

CITY OF ZANESVILLE
ANNUAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2017

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



Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditors' Report* of the City of Zanesville, Muskingum County, prepared by Wilson, Phillips & Agin, CPA's, Inc., for the audit period January 1, 2017 through December 31, 2017. 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

August 28, 2018

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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, 2017, 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, 2017, 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*, required budgetary comparison schedules and schedules of net pension liabilities and pension contributions listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for the placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Supplementary and Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated June 22, 2018, 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.

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City of Zanesville, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2017
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, 2017. 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 2017 are as follows:

- In total, net position decreased \$1,375,244. Net position of governmental activities decreased \$1,714,414. The business-type activities increased \$339,170.
- General governmental revenues accounted for \$22,894,683 in revenue or 82 percent of all revenues in governmental activities. Program specific revenues in the form of charges for services, grants, contributions, and interest accounted for \$5,091,543 or 18 percent of total revenues of \$27,986,226.
- The City had \$29,700,640 in expenses related to governmental activities; only \$5,091,543 of which was offset by program specific charges of services, and operating and capital grants, contributions and interest. General revenues in the amount of \$22,894,683 were not adequate to provide for these programs.

Using this Annual Financial Report

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

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

Reporting the City of Zanesville as a Whole

Statement of Net Position and the Statement of Activities

While this document contains information about the funds used by the City to provide services to our citizens, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2017?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets and deferred outflows of resources and all liabilities and deferred inflows of resources using the accrual basis of accounting similar to the accounting used by private sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when the cash is received or paid.

City of Zanesville, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2017
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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.

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

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

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

Reporting the City of Zanesville's Most Significant Funds

Fund Financial Statements

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

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

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

The City of Zanesville as a Whole

Recall that the Statement of Net position looks at the City as a whole. Table 1 provides a summary of the City's net position for 2017 compared to 2016.

City of Zanesville, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2017
Unaudited

(Table 1)
Net Position

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Assets						
Current and Other Assets	\$19,029,980	\$18,739,581	\$7,342,401	\$5,742,025	\$26,372,381	\$24,481,606
Capital Assets, Net	22,145,914	21,430,117	64,217,475	65,767,746	86,363,389	87,197,863
<i>Total Assets</i>	<u>41,175,894</u>	<u>40,169,698</u>	<u>71,559,876</u>	<u>71,509,771</u>	<u>112,735,770</u>	<u>111,679,469</u>
Deferred Outflows of Resources						
Deferred Charge on Refunding	973	2,034	777	1,625	1,750	3,659
Pension	6,863,355	7,614,170	2,195,829	1,737,968	9,059,184	9,352,138
<i>Total Deferred Outflows of Resources</i>	<u>6,864,328</u>	<u>7,616,204</u>	<u>2,196,606</u>	<u>1,739,593</u>	<u>9,060,934</u>	<u>9,355,797</u>
Liabilities						
Current and Other Liabilities	2,854,783	2,983,468	792,284	661,250	3,647,067	3,644,718
Long-term Liabilities						
Due Within One Year	1,269,132	1,261,343	2,005,821	1,901,136	3,274,953	3,162,479
Net Pension Liability	28,066,787	27,561,184	5,728,465	4,536,633	33,795,252	32,097,817
Other Amounts Due in More Than One Year	7,906,748	7,827,259	23,660,947	24,895,711	31,567,695	32,722,970
<i>Total Liabilities</i>	<u>40,097,450</u>	<u>39,633,254</u>	<u>32,187,517</u>	<u>31,994,730</u>	<u>72,284,967</u>	<u>71,627,984</u>
Deferred Inflows of Resources						
Property Taxes	1,102,101	1,095,698	0	0	1,102,101	1,095,698
Payment in Lieu of Taxes	661,802	0	0	0	661,802	0
Pension	1,035,958	199,625	162,786	187,625	1,198,744	387,250
<i>Total Deferred Inflows of Resources</i>	<u>2,799,861</u>	<u>1,295,323</u>	<u>162,786</u>	<u>187,625</u>	<u>2,300,845</u>	<u>1,482,948</u>
Net Position						
Net Investment in						
Capital Assets	14,572,745	13,362,610	39,078,236	39,471,884	53,650,981	52,834,494
Restricted	5,118,218	6,253,214	0	0	5,118,218	6,253,214
Unrestricted	(14,548,052)	(12,758,499)	2,327,943	1,595,125	(12,220,109)	(11,163,374)
<i>Total Net Position</i>	<u>\$5,142,911</u>	<u>\$6,857,325</u>	<u>\$41,406,179</u>	<u>\$41,067,009</u>	<u>\$46,549,090</u>	<u>\$47,924,334</u>

The net pension liability (NPL) is the largest single liability reported by the City at December 31, 2017 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the City's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

City of Zanesville, Ohio
Management's Discussion and Analysis
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Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's net pension liability. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

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

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

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

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

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

The net pension liability increased \$505,603 for governmental funds and increased \$1,192,832 for business-type funds. The net pension liability increase represents the City's proportionate share of the OPERS

City of Zanesville, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2017
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traditional and OP&F plans' unfunded benefits. As indicated above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability. The changes in total deferred outflows of resources in 2017 was due to the difference between projected and actual earning on investments related to the City's net pension liability for OPERS and OP&F.

Total assets increased \$1,056,301. Governmental activities increased \$1,006,196 and the business-type activities increased \$50,105. Total liabilities increased \$656,983. Governmental activities increased \$464,196 while the business-type activities increased \$192,787.

For governmental activities, capital assets increased \$715,797, payment in lieu of taxes receivable increased \$661,802, intergovernmental receivable increased \$392,310, and special assessments receivable increased \$228,783. Capital assets increased due to the completion of the Dearborn Street Project and the Kidzville Playground Project in Riverside Park combined with the purchase of a fire truck during 2017. The increase in payment in lieu of taxes receivable is due to new tax incentive finance agreements that have occurred in the city. The increase in intergovernmental receivables was primarily due to an increase in community development grants as well as a reimbursement from Muskingum County for a project that was completed by the City during 2017. These increases were offset by a decrease in equity in pooled cash and cash equivalents in the amount of \$1,005,344 due to various construction projects during 2017. The increase in special assessments receivable is due to an increase in the amounts certified to be collected to the County Auditor. Current liabilities decreased \$128,685. The decrease in current liabilities was due mainly to a decrease in contracts payable based on the timing of the completion of City projects. This decrease was offset by a claims payable increase in the amount of \$256,448. The increase in claims payable was due to the actuarial amounts provided for 2017 being greater than amounts provided for 2016. Long-term liabilities increased \$592,881 due mainly to an increase in the net pension liability.

Total assets of business-type activities increased \$50,105. Current and other assets increased, in the amount of \$1,600,376, primarily due to increases of cash and cash equivalents due to the implementation of rate increases for Sewer, Water, and Sanitation services during 2017. Capital assets decreased \$1,550,271 due to current year depreciation exceeding current year additions. Total liabilities of business-type activities increased \$192,787. Current liabilities increased \$131,034 due mainly to an increase in customer deposits payable from 2016 to 2017. Long-term liabilities increased \$61,753 due mainly to the debt retirements exceeding the issuance of new loans during the year which was offset by an increase in the net pension liability.

Table 2 shows the changes in net position for the year ended December 31, 2017, and comparisons to 2016.

