended December 31, 2014, were as follows:

	Principal Outstanding 12/31/2013	Additions	Deletions	Principal Outstanding 12/31/2014	Amounts Due in One Year
Governmental Activities:					
<u>General Obligation Bonds:</u>					
Capital Facilities Refunding Bonds					
2003 - \$5,490,000					
Jail Construction Refunding - \$2,362,500					
Serial/Term Bonds @ 1.2% - 4.00%	\$871,500	\$0	\$871,500	\$0	\$0
Premium Amortization	4,501	0	4,501	0	0
Capital Facilities Refunding Bonds					
2014 - \$1,270,000					
Jail Construction Refunding - \$889,000					
Serial Bonds @ 1.5%	0	889,000	168,000	721,000	178,500
Street Improvement Bonds					
2010 - \$1,210,000 @ 4.138%	1,010,000	0	50,000	960,000	50,000
Total General Obligation Bonds	1,886,001	889,000	1,094,001	1,681,000	228,500
<u>Loans:</u>					
Bridge Replacement Loan - OPWC					
2012 - \$111,036 @0%	69,138	0	17,285	51,853	17,285
2005 ODOT Loan @ 3%	3,345,920	0	128,467	3,217,453	132,350
2013 ODOT Loan @ 3%	77,318	1,136	4,375	74,079	8,948
Total Long-Term Loans	3,492,376	1,136	150,127	3,343,385	158,583
Workers' Compensation Claims Payable	0	90,667	0	90,667	68,000
Compensated Absences	1,646,294	1,167,584	1,096,574	1,717,304	555,577
Total Governmental Activities	\$7,024,671	\$2,148,387	\$2,340,702	\$6,832,356	\$1,010,660

(continued)

City of Zanesville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

	Principal Outstanding 12/31/2013	Additions	Deletions	Principal Outstanding 12/31/2014	Amounts Due in One Year (continued)
Business-Type Activities:					
<u>Bonds:</u>					
Capital Facilities Refunding, 2003 \$5,490,000					
Water - \$1,371,250					
Serial/Term @ 1.2% - 4.00%	\$373,500	\$0	\$373,500	\$0	\$0
Capital Facilities Refunding, 2014 \$1,270,000					
Water - \$381,000					
Serial/Term @ 1.2% - 4.00%	0	381,000	72,000	309,000	76,500
Total General Obligation Bonds	373,500	381,000	445,500	309,000	76,500
<u>Loans:</u>					
Water OPWC Loan					
2005 - \$346,035 @ .022%					
	37,784	0	37,784	0	0
Sewer OPWC Loan					
2014 - \$1,274,932 @ 0.00%					
	0	1,274,932	31,873	1,243,059	63,746
Total OPWC Loans	37,784	1,274,932	69,657	1,243,059	63,746
Water OWDA Loan					
2004 - \$752,750 @ 4.90%					
	220,581	0	85,305	135,276	89,179
Water OWDA Loan					
2009 - \$864,936 @ 0.00%					
	268,521	0	41,311	227,210	41,311
Water OWDA Loan					
2009 - \$895,477 @ 3.20%					
	665,472	0	27,848	637,624	28,746
Water OWDA Loan					
2009 - \$7,514,758 @ 3.65%					
	7,072,795	0	148,587	6,924,208	154,060
Water OWDA Loan					
2009 - \$9,197,325 @ 0.00%					
	4,346,410	0	248,366	4,098,044	248,366
Total Water OWDA Loans	12,573,779	0	551,417	12,022,362	561,662
Sewer OWDA Loan					
2002 - \$1,324,942 @ 3.59%					
	746,377	0	67,223	679,154	69,658
Sewer OWDA Loan					
2004 - \$1,268,110 @ 3.41%					
	586,217	0	47,300	538,917	48,926
Sewer OWDA Loan					
2004 - \$5,471,246 @ 4.10%					
	1,582,462	0	613,787	968,675	639,210
Sewer OWDA Loan					
2007 - \$685,085 @ 4.17%					
	272,498	0	73,883	198,615	76,996
Sewer OWDA Loan					
2007 - \$887,526 @ 4.47%					
	356,080	0	96,180	259,900	100,527
Sewer OWDA Loan					
2007 - \$14,337,659 @ 4.47%					
	9,759,056	0	448,181	9,310,875	468,439
Sewer OWDA Loan					
2007 - \$834,640 @ 4.47%					
	292,251	0	68,292	223,959	71,378
Sewer OWDA Loan					
2009 - \$376,284 @ 3.25%					
	129,067	0	18,139	110,928	18,734
					(continued)