City of Zanesville, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2017
Unaudited

(Table 2)
Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues						
Program Revenues						
Charges for Services	\$1,815,839	\$1,869,021	\$14,638,546	\$13,315,463	\$16,454,385	\$15,184,484
Operating Grants, Contributions and Interest Capital Grants and Contributions	2,182,199	2,016,296	187,530	14,764	2,369,729	2,031,060
Total Program Revenues	5,091,543	4,536,727	14,826,076	13,330,227	19,917,619	17,866,954
General Revenues						
Property Taxes	1,143,848	1,217,860	0	0	1,143,848	1,217,860
Income Tax	17,537,779	17,149,486	0	0	17,537,779	17,149,486
Payments in Lieu of Taxes	491,271	577,721	0	0	491,271	577,721
Franchise Tax	342,585	286,399	0	0	342,585	286,399
Grants and Entitlements	2,796,440	2,592,170	0	0	2,796,440	2,592,170
Investment Earnings	116,026	115,468	0	0	116,026	115,468
Gain on Sale of Capital Assets	25,358	0	1,120	1,869	26,478	1,869
Other	441,376	159,279	86,560	185,526	527,936	344,805
Total General Revenues	22,894,683	22,098,383	87,680	187,395	22,982,363	22,285,778
<i>Total Revenues</i>	<i>27,986,226</i>	<i>26,635,110</i>	<i>14,913,756</i>	<i>13,517,622</i>	<i>42,899,982</i>	<i>40,152,732</i>
Program Expenses						
General Government:						
Legislative and Executive	6,093,128	5,421,519	0	0	6,093,128	5,421,519
Court	632,493	640,396	0	0	632,493	640,396
Security of Persons and Property:						
Police	10,201,006	9,777,207	0	0	10,201,006	9,777,207
Fire	6,020,763	6,612,894	0	0	6,020,763	6,612,894
Other	19,273	97,591	0	0	19,273	97,591
Public Health Services	538,880	441,303	0	0	538,880	441,303
Community Environment	1,172,523	1,029,978	0	0	1,172,523	1,029,978
Transportation	3,876,129	3,476,273	0	0	3,876,129	3,476,273
Leisure Time Activities	913,377	804,823	0	0	913,377	804,823
Interest and Fiscal Charges	233,068	195,473	0	0	233,068	195,473
Sewer	0	0	6,544,435	6,019,303	6,544,435	6,019,303
Water	0	0	6,160,416	5,434,742	6,160,416	5,434,742
Nonmajor Enterprise	0	0	1,869,735	1,789,737	1,869,735	1,789,737
Total Program Expenses	29,700,640	28,497,457	14,574,586	13,243,782	44,275,226	41,741,239
<i>Increase (Decrease) in</i>						
<i>Net Position</i>	<i>(1,714,414)</i>	<i>(1,862,347)</i>	<i>339,170</i>	<i>273,840</i>	<i>(1,375,244)</i>	<i>(1,588,507)</i>
Net Position Beginning of Year	6,857,325	8,719,672	41,067,009	40,793,169	47,924,334	49,512,841
Net Position End of Year	\$5,142,911	\$6,857,325	\$41,406,179	\$41,067,009	\$46,549,090	\$47,924,334

Governmental Activities

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Several revenue sources fund our governmental activities, with the City income tax being the biggest contributor. The income tax rate is 1.9 percent. General revenues from grants and entitlements, such as local government funds, are also a large revenue generator. The City monitors both of these revenue sources very closely for fluctuations because the income tax and grants and entitlements general revenues represent 63 and 10 percent, respectively, of all revenues in the governmental activities.

Operating and capital grants, contributions, and interest accounted for 12 percent of all revenues. These revenues are not generated from the City's own resources. Such revenues are often unpredictable and accompanied by administrative requirements. The lower this percentage the better in regards to independence.

Security of persons and property is the largest activity of the City, comprising 55 percent of the governmental expenses. During 2017, expenses for police and fire operations amounted to \$10,201,006 and \$6,020,763, respectively. These activities are, for the most part, funded by the municipal income tax. The City attempts to supplement the income and activities of the police department with grants to enable the police department to widen the scope of its activities.

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

Business-Type Activities

The City's business-type activities consist of the sanitation, sewer, and water departments. The major source of revenue for these funds is charges for services. During 2017, the City collected \$1,323,083 more in charges for services and spent \$1,330,804 more than the previous year. Over the past few years, the City has lost customers to Muskingum County as a result of the County completing construction of a County owned water plant. As a result, the City has begun implementing scheduled rate increases to increase fund balances to be able to effectively operate the enterprise funds.

The City's Funds

The City's governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$27,574,614 and expenditures of \$28,791,490.

The fund balance of the General Fund increased \$296,452. The General Fund's Unassigned Fund Balance of \$3,139,627 represented 42 percent of current year expenditures. Most of this balance remains in the City's treasury and is invested.

The fund balance of the Police Expenditure Fund increased \$59,289. The Police Expenditure Fund had a restricted fund balance of \$770,096 at year end.

The fund balance of the Fire Operating Fund decreased \$133,146. The Fire Operating Fund had a restricted fund balance of \$137,129 at year end.

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During 2017, the Sewer Fund had operating revenues of \$7,193,079 and operating expenses of \$5,996,233. The Water Fund had operating revenues of \$5,708,378 and operating expenses of \$5,845,517. 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 2017, 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 \$660,288 with the largest increases in municipal income taxes and intergovernmental revenue sources. Actual revenues were under the final budget in the amount of \$625,386. The original appropriations were increased \$660,288; however, the actual expenditures and other financing uses were \$3,094,083 less than the final budget for expenditures and other financing uses.

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

Capital Assets and Debt Administration

City of Zanesville, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2017
Unaudited

Capital Assets

Table 3 shows year 2017 balances compared to 2016.

(Table 3)
 Capital Assets at Year End

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	\$1,188,231	\$1,188,231	\$233,184	\$233,184	\$1,421,415	\$1,421,415
Buildings and Improvements	7,075,453	7,444,586	24,903,473	25,556,796	31,978,926	33,001,382
Machinery and Equipment	1,286,605	937,262	3,892,453	4,600,365	5,179,058	5,537,627
Vehicles	1,645,796	1,371,371	742,943	278,810	2,388,739	1,650,181
Infrastructure	10,535,825	10,366,961	34,163,540	34,888,702	44,699,365	45,255,663
Construction in Progress	414,004	121,706	281,882	209,889	695,886	331,595
Totals	\$22,145,914	\$21,430,117	\$64,217,475	\$65,767,746	\$86,363,389	\$87,197,863

Note 11 (Capital Assets) provides capital asset activity during 2017.

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	
	2017	2016	2017	2016
2014 Capital Facilities Refunding Bonds	\$185,500	\$364,000	\$0	\$0
2010 Street Improvement Bonds	810,000	860,000	0	0
OPWC Bridge Replacement Loan	0	17,283	0	0
2005 Ohio Department of Transportation Loan	2,808,282	2,948,753	0	0
2013 Ohio Department of Transportation Loan	46,416	55,913	0	0
2016 OPWC Citywide Overlays Loan	327,988	366,575	0	0
2016 Various Purpose Bonds	2,543,035	2,631,879	0	0
2014 Capital Facilities Refunding Bonds	0	0	79,500	156,000
OPWC Sewer Loan	0	0	1,875,118	1,984,604
OWDA Water Loans	0	0	10,760,883	10,936,926
OWDA Sewer Loans	0	0	11,959,673	13,100,770
Capital Leases	586,672	89,213	457,134	119,187
Totals	\$7,307,893	\$7,333,616	\$25,132,308	\$26,297,487

The total amount of general obligation indebtedness outstanding at any one time shall not exceed 10.5 percent of the actual value of taxable real and personal property in the City. The City's overall debt limit

City of Zanesville, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2017
Unaudited

at December 31, 2017, is \$36,175,375.