City of Zanesville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

	Principal Outstanding 12/31/2013	Additions	Deletions	Principal Outstanding 12/31/2014	Amounts Due in One Year (continued)
Sewer OWDA Loan 2011 - \$148,684 @ 3.95%	\$92,675	\$0	\$29,691	\$62,984	\$30,876
Sewer OWDA Loan 2012 - \$333,431 @ 3.17%	315,117	0	19,034	296,083	19,642
Sewer OWDA Loan 2013 - \$2,625,195 @ 3.15%	347,873	2,277,322	107,942	2,517,253	0
Sewer OWDA Loan 2013 - \$393,986 @ 3.92%	1,507	392,479	32,879	361,107	0
Total Sewer OWDA Loans	14,481,180	2,669,801	1,622,531	15,528,450	1,544,386
Sewer Capital Leases Payable	114,371	0	27,241	87,130	28,123
Compensated Absences Payable	490,997	295,185	254,585	531,597	157,299
Total Business-Type Activities	28,071,611	4,620,918	2,970,931	29,721,598	2,431,716
Total Long-Term Activities	\$35,096,282	\$6,678,638	\$5,311,633	\$36,553,954	\$3,442,376

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

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

2003 Capital Facilities Refunding Bonds - On December 1, 2003, the City of Zanesville issued \$5,490,000 of general obligation bonds which included serial and term bonds in the amount of \$4,245,000 and \$1,245,000, respectively. The capital facilities refunding bonds were issued for governmental and business type activities of \$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 were reported as an increase to bonds payable. The bonds were being repaid through a tax levy to the extent available, water revenues. The bonds were refunded on September 2, 2014.

2014 Capital Facilities Refunding Bonds - On September 2, 2014, the City of Zanesville issued refunding bonds of \$1,270,000 consisting only of serial bonds. The capital facilities refunding bonds were issued for governmental and business type activities of \$889,000 and \$381,000, respectively. The refunding bonds will mature on December 1, 2018. These bonds were issued to current refund the 2003 Capital Facilities Refunding Bonds. The refunded bonds and unamortized premium were removed from the financial statements of the City. The refunding resulted in a difference between the net carrying amount of the debt and the acquisition price of \$4,510 for governmental type activities and \$3,604 for the Water Fund. The differences, reported in the accompanying financial statements as a deferred outflow of resources, is being amortized to interest expense over the life of the refunded bonds using the straight-line method. The amortization of this difference for 2014 was \$354 and \$283, respectively. The issuance resulted in a difference (savings) between the cash flows required to service the old debt and the cash flows required to service the new debt of \$56,370. The issuance resulted in an economic gain of \$54,095. The bonds are being repaid through a tax levy, and to the extent available, water revenues.

City of Zanesville, Ohio
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For the Year Ended December 31, 2014

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

Year	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2015	\$178,500	\$10,815	\$76,500	\$4,635
2016	178,500	8,137	76,500	3,487
2017	178,500	5,460	76,500	2,340
2018	185,500	2,783	79,500	1,193
	<u>\$721,000</u>	<u>\$27,195</u>	<u>\$309,000</u>	<u>\$11,655</u>

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

Year	Principal	Interest
2015	\$50,000	\$38,820
2016	50,000	37,445
2017	50,000	37,945
2018	50,000	34,320
2019	50,000	32,570
2020-2024	315,000	129,515
2025-2029	395,000	54,465
	<u>\$960,000</u>	<u>\$365,080</u>

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

Year	Principal
2015	\$17,285
2016	17,285
2017	17,283
	<u>\$51,853</u>

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

Year	Principal	Interest
2015	\$132,350	\$95,539
2016	136,351	91,539
2017	140,471	87,417
2018	144,717	83,172
2019	149,091	78,797
2020-2024	815,834	323,605
2025-2029	946,810	192,631
2030-2033	751,829	45,780
	<u>\$3,217,453</u>	<u>\$998,480</u>

City of Zanesville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

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

Year	Principal	Interest
2015	\$8,948	\$2,156
2016	9,218	1,885
2017	9,497	1,607
2018	9,784	1,319
2019	10,080	1,023
2020-2022	26,552	1,207
	<u>\$74,079</u>	<u>\$9,197</u>

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 .022% and matured during 2014.