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

Current Financial Issues

During 2017, the City finalized plans and secured funding to replace the Putnam Water Tower and the Heritage Water Tank. This is approximately a \$2.1 million dollar project. \$1.8 million was secured to repave Northpointe Drive and that project will begin during the first part of 2018. The Sanitation Division received two new sanitation trucks through a lease purchase program, which will began the process to change how the City collects its refuse. This initial investment of \$347,000 is the first step in a major modification, and a great deal more time and funds will be invested in this program change. Approximately \$300,000 has been invested in new software for the City's Finance, Payroll, Utility, Code Enforcement, and Jail systems. Finance will be the first module to "go-live", and will start January 2018. Work on the new Safety Annex continues, and the different safety departments continue to move into the newly acquired building as the spaces become renovated. Plans are in the works for the City to purchase a building for the Vehicle Maintenance Division to expand into during 2018.

Contacting the City Auditor's Department

This financial report is designed to provide our citizens, taxpayers, creditors, and investors with an overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Margo Moyer, Zanesville City Auditor, 401 Market Street, Zanesville, Ohio 43701, 740-617-4873.

City of Zanesville, Ohio
Statement of Net Position
December 31, 2017

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$7,968,242	\$4,697,435	\$12,665,677
Cash and Cash Equivalents in Segregated Accounts	33,576	0	33,576
Investments	50,000	0	50,000
Accrued Interest Receivable	35,786	0	35,786
Accounts Receivable	135,342	1,925,538	2,060,880
Intergovernmental Receivable	2,560,752	143,450	2,704,202
Permissive Motor Vehicle Tax Receivable	8,623	0	8,623
Internal Balances	415,305	(415,305)	0
Municipal Income Tax Receivable	2,423,960	0	2,423,960
Property Taxes Receivable	1,415,993	0	1,415,993
Payment in Lieu of Taxes Receivable	661,802	0	661,802
Loans Receivable	43,655	0	43,655
Special Assessments Receivable	2,699,841	8,965	2,708,806
Materials and Supplies Inventory	505,448	948,546	1,453,994
Prepaid Items	71,655	33,772	105,427
Non-Depreciable Capital Assets	1,602,235	515,066	2,117,301
Depreciable Capital Assets, Net	20,543,679	63,702,409	84,246,088
<i>Total Assets</i>	<u>41,175,894</u>	<u>71,559,876</u>	<u>112,735,770</u>
Deferred Outflows of Resources			
Deferred Charge on Refunding Pension	973	777	1,750
	6,863,355	2,195,829	9,059,184
<i>Total Deferred Outflows of Resources</i>	<u>6,864,328</u>	<u>2,196,606</u>	<u>9,060,934</u>
Liabilities			
Accounts Payable	863,176	226,174	1,089,350
Contracts Payable	258,099	20,428	278,527
Accrued Wages Payable	422,189	125,986	548,175
Accrued Interest Payable	13,628	99	13,727
Retainage Payable	12,000	0	12,000
Intergovernmental Payable	531,491	51,537	583,028
Claims Payable	754,200	0	754,200
Customer Deposits Payable	0	368,060	368,060
Long-Term Liabilities:			
Due Within One Year	1,269,132	2,005,821	3,274,953
Net Pension Liability (See Note 13)	28,066,787	5,728,465	33,795,252
Other Amounts Due In More Than One Year	7,906,748	23,660,947	31,567,695
<i>Total Liabilities</i>	<u>40,097,450</u>	<u>32,187,517</u>	<u>72,284,967</u>
Deferred Inflows of Resources			
Property Taxes	1,102,101	0	1,102,101
Payment in Lieu of Taxes	661,802	0	661,802
Pension	1,035,958	162,786	1,198,744
<i>Total Deferred Inflows of Resources</i>	<u>2,799,861</u>	<u>162,786</u>	<u>2,962,647</u>
Net Position			
Net Investment in Capital Assets	14,572,745	39,078,236	53,650,981
Restricted for:			
Street	1,172,027	0	1,172,027
Cemetery	151,625	0	151,625
Community Development	828,823	0	828,823
Jail Operations	157,889	0	157,889
Police Operations	341,129	0	341,129
Court Operations	451,857	0	451,857
Police and Fire Pension	66,023	0	66,023
Capital Outlay	730,148	0	730,148
Perpetual Care:			
Expendable	11,442	0	11,442
Non-expendable	661,576	0	661,576
Other Purposes	545,679	0	545,679
Unrestricted (Deficit)	(14,548,052)	2,327,943	(12,220,109)
<i>Total Net Position</i>	<u>\$5,142,911</u>	<u>\$41,406,179</u>	<u>\$46,549,090</u>

See accompanying notes to the basic financial statements

City of Zanesville, Ohio
Statement of Activities
For the Year Ended December 31, 2017

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants, Contributions, and Interest	Capital Grants and Contributions	Governmental Activities	Business- Type Activities	Total
Governmental Activities							
General Government:							
Legislative and Executive	\$6,093,128	\$878,571	\$0	\$0	(\$5,214,557)	\$0	(\$5,214,557)
Court	632,493	400,740	0	0	(231,753)	0	(231,753)
Security of Persons and Property:							
Police	10,201,006	57,053	254,439	0	(9,889,514)	0	(9,889,514)
Fire	6,020,763	104,505	10,019	0	(5,906,239)	0	(5,906,239)
Other	19,273	0	0	0	(19,273)	0	(19,273)
Public Health Services	538,880	83,611	186,465	0	(268,804)	0	(268,804)
Community Environment	1,172,523	39,055	25,320	0	(1,108,148)	0	(1,108,148)
Transportation	3,876,129	136,483	1,681,461	885,874	(1,172,311)	0	(1,172,311)
Leisure Time Activities	913,377	115,821	24,495	207,631	(565,430)	0	(565,430)
Interest and Fiscal Charges	233,068	0	0	0	(233,068)	0	(233,068)
<i>Total Governmental Activities</i>	<u>29,700,640</u>	<u>1,815,839</u>	<u>2,182,199</u>	<u>1,093,505</u>	<u>(24,609,097)</u>	<u>0</u>	<u>(24,609,097)</u>
Business-Type Activities							
Sewer	6,544,435	7,165,790	97,946	0	0	719,301	719,301
Water	6,160,416	5,678,685	53,866	0	0	(427,865)	(427,865)
Nonmajor	1,869,735	1,794,071	35,718	0	0	(39,946)	(39,946)
<i>Total Business-Type Activities</i>	<u>14,574,586</u>	<u>14,638,546</u>	<u>187,530</u>	<u>0</u>	<u>0</u>	<u>251,490</u>	<u>251,490</u>
<i>Total</i>	<u>\$44,275,226</u>	<u>\$16,454,385</u>	<u>\$2,369,729</u>	<u>\$1,093,505</u>	<u>(24,609,097)</u>	<u>251,490</u>	<u>(24,357,607)</u>

General Revenues

Property Taxes Levied for:			
General Purposes	941,327	0	941,327
Police and Fire Pension	202,521	0	202,521
Income Taxes Levied for:			
General Purposes	9,556,505	0	9,556,505
Police Operations	4,432,918	0	4,432,918
Jail Operations	1,774,178	0	1,774,178
Fire Operations	1,774,178	0	1,774,178
Payment in Lieu of Taxes	491,271	0	491,271
Franchise Taxes	342,585	0	342,585
Grants and Entitlements not Restricted to Specific Programs	2,796,440	0	2,796,440
Investment Earnings	116,026	0	116,026
Gain on Sale of Capital Assets	25,358	1,120	26,478
Other	441,376	86,560	527,936
<i>Total General Revenues</i>	<u>22,894,683</u>	<u>87,680</u>	<u>22,982,363</u>
<i>Change in Net Position</i>	<u>(1,714,414)</u>	<u>339,170</u>	<u>(1,375,244)</u>
<i>Net Position Beginning of Year</i>	<u>6,857,325</u>	<u>41,067,009</u>	<u>47,924,334</u>
<i>Net Position End of Year</i>	<u>\$5,142,911</u>	<u>\$41,406,179</u>	<u>\$46,549,090</u>

See accompanying notes to the basic financial statements

City of Zanesville, Ohio

Balance Sheet

Governmental Funds

December 31, 2017

	<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	\$3,116,410	\$560,441	\$429,374	\$2,834,863	\$6,941,088
Cash and Cash Equivalents in Segregated Accounts	2,212	0	0	31,364	33,576
Restricted Cash	19,645	0	0	0	19,645
Investments	0	0	0	50,000	50,000
Receivables:					
Accrued Interest	33,697	0	0	2,089	35,786
Accounts	121,936	0	956	12,450	135,342
Interfund	33,394	0	0	266,000	299,394
Intergovernmental	734,283	0	0	1,812,788	2,547,071
Permissive Motor Vehicle Tax	0	0	0	8,623	8,623
Municipal Income Tax	1,275,730	637,744	255,243	255,243	2,423,960
Taxes	1,160,759	0	0	255,234	1,415,993
Payment in Lieu of Taxes	0	0	0	661,802	661,802
Loans	0	0	0	43,655	43,655
Special Assessments	2,699,077	0	0	764	2,699,841
Materials and Supplies Inventory	1,169	1,046	0	187,135	189,350
Prepaid Items	22,634	22,263	9,399	15,640	69,936
<i>Total Assets</i>	<u>\$9,220,946</u>	<u>\$1,221,494</u>	<u>\$694,972</u>	<u>\$6,437,650</u>	<u>\$17,575,062</u>
Liabilities					
Accounts Payable	\$685,474	\$11,015	\$10,382	\$87,876	\$794,747
Contracts Payable	5,103	0	0	252,996	258,099
Accrued Wages Payable	80,507	142,835	113,977	70,278	407,597
Retainage Payable	0	0	0	12,000	12,000
Interfund Payable	46,532	86,779	304,583	42,536	480,430
Intergovernmental Payable	307,025	88,863	80,041	50,147	526,076
<i>Total Liabilities</i>	<u>1,124,641</u>	<u>329,492</u>	<u>508,983</u>	<u>515,833</u>	<u>2,478,949</u>
Deferred Inflows of Resources					
Property Taxes	902,856	0	0	199,245	1,102,101
Payment in Lieu of Taxes	0	0	0	661,802	661,802
Unavailable Revenue	3,581,901	98,597	39,461	1,505,440	5,225,399
<i>Total Deferred Inflows of Resources</i>	<u>4,484,757</u>	<u>98,597</u>	<u>39,461</u>	<u>2,366,487</u>	<u>6,989,302</u>
Fund Balances					
Nonspendable	43,448	23,309	9,399	864,351	940,507
Restricted	0	770,096	137,129	2,740,402	3,647,627
Committed	200,498	0	0	164,973	365,471
Assigned	227,975	0	0	0	227,975
Unassigned	3,139,627	0	0	(214,396)	2,925,231
<i>Total Fund Balances</i>	<u>3,611,548</u>	<u>793,405</u>	<u>146,528</u>	<u>3,555,330</u>	<u>8,106,811</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$9,220,946</u>	<u>\$1,221,494</u>	<u>\$694,972</u>	<u>\$6,437,650</u>	<u>\$17,575,062</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, 2017*

Total Governmental Fund Balances \$8,106,811

*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. 22,145,914

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

Property Taxes	313,892	
Municipal Income Tax	374,750	
Charges for Services	2,700,611	
Franchise Tax	121,479	
Intergovernmental Revenues	1,677,848	
Investment Earnings	30,383	
Rent	700	
Other Revenues	5,736	
Total	5,225,399	5,225,399

Deferred outflows of resources represent deferred charges on refundings which do not provide current financial resources and therefore are not reported in the funds. 973

Internal service funds are used by management to charge the costs of insurance and vehicle maintenance to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position (excluding the capital assets reported above and the compensated absences, deferred outflows - pension, net pension liability, and deferred inflows - pension reported below). 836,067

An interfund payable is recorded in governmental activities to reflect overpayments to the internal service fund by the business-type activities. 256,645

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

Bonds Payable	(3,538,535)	
Accrued Interest Payable	(13,628)	
Loans Payable	(3,182,686)	
Workers' Compensation Claims Payable	(151,724)	
Capital Leases Payable	(586,672)	
Compensated Absences Payable	(1,716,263)	
Total	(9,189,508)	(9,189,508)

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

Deferred Outflows - Pension	6,863,355	
Net Pension Liability	(28,066,787)	
Deferred Inflows - Pension	(1,035,958)	
	(22,239,390)	(22,239,390)

Net Position of Governmental Activities **\$5,142,911**

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, 2017

	General	Police Expenditure	Fire Operating	Other Governmental Funds	Total Governmental Funds
Revenues					
Property Taxes	\$928,249	\$0	\$0	\$199,160	\$1,127,409
Permissive Motor Vehicle License	0	0	0	107,589	107,589
Municipal Income Tax	9,648,383	4,478,848	1,792,561	1,792,561	17,712,353
Payment in Lieu of Taxes	0	0	0	491,271	491,271
Charges for Services	586,725	5,638	31,987	195,378	819,728
Fines, Licenses and Permits	383,602	6,370	0	156,723	546,695
Franchise Tax	289,506	0	0	0	289,506
Intergovernmental	3,099,774	173,484	0	2,400,924	5,674,182
Investment Earnings	107,641	0	0	45,678	153,319
Donations	82,543	2,895	0	10,000	95,438
Rent	35,104	0	0	85,658	120,762
Other	185,291	113,354	69,134	68,583	436,362
<i>Total Revenues</i>	<u>15,346,818</u>	<u>4,780,589</u>	<u>1,893,682</u>	<u>5,553,525</u>	<u>27,574,614</u>
Expenditures					
Current:					
General Government:					
Legislative and Executive	4,991,676	0	0	0	4,991,676
Court	523,561	0	0	112,747	636,308
Security of Persons and Property:					
Police	0	6,758,472	0	2,317,631	9,076,103
Fire	0	0	5,274,013	110,449	5,384,462
Other	102,077	0	0	0	102,077
Public Health Services	0	0	0	505,734	505,734
Community Environment	580,180	0	0	523,181	1,103,361
Transportation	349,892	0	0	3,223,410	3,573,302
Leisure Time Activities	764,153	0	0	138,975	903,128
Capital Outlay	89,288	0	0	1,593,295	1,682,583
Debt Service:					
Principal Retirement	0	0	0	603,172	603,172
Interest and Fiscal Charges	0	0	0	229,584	229,584
<i>Total Expenditures</i>	<u>7,400,827</u>	<u>6,758,472</u>	<u>5,274,013</u>	<u>9,358,178</u>	<u>28,791,490</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>7,945,991</u>	<u>(1,977,883)</u>	<u>(3,380,331)</u>	<u>(3,804,653)</u>	<u>(1,216,876)</u>
Other Financing Sources (Use)					
Transfers In	106,217	2,018,526	3,240,756	2,439,104	7,804,603
Proceeds from Sale of Capital Assets	1,228	18,646	6,429	15,350	41,653
Inception of Capital Lease	0	0	0	581,293	581,293
Transfers Out	(7,756,984)	0	0	(162,482)	(7,919,466)
<i>Total Other Financing Sources (Use)</i>	<u>(7,649,539)</u>	<u>2,037,172</u>	<u>3,247,185</u>	<u>2,873,265</u>	<u>508,083</u>
<i>Net Change in Fund Balances</i>	296,452	59,289	(133,146)	(931,388)	(708,793)
<i>Fund Balances (Deficit) Beginning of Year</i>	<u>3,315,096</u>	<u>734,116</u>	<u>279,674</u>	<u>4,486,718</u>	<u>8,815,604</u>
<i>Fund Balances End of Year</i>	<u>\$3,611,548</u>	<u>\$793,405</u>	<u>\$146,528</u>	<u>\$3,555,330</u>	<u>\$8,106,811</u>