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

Year	Principal
2015	\$63,746
2016	63,746
2017	63,746
2018	63,746
2019	63,746
2020-2024	318,733
2025-2029	318,733
2030-2034	286,863
	<u>\$1,243,059</u>

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

City of Zanesville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

Year	Water		Sewer	
	Principal	Interest	Principal	Interest
2015	\$561,662	\$276,600	\$1,544,386	\$538,476
2016	525,183	265,950	1,273,509	474,384
2017	485,926	258,073	853,443	428,705
2018	493,015	250,986	708,750	396,478
2019	500,360	243,640	738,960	351,868
2020-2024	2,435,718	1,098,382	3,912,916	1,267,812
2025-2029	2,642,934	870,510	3,618,126	411,619
2030-2034	1,893,126	604,272	0	0
2035-2039	1,709,320	317,684	0	0
2040-2041	775,118	35,684	0	0
	<u>\$12,022,362</u>	<u>\$4,221,781</u>	<u>\$12,650,090</u>	<u>\$3,869,342</u>

The City has pledged future sewer customer revenues to repay the OWDA loans. The loans are payable solely from net revenues and are payable through 2029. Net revenues include all revenues received by the sewer utility less all operating expenses other than depreciation expense. Annual principal and interest payments on the loans as compared to net future revenues are not estimable but are expected to be less than net revenues in each year the loans are outstanding. The total principal and interest remaining to be paid on the loans is \$16,519,432. Principal and interest payments for the current year were \$2,321,249, net revenues were \$2,881,404, and total revenues were \$6,713,884.

The City has pledged future water customer revenues to repay the water system revenue refunding bonds. The bonds are payable solely from net revenues and are payable through 2041. Net revenues include all revenues received by the water utility less all operating expenses other than depreciation expense. Annual principal and interest payments on the loans as compared to net future revenues are not estimable but are expected to be less than net revenues in each year the loans are outstanding. The total principal and interest remaining to be paid on the bonds is \$16,244,143. Principal and interest payments for the current year were \$838,261, net revenues were \$878,716, and total revenues were \$4,745,552.

As of December 31, 2014, the City's overall legal debt margin (the ability to issue additional amounts of general obligation bonded debt) was \$34,400,895.

City of Zanesville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

NOTE 17 - INTERFUND TRANSFERS AND BALANCES

A. Transfers

Interfund transfers during 2014 consisted of the following:

<u>Transfers from</u>	<u>Transfers to</u>				<u>Total</u>
	<u>Major Fund</u>		Other Nonmajor Governmental	<u>Internal Service Fund</u>	
	Police Expenditure	Fire Operating		Vehicle Maintenance	
Major Fund: General	\$2,151,890	\$3,894,215	\$1,642,937	\$196,152	\$7,885,194

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

B. Balances

Interfund balances, as of December 31, 2014, consist of the following individual interfund receivables and payables:

<u>Interfund Payable</u>	<u>Interfund Receivable</u>					<u>Total</u>
	<u>Major Fund</u>	Other Governmental Funds	<u>Enterprise</u>	<u>Internal Service Funds</u>		
	General		Sewer	Vehicle Maintenance	Self Insurance	
Major Fund:						
General Fund	\$0	\$0	\$0	\$1,931	\$37,221	\$39,152
Police Expenditure	40,845	0	0	9,893	64,228	114,966
Fire Operating	3,063	413,000	0	4,999	40,888	461,950
Sewer	1,703	0	0	4,251	5,536	11,490
Water	5,267	0	0	6,356	17,714	29,337
Other Nonmajor						
Governmental	23,946	0	50,487	3,273	8,978	86,684
Other Nonmajor						
Enterprise	4,572	0	0	3,881	15,328	23,781
Vehicle Maintenance	900	0	0	0	4,195	5,095
Total All Funds	\$80,296	\$413,000	\$50,487	\$34,584	\$194,088	\$772,455

City of Zanesville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

These balances between funds are all considered to be current receivables/payables resulting from interfund activity and primarily represent reciprocal transactions between funds, for interfund services provide and used during the current year, for which billings and payments between funds did not occur until after year end. The City is reflecting an interfund receivable in the General Fund that relates to the claims loss reimbursement related to the Bureau of Workers Compensation retro loss. The interfund receivable in the Vehicle Maintenance and Self Insurance Funds are a result of the liability from City Funds to those funds for services that were provided to the corresponding funds.

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

Also, a short term loan was advanced from the General Fund to the Community Development Special Revenue Fund. This advance was repaid during 2014.

NOTE 18 - JOINTLY GOVERNED ORGANIZATIONS

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

The Ohio Mid-Eastern Governments Association (OMEGA) is a ten-county regional council of governments comprised of Belmont, Carroll, Coshocton, Columbiana, Guernsey, Harrison, Holmes, Jefferson, Muskingum, and Tuscarawas Counties. OMEGA was formed to aid and assist the participating counties in the application for Appalachian Regional Commission and Economic Development grant monies. OMEGA is governed by a sixteen member executive board comprised of members appointed from each participating county and cities within each county. City membership is voluntary. The mayor of the City of Zanesville serves as the City's representative on the board. The board has total control over budgeting, personnel, and financial matters. Each member currently pays a thirteen cent per capita membership fee based upon the most recent U.S. census. During 2014, OMEGA received \$3,823 from the City of Zanesville. The continued existence of OMEGA is not dependent on the City's continued participation and no equity interest exists. OMEGA has no outstanding debt. Financial information can be obtained from the Ohio Mid-Eastern Governments Association, Cambridge.

B. The Zanesville/Muskingum County Port Authority

The Zanesville/Muskingum County Port Authority is a separate legal entity. The Authority is governed by a five member board and was created by a resolution of the City of Zanesville and Muskingum County. The Authority is incorporated as a non-profit corporation under the laws of the State of Ohio. The City appoints two members to the Authority board and Muskingum County appoints two members. The fifth member is appointed jointly by the City and the County. The Authority board adopts its own budget, is its own contracting authority, hires and fires its own staff, authorizes all expenditures and does not rely on the City or the County to finance deficits. The Authority derives its revenues from lease/rental income, interest income, contributions from the City and County, and other miscellaneous revenue sources. The City and County leased the Anchor Glass Facilities from the Authority, and sublet the facilities to the Anchor Glass Corporation. The lease was a twenty year lease ending in 2008, wherein the lease was paid in full. The City and the County provide operating subsidies to the Authority. During 2014, the City provided \$100,000 in operating subsidies and \$50,000 to improve and maintain infrastructure to the Authority. Financial information is available from the Zanesville/Muskingum County Port Authority, Zanesville, Ohio

City of Zanesville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

C. The Zanesville/Muskingum Convention Facility Authority

The Zanesville/Muskingum Conventions Facility Authority was created pursuant to State Statutes for the purpose of acquiring, constructing, equipping, and operating a convention facility in Muskingum County. The Authority operates under the direction of an eleven member appointed board of directors. The board consists of three members appointed by the Mayor of the City of Zanesville, six members appointed by Muskingum County, and two members appointed by remaining municipal corporations located in the County. The board exercises total control over the operation of the Authority including budgeting, appropriating, contracting, and designating management. The Authority receives funding in the form of a four percent hotel and motel excise tax for each transaction occurring in the boundaries of Muskingum County. The tax is levied and collected by the Authority directly. The City is prohibited from contributing to the operations of the Authority by State Law. During 2014, the Authority received \$532,827 from excise taxes and rental income. The Authority has no outstanding debt. Complete financial information can be obtained from the Zanesville/Muskingum Conventions Facility Authority, Zanesville, Ohio.

D. The Zanesville Metropolitan Housing Authority

The Zanesville Metropolitan Housing Authority was created in 1938, and currently operates pursuant to Revised Code Section 3735.27. The Authority is operated by a five member board. The City appoints two members and the County appoints three members. The board adopts their own appropriations, is their own contracting authority, hires and fires their own staff, authorizes all expenditures, and does not rely on the City or the County to finance deficits. The Authority receives funding from the federal government in the form of grants. All monies are received directly by the Authority in the Authority's name. Although the City appoints members to the board, the City is not financially accountable for the Authority, nor is the Authority fiscally dependent on the City. The Authority has no outstanding debt. Complete financial information can be obtained from the Zanesville Metropolitan Housing Authority, Zanesville, Ohio.

E. The Muskingum County Center for Seniors

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

City of Zanesville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

F. The Muskingum County Land Reutilization Corporation

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

NOTE 19 - JOINT VENTURES

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

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

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

B. Zanesville-Washington Township Joint Economic Development District

Zanesville-Washington Township Joint Economic Development District (JEDD) was created by contract during 2000 pursuant to Revised Code Section 715.77. The JEDD was created to facilitate economic development to create or preserve jobs and employment opportunities and to improve the economic welfare of the people in the State, the County, the City, the Village Township and the JEDD. The JEDD is operated by a three member board. The City and Washington Township each appoint one member and these two JEDD members jointly appoint the third member of the JEDD. The JEDD's board exercises total control the budgeting, appropriation, contacting, and management. The JEDD's board, pursuant to Revised Code Section 715.74 has implemented a 1.7 percent income tax that will be used for the purposes of the JEDD. The continued existence of the JEDD is dependent upon the continued participation by the City and Township; however, the City or Township does not have an equity interest in the JEDD. The

City of Zanesville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

JEDD is not accumulating significant financial resources and is not experiencing fiscal distress that may cause an additional financial burden on the City. The City serves as fiscal agent for the JEDD. Complete financial information can be obtained from the Zanesville, South Zanesville-Washington Joint Economic Development District, Zanesville, Ohio.