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, 2017*

Net Change in Fund Balances - Total Governmental Funds (\$708,793)

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	2,526,955	
Depreciation	(1,794,863)	
Excess of Capital Outlay over Depreciation		732,092

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

Proceeds from Sale of Capital Assets	(41,653)	
Gain on the Sale of Capital Assets	25,358	(16,295)

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

Property Taxes	16,439	
Municipal Income Tax	(174,574)	
Charges for Services - Special Assessments	228,986	
Charges for Services	(3,378)	
Fines, License and Permits	(4,543)	
Franchise Tax	53,079	
Intergovernmental Revenues	256,587	
Investment Earnings	8,644	
Other Revenues	(1,922)	
Total		379,318

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

Amortization of bond premium	3,844	
Amortization of deferred amount on refunding	(1,061)	
Accrued interest	(6,267)	(3,484)

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

Refunding Bonds	178,500	
General Obligation Bonds	135,000	
Long-Term Loans	205,838	
Capital Leases	83,834	603,172

Inception of Capital Leases are reported as other financing sources in the governmental funds, but the inception increases long-term liabilities on the statement of activities. (581,293)

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. 6,704

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	(51,714)	
Claims Payable - BWC Retro	(61,287)	(113,001)

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

Contractually Required Contributions	2,047,126	
Contractually Required Contributions - Internal Service Fund	(44,880)	2,002,246

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

Pension Expense	(4,139,877)	
Pension Expense - Internal Service Fund	124,797	(4,015,080)

Change in Net Position of Governmental Activities (\$1,714,414)

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, 2017*

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
Revenues				
Property Taxes	\$1,007,636	\$1,007,636	\$928,249	(\$79,387)
Municipal Income Tax	9,624,706	10,023,594	9,647,437	(376,157)
Charges for Services	652,222	652,222	588,517	(63,705)
Fines, Licenses and Permits	424,399	435,499	386,824	(48,675)
Franchise Tax	300,000	300,000	289,506	(10,494)
Intergovernmental	2,665,487	2,818,287	2,758,938	(59,349)
Investment Earnings	12,000	15,200	14,878	(322)
Rent	20,612	20,612	19,872	(740)
Other	69,787	162,822	178,302	15,480
<i>Total Revenues</i>	14,776,849	15,435,872	14,812,523	(623,349)
Expenditures				
Current:				
General Government:				
Legislative and Executive	6,968,413	6,763,201	5,015,073	1,748,128
Court	641,785	641,785	516,834	124,951
Security of Persons and Property:				
Other	121,368	146,518	142,852	3,666
Community Environment	711,212	722,712	622,933	99,779
Transportation	472,800	477,123	349,892	127,231
Leisure Time Activities	484,061	494,061	368,304	125,757
Capital Outlay	100,000	240,000	237,841	2,159
<i>Total Expenditures</i>	9,499,639	9,485,400	7,253,729	2,231,671
<i>Excess of Revenues Over Expenditures</i>	5,277,210	5,950,472	7,558,794	1,608,322
Other Financing Sources (Use)				
Transfers In	108,217	108,217	106,217	(2,000)
Proceeds from Sale of Capital Assets	0	1,265	1,228	(37)
Transfers Out	(7,944,869)	(8,619,396)	(7,756,984)	862,412
<i>Total Other Financing Sources (Use)</i>	(7,836,652)	(8,509,914)	(7,649,539)	860,375
<i>Net Change in Fund Balance</i>	(2,559,442)	(2,559,442)	(90,745)	2,468,697
<i>Fund Balance Beginning of Year</i>	2,410,357	2,410,357	2,410,357	0
Prior Year Encumbrances Appropriated	149,085	149,085	149,085	0
<i>Fund Balance End of Year</i>	\$0	\$0	\$2,468,697	\$2,468,697

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, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Over (Under)
Revenues				
Municipal Income Tax	\$4,520,244	\$4,594,674	\$4,478,375	(\$116,299)
Charges for Services	2,500	5,300	5,638	338
Intergovernmental	0	173,484	173,484	0
Fines, Licenses and Permits	6,370	6,370	6,370	0
Donations	10,000	10,000	2,895	(7,105)
Other	33,705	93,961	113,354	19,393
<i>Total Revenues</i>	4,572,819	4,883,789	4,780,116	(103,673)
Expenditures				
Current:				
Security of Persons and Property:				
Police	7,317,229	7,572,415	6,825,461	746,954
<i>Excess of Revenues Under Expenditures</i>	(2,744,410)	(2,688,626)	(2,045,345)	643,281
Other Financing Sources				
Transfers In	2,192,956	2,118,526	2,018,526	(100,000)
Proceeds from Sale of Capital Assets	0	18,646	18,646	0
<i>Total Other Financing Sources</i>	2,192,956	2,137,172	2,037,172	(100,000)
<i>Net Change in Fund Balance</i>	(551,454)	(551,454)	(8,173)	543,281
<i>Fund Balance Beginning of Year</i>	429,349	429,349	429,349	0
Prior Year Encumbrances Appropriated	122,105	122,105	122,105	0
<i>Fund Balance End of Year</i>	<u>\$0</u>	<u>\$0</u>	<u>\$543,281</u>	<u>\$543,281</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, 2017

	<u>Budgeted Amounts</u>			Variance with Final Budget Over (Under)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Municipal Income Tax	\$1,809,129	\$1,838,918	\$1,792,371	(\$46,547)
Charges for Services	24,300	34,300	30,639	(3,661)
Intergovernmental	0	14,700	0	(14,700)
Other	8,600	69,108	68,878	(230)
<i>Total Revenues</i>	1,842,029	1,957,026	1,891,888	(65,138)
Expenditures				
Current:				
Security of Persons and Property:				
Fire	6,154,069	6,245,706	5,322,715	922,991
<i>Excess of Revenues Under Expenditures</i>	(4,312,040)	(4,288,680)	(3,430,827)	857,853
Other Financing Sources				
Transfers In	3,730,471	3,700,682	3,240,756	(459,926)
Proceeds from Sale of Capital Assets	0	6,429	6,429	0
<i>Total Other Financing Sources</i>	3,730,471	3,707,111	3,247,185	(459,926)
<i>Net Change in Fund Balance</i>	(581,569)	(581,569)	(183,642)	397,927
<i>Fund Balance Beginning of Year</i>	523,112	523,112	523,112	0
Prior Year Encumbrances Appropriated	58,457	58,457	58,457	0
<i>Fund Balance End of Year</i>	<u>\$0</u>	<u>\$0</u>	<u>\$397,927</u>	<u>\$397,927</u>

See accompanying notes to the basic financial statements

City of Zanesville, Ohio
Statement of Fund Net Position
Proprietary Funds
December 31, 2017

	Business Type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Sewer	Water	Nonmajor	Total	
Assets					
Current:					
Equity in Pooled Cash and Cash Equivalents	\$3,430,273	\$539,797	\$359,305	\$4,329,375	\$1,007,509
Accounts Receivable	831,276	784,515	309,747	1,925,538	0
Intergovernmental Receivable	53,866	53,866	35,718	143,450	13,681
Interfund Receivable	0	0	0	0	345,905
Special Assessments Receivable	8,965	0	0	8,965	0
Materials and Supplies Inventory	351,286	597,260	0	948,546	316,098
Restricted Assets:					
Customer Deposits - Equity in Pooled Cash and Cash Equivalents	0	368,060	0	368,060	0
Prepaid Items	13,920	17,265	2,587	33,772	1,719
Total Current Assets	4,689,586	2,360,763	707,357	7,757,706	1,684,912
Noncurrent:					
Non-Depreciable Capital Assets	311,197	203,869	0	515,066	0
Depreciable Capital Assets, Net	42,735,857	20,494,485	472,067	63,702,409	3,817
Total Noncurrent Assets	43,047,054	20,698,354	472,067	64,217,475	3,817
Total Assets	47,736,640	23,059,117	1,179,424	71,975,181	1,688,729
Deferred Outflows of Resources					
Deferred Charge on Refunding Pension	0	777	0	777	0
	866,774	929,490	406,652	2,202,916	232,373
Total Deferred Outflows of Resources	866,774	930,267	406,652	2,203,693	232,373
Liabilities					
Current:					
Accounts Payable	167,383	36,349	22,442	226,174	68,429
Contracts Payable	14,220	6,208	0	20,428	0
Accrued Wages Payable	47,007	54,086	24,893	125,986	14,592
Intergovernmental Payable	20,628	21,878	9,031	51,537	5,415
Accrued Interest Payable	0	99	0	99	0
Claims Payable	0	0	0	0	754,200
Interfund Payable	80,914	54,669	23,077	158,660	6,209
Compensated Absences Payable	56,683	85,490	43,244	185,417	34,465
General Obligation Bonds Payable	0	79,500	0	79,500	0
Capital Leases Payable	66,207	0	66,487	132,694	0
OPWC Loans Payable	109,486	0	0	109,486	0
OWDA Loans Payable	1,005,710	493,014	0	1,498,724	0
Current Liabilities Payable from Restricted Assets:					
Customer Deposits	0	368,060	0	368,060	0
Total Current Liabilities	1,568,238	1,199,353	189,174	2,956,765	883,310
Long-Term:					
Compensated Absences Payable	106,415	170,875	71,753	349,043	45,708
Capital Leases Payable	116,075	0	208,365	324,440	0
OPWC Loans Payable	1,765,632	0	0	1,765,632	0
OWDA Loans Payable	10,953,963	10,267,869	0	21,221,832	0
Net Pension Liability	2,261,235	2,411,986	1,055,244	5,728,465	602,996
Total Long-Term Liabilities	15,203,320	12,850,730	1,335,362	29,389,412	648,704
Total Liabilities	16,771,558	14,050,083	1,524,536	32,346,177	1,532,014
Deferred Inflows of Resources					
Pension	99,645	48,854	21,374	169,873	12,214
Net Position					
Net Investment in Capital Assets	29,028,481	9,852,540	197,215	39,078,236	3,817
Unrestricted (Deficits)	2,703,730	37,907	(157,049)	2,584,588	373,057
Total Net Position	\$31,732,211	\$9,890,447	\$40,166	41,662,824	\$376,874

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 (256,645)
\$41,406,179

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, 2017*

	Business Type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Sewer	Water	Nonmajor	Total	
Operating Revenues					
Charges for Services	\$7,165,790	\$5,678,685	\$1,794,071	\$14,638,546	\$6,672,502
Other Operating Revenues	27,289	29,693	29,578	86,560	6,841
<i>Total Operating Revenues</i>	<u>7,193,079</u>	<u>5,708,378</u>	<u>1,823,649</u>	<u>14,725,106</u>	<u>6,679,343</u>
Operating Expenses					
Salaries and Wages	1,378,452	1,471,471	665,303	3,515,226	396,903
Fringe Benefits	986,986	1,403,701	487,264	2,877,951	276,652
Contractual Services	2,115,176	1,419,711	617,718	4,152,605	526,265
Materials and Supplies	208,375	456,708	28,409	693,492	605,969
Claims	0	0	0	0	5,109,198
Other Operating Expenses	0	0	0	0	4,478
Depreciation	1,307,244	1,093,926	39,804	2,440,974	0
<i>Total Operating Expenses</i>	<u>5,996,233</u>	<u>5,845,517</u>	<u>1,838,498</u>	<u>13,680,248</u>	<u>6,919,465</u>
<i>Operating Income (Loss)</i>	<u>1,196,846</u>	<u>(137,139)</u>	<u>(14,849)</u>	<u>1,044,858</u>	<u>(240,122)</u>
Non-Operating Revenues (Expenses)					
Intergovernmental	97,946	53,866	35,718	187,530	0
Gain on Sale of Capital Assets	612	508	0	1,120	0
Other Non-Operating Revenues	0	0	0	0	6,936
Interest and Fiscal Charges	(521,605)	(269,350)	0	(790,955)	0
<i>Total Non-Operating Revenues (Expenses)</i>	<u>(423,047)</u>	<u>(214,976)</u>	<u>35,718</u>	<u>(602,305)</u>	<u>6,936</u>
<i>Income (Loss) Before Transfers</i>	<u>773,799</u>	<u>(352,115)</u>	<u>20,869</u>	<u>442,553</u>	<u>(233,186)</u>
Transfers In	0	0	0	0	114,863
<i>Change in Net Position</i>	<u>773,799</u>	<u>(352,115)</u>	<u>20,869</u>	<u>442,553</u>	<u>(118,323)</u>
<i>Net Position Beginning of Year</i>	<u>30,958,412</u>	<u>10,242,562</u>	<u>19,297</u>		<u>495,197</u>
<i>Net Position End of Year</i>	<u><u>\$31,732,211</u></u>	<u><u>\$9,890,447</u></u>	<u><u>\$40,166</u></u>		<u><u>\$376,874</u></u>

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

Change in net position of busniess-type activities	(103,383)
	\$339,170

See accompanying notes to the basic financial statements

City of Zanesville, Ohio
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2017

	Business Type Activities - Enterprise Funds				Governmental
	Sewer	Water	Nonmajor	Total Funds	Activities - Internal Service Funds
Increase (Decrease) in Cash and Cash Equivalents					
Cash Flows from Operating Activities:					
Cash Received from Customers	\$7,064,186	\$5,632,823	\$1,717,635	\$14,414,644	\$0
Cash Received from Transactions with Other Funds	0	0	0	0	6,651,749
Cash Payments for Employee Services and Benefits	(2,099,862)	(2,526,252)	(1,007,965)	(5,634,079)	(594,404)
Cash Payments to Suppliers for Goods and Services	(2,183,211)	(1,810,502)	(657,304)	(4,651,017)	(1,147,546)
Other Operating Revenues	43,921	29,693	29,578	103,192	6,841
Other Operating Expenses	0	0	(4,628)	(4,628)	(4,478)
Cash Payments for Claims	0	0	0	0	(4,852,750)
Other Non-Operating Revenues	0	54,704	0	54,704	0
Customer Deposits Returned	0	(20,571)	0	(20,571)	0
<i>Net Cash Provided by Operating Activities</i>	<u>2,825,034</u>	<u>1,359,895</u>	<u>77,316</u>	<u>4,262,245</u>	<u>59,412</u>
Cash Flows from Capital and Related Financing Activities:					
Acquisition of Capital Assets	(322,843)	(59,385)	0	(382,228)	0
Proceeds from Sale of Capital Assets	612	508	0	1,120	0
Loan Proceeds	0	326,287	0	326,287	0
Principal Paid on Capital Lease	(97,995)	0	(72,533)	(170,528)	0
Interest Paid on Capital Lease	(3,427)	0	0	(3,427)	0
Principal Paid on Debt	(1,250,583)	(578,830)	0	(1,829,413)	0
Interest Paid on Debt	(518,178)	(268,598)	0	(786,776)	0
<i>Net Cash Used for Capital and Related Financing Activities</i>	<u>(2,192,414)</u>	<u>(580,018)</u>	<u>(72,533)</u>	<u>(2,844,965)</u>	<u>0</u>
Cash Flows from Non-Capital and Related Financing Activities:					
Operating Grants	44,080	0	0	44,080	0
Operating Transfers In	0	0	0	0	114,863
<i>Net Cash Provided by Non-Capital and Related Financing Activities</i>	<u>44,080</u>	<u>0</u>	<u>0</u>	<u>44,080</u>	<u>114,863</u>
<i>Net Increase in Cash and Cash Equivalents</i>	<u>676,700</u>	<u>779,877</u>	<u>4,783</u>	<u>1,461,360</u>	<u>174,275</u>
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>2,753,573</u>	<u>127,980</u>	<u>354,522</u>	<u>3,236,075</u>	<u>833,234</u>
<i>Cash and Cash Equivalents End of Year</i>	<u>\$3,430,273</u>	<u>\$907,857</u>	<u>\$359,305</u>	<u>\$4,697,435</u>	<u>\$1,007,509</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:					
<i>Operating Income (Loss)</i>	\$1,196,846	(\$137,139)	(\$14,849)	\$1,044,858	(\$240,122)
Adjustments:					
Depreciation	1,307,244	1,093,926	39,804	2,440,974	0
Other Non-Operating Revenues	0	54,704	0	54,704	6,936
(Increase)/Decrease in Assets:					
Accounts Receivable	(101,249)	(45,862)	(76,436)	(223,547)	0
Intergovernmental Receivable	0	0	0	0	(1,747)
Interfund Receivable	16,717	0	0	16,717	(25,942)
Special Assessments Receivable	(440)	0	0	(440)	0
Materials and Supplies Inventory	(7,143)	76,333	0	69,190	(22,763)
Prepaid Items	581	(376)	(38)	167	(1,185)
Deferred Outflows - Pension	290,359	313,940	137,349	741,648	78,486
Increase/(Decrease) in Liabilities:					
Accounts Payable	83,463	(1,133)	(15,827)	66,503	8,636
Contracts Payable	9,420	6,208	0	15,628	0
Accrued Wages Payable	4,614	8,912	1,017	14,543	3,963
Intergovernmental Payable	121	99	103	323	612
Interfund Payable	54,019	(15,115)	60	38,964	(26,985)
Customer Deposits Payable	0	34,133	0	34,133	0
Claims Payable	0	0	0	0	256,448
Deferred Inflows - Pension	(91,374)	(48,265)	(21,116)	(160,755)	(12,067)
Net Pension Liability	50,621	53,996	23,622	128,239	13,498
Compensated Absences Payable	11,235	20,238	3,627	35,100	21,644
<i>Net Cash Provided by Operating Activities</i>	<u>\$2,825,034</u>	<u>\$1,414,599</u>	<u>\$77,316</u>	<u>\$4,316,949</u>	<u>\$59,412</u>

During 2017, the Sewer Fund entered into a capital lease which resulted in a non-cash transaction in the amount of \$161,090. Also, the Nonmajor Enterprise Fund entered into a capital lease which resulted in a non-cash transaction in the amount of \$347,385.

See accompanying notes to the basic financial statements

City of Zanesville, Ohio
Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2017

	Private Purpose Trust Funds	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$23,528	\$46,632
Cash and Cash Equivalents in Segregated Accounts	0	1,691
Accrued Interest Receivable	6	0
<i>Total Assets</i>	23,534	\$48,323
Liabilities		
Undistributed Monies	0	\$42,800
Deposits Held and Due to Others	0	5,523
<i>Total Liabilities</i>	0	\$48,323
Net Position		
Held in Trust for Private Purposes	23,534	
Total Net Position	\$23,534	

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, 2017

Additions	
Interest	\$6
Deletions	
Other	<u>0</u>
<i>Change in Net Position</i>	6
<i>Net Position Beginning of Year</i>	<u>23,528</u>
<i>Net Position End of Year</i>	<u><u>\$23,534</u></u>

See accompanying notes to the basic financial statements

City of Zanesville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

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 20.

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)

The City is involved with the following organizations which are defined as joint ventures. Additional information concerning the joint ventures is presented in Note 21.

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

The City is involved with the follow organization which is defined as a related organization. Additional information concerning the related organization is presented in Note 22.

City of Zanesville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

The South East Area Transit Authority

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

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

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

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

B. Fund Accounting

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

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

City of Zanesville, Ohio
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will be paid. The difference between governmental fund assets and deferred outflows of resources, and liabilities and deferred inflows of resources is reported as fund balance. The following are the City's major governmental funds:

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

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

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

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

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

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

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

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

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

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

City of Zanesville, Ohio
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and deferred inflows of resources associated with the operation of the City are included on the statement of net position. The statement of activities accounts for increases (i.e. revenues) and decreases (i.e. expenditures) in total net position.

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

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

D. Basis of Accounting

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

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

Nonexchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements, and donations. On an accrual basis, revenue from income taxes is recognized in the period in which the income is earned. Revenue from property taxes is recognized in the year for which the taxes are levied (See Note 7). Revenue from grants, entitlements, and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the City must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from a nonexchange transaction must also be available before it can be recognized.

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

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

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the City, deferred inflows of resources include property taxes, pension, and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2017, but which were levied to finance 2018 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the City, unavailable revenue includes delinquent property taxes, investment earnings, income taxes, charges for services, miscellaneous revenues, and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The details of these unavailable revenues are identified on the Reconciliation of Total Governmental Fund Balances to Net Pension of Governmental Activities found on page 17. Deferred inflows of resources related to pension are reported on the government-wide statement of net position (See Note 13).

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

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

E. Budget Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount Council may 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.

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

F. Cash and Cash Equivalents

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

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

During 2017, investments were limited to nonparticipating certificates of deposit and federal agency securities.

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

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest is credited to the General Fund, the Street and State Highway, and Law Enforcement Special Revenue Funds. Interest revenue credited to the General Fund during 2017 amounted to \$107,641, which includes \$83,771 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.

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

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

I. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2017, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed.

J. Capital Assets

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

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

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

<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

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termination benefits and those that the City has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employee wage rates at year end taking into consideration any limits specified in the City's termination policy. The City records a liability for accumulated unused sick leave for police and jail employees after ten years of service; street, water, sewer and sanitation employees after seven years of service; fire department employees after ten years of service; and all other City employees after nine years of service.

L. Accrued Liabilities and Long-Term Obligations

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

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

M. Fund Balance

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

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

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

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

Committed The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (ordinance or resolution) of City Council. Those committed amounts cannot be used for any other purpose unless City Council removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, the committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by

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City Council, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints are not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

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

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

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

N. Net Position

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

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

O. Pensions

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

City of Zanesville, Ohio
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terms. The pension systems report investments at fair value.

P. Operating Revenues and Expenses

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

Q. Internal Activity

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

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

R. Interfund Balances

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

S. Bond Premiums

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

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

T. Deferred Charge on Refunding

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

City of Zanesville, Ohio
Notes to the Basic Financial Statements
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U. Extraordinary and Special Items

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

V. Estimates

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

NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLES

For 2017, the City implemented the Governmental Accounting Standards Board's (GASB) *Implementation Guide No. 2016-1*. These changes were incorporated in the City's 2017 financial statements; however, there was no effect on beginning net position/fund balance.

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

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

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditures (budget) rather than restricted, committed, or assigned fund balance (GAAP).
4. Unrecorded cash and interest, fair market value adjustments, segregated accounts, and prepaid items are reported on the balance sheet (GAAP) but not on the budgetary basis.
5. Certain funds are accounted for as separate funds internally with legally adopted budgets (budget basis) that do not meet the definition of special revenue funds under GASB Statement No. 54 and were reported with the General Fund (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.

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Net Change in Fund Balance

	General	Police Expenditure	Fire Operating
GAAP Basis	\$296,452	\$59,289	(\$133,146)
Net Adjustment for Revenue Accruals	(207,566)	(473)	(1,794)
Beginning of Year:			
Unrecorded Cash	23,139	0	0
Unrecorded Interest	1,077	0	0
Difference in Fair Market Value	218,480	0	0
Prepaid Items	21,069	20,554	9,243
Segregated Accounts	23,139	0	0
End of Year:			
Unrecorded Cash	(17,605)	0	0
Unrecorded Interest	(1,061)	0	0
Difference in Fair Market Value	(314,068)	0	0
Prepaid Items	(22,634)	(22,263)	(9,399)
Segregated Accounts	(2,212)	0	0
Net Adjustment for Expenditure Accruals	107,078	(48,120)	(17,747)
To reclassify excess of expenditures over revenues into financial statement fund types	118,591	0	0
Encumbrances	(334,624)	(17,160)	(30,799)
Budget Basis	<u>(\$90,745)</u>	<u>(\$8,173)</u>	<u>(\$183,642)</u>

NOTE 5 - FUND BALANCES

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

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For the Year Ended December 31, 2017

Fund Balances	General	Police Expenditure	Fire Operating	Other Governmental Funds	Total
<u>Nonspendable:</u>					
Prepays	\$22,634	\$22,263	\$9,399	\$15,640	\$69,936
Cemetery Endowments	0	0	0	661,576	661,576
Unclaimed monies	19,645	0	0	0	19,645
Materials and Supplies Inventory	1,169	1,046	0	187,135	189,350
<i>Total Nonspendable</i>	43,448	23,309	9,399	864,351	940,507
<u>Restricted for:</u>					
Street Improvements	0	0	0	761,516	761,516
Community Development	0	0	0	266,895	266,895
Cemetery	0	0	0	179,972	179,972
Law Enforcement	0	770,096	0	153,187	923,283
Fire Operations	0	0	137,129	0	137,129
Court Operations	0	0	0	451,857	451,857
Jail Operating	0	0	0	220,589	220,589
Capital Improvements	0	0	0	706,386	706,386
<i>Total Restricted</i>	0	770,096	137,129	2,740,402	3,647,627
<u>Committed to:</u>					
Capital Improvements	0	0	0	23,762	23,762
Purchases on Order:					
Utility Truck	148,553	0	0	0	148,553
Engineering Services	33,595				33,595
Professional Services	18,350				18,350
Auditorium Operating	0	0	0	141,211	141,211
<i>Total Committed</i>	200,498	0	0	164,973	365,471
<u>Assigned to:</u>					
Purchases on Order	90,175	0	0	0	90,175
Park Improvement	137,800	0	0	0	137,800
<i>Total Assigned</i>	227,975	0	0	0	227,975
<u>Unassigned</u>	3,139,627	0	0	(214,396)	2,925,231
Total Fund Balances	\$3,611,548	\$793,405	\$146,528	\$3,555,330	\$8,106,811

NOTE 6 - DEPOSITS AND INVESTMENTS

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

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

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
4. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
5. Bonds and other obligations of the State of Ohio, and with certain limitations bonds and other obligations of political subdivisions of the State of Ohio;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met; and
8. Written repurchase agreements in the securities described in (1) or (2) provided the market value of the securities subject to the repurchase agreement must exceed the principal value 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.

Reverse 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. Bankers' acceptance must mature within 180 days. Commercial paper and corporate notes must mature within 270 days. All other investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the City. Investments must be purchased with the expectation that they will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer for qualified trustee,

City of Zanesville, Ohio
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if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Deposits

Custodial credit risk for deposits is the risk that, in the event of bank failure, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$3,002,467 of the City's bank balance of \$9,133,173 was exposed to custodial credit risk because it was uninsured and uncollateralized. (1) 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. (2) The City's financial institution was approved for a reduced collateral rate of 102 percent through the Ohio Pooled Collateral System.

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 the City and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured; or

Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

Investments

As of December 31, 2017, the City had the following investments:

Measurement/Investment	Measurement Amount	Maturity	Bond Ratings	Rating Agency	Percent of Total Investments
Fair Value:					
Federal Farm Credit Bank Notes	\$ 495,705	Less than two years	Aaa	Moody's	11.88%
Federal Home Loan Mortgage Corporation Notes	247,235	Less than two years	Aaa	Moody's	5.92%
Federal Home Loan Mortgage Corporation Notes	493,600	Less than two years	Aaa	Moody's	11.83%
Federal Home Loan Mortgage Corporation Notes	491,305	Less than three years	Aaa	Moody's	11.77%
Federal Home Loan Mortgage Corporation Notes	626,046	Less than three years	Aaa	Moody's	15.00%
Federal Home Loan Mortgage Corporation Notes	244,618	Less than three years	Aaa	Moody's	5.86%
Federal Home Loan Mortgage Corporation Notes	313,004	Less than five years	Aaa	Moody's	7.50%
Federal Home Loan Mortgage Corporation Notes	273,169	Less than five years	Aaa	Moody's	6.55%
Federal National Mortgage Association Notes	495,690	Less than two years	Aaa	Moody's	11.88%
Federal National Mortgage Association Notes	492,855	Less than three years	Aaa	Moody's	11.81%
Total	<u>4,173,227</u>				100.00%

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs

City of Zanesville, Ohio
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are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The above chart identifies the City's recurring fair