C. Zanesville-Newton Township Joint Economic Development District

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

NOTE 20 - RELATED PARTY ORGANIZATION

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

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

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

City of Zanesville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

NOTE 21 - 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, 2014.

B. Litigation

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

NOTE 22 - ACCOUNTABILITY

The Fire Operating Special Revenue Fund has a deficit fund balance of \$230,313 as of December 31, 2014. The deficit is the result of the recognition of interfund payable to the Cemetery Endowment Fund. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

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

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

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

To the City Council:

We have audited, in accordance with auditing standards general accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of The City of Zanesville, Muskingum County, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated August 18, 2015.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the City's financial statements. A *significant deficiency* is a deficiency or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Zanesville's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

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

Wilson, Phillips & Agin, CPA's, Inc.
Zanesville, Ohio
August 18, 2015

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

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY OMB CIRCULAR A-133**

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

To the City Council:

Report on Compliance for Each Major Federal Program

We have audited the City of Zanesville's compliance with the applicable requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could directly and materially affect each of the City of Zanesville's major federal programs for the year ended December 31, 2014. The *Summary of Audit Results* in the accompanying schedule of findings identifies the City of Zanesville's major federal programs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion

In our opinion, the City of Zanesville complied, in all material respects, with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended December 31, 2014.

Report on Internal Control Over Compliance

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

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

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

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

Wilson, Phillips & Agin, CPA's, Inc.
Zanesville, Ohio
August 18, 2015

**CITY OF ZANESVILLE
SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 SECTION 505
December 31, 2014**

1. Summary of Auditor's Results

(d)(1)(I)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other significant deficiencies In internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported non-compliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other significant deficiencies In internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under section. 510?	No
(d)(1)(vii)	Major Programs:	HOME Investment; CFDA #14.239
(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, 2014**

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-13-2ES-1	14.228	95,600	75,034
	A-F-12-2ES-1		18,024	18,024
	Program income		17,171	59,037
			130,795	152,095
HOME Investment Partnership Program	A-C-12-2ES-1	14.239	45,100	29,700
	A-C-12-2ES-2		276,503	242,576
	S-C-12-2ES-1		5,671	5,671
			327,274	277,947
Total U.S. Department of Housing and Urban Development			458,069	430,042
<u>U.S. DEPARTMENT OF TRANSPORTATION:</u>				
Direct Award				
Airport Improvement Program	3-39-0097-1212	20.106	89,741	131,721
	3-39-0097-1313		-	40,267
			89,741	171,988
Pass through Ohio Department of Transportation				
Highway Planning and Construction	MUS CR 146	20.205	30,965	30,965
Total U.S. Department of Transportation			120,706	202,953
<u>U.S. DEPARTMENT OF JUSTICE:</u>				
Pass through Ohio Department of Justice				
Public Safety Grant	n/a	16.710	60,020	60,020
			60,020	60,020
Pass through Ohio Department of Public Safety				
Edward Bryne Memorial Justice Assistance Grant Program	2013-DJBX-1345	16.738	10,793	10,793
Total U.S. Department of Justice			70,813	70,813
Total Federal Awards Expenditures			649,588	703,808

See notes to Schedule of Federal Awards Expenditures.

CITY OF ZANESVILLE
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2014

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 – CDBG REVOLVING LOAN PROGRAMS

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

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

Activity in the CDBG revolving loan fund during 2014 is as follows:.

Beginning loan s receivable balance as of January 1, 2014	\$ 90,322
Loans made	-
Loan principal repaid	11,065
Ending loans receivable balance as of December 31, 2014	<u>\$ 79,257</u>
Cash balance on hand in the revolving loan fund as of December 31, 2014	\$ 25,576
Cash balance on hand in the housing rehab fund as of December 31, 2014	\$ 39,557
Administrative costs expended during 2014	\$ 49,036



Dave Yost • Auditor of State

CITY OF ZANESVILLE

MUSKINGUM COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 5, 2015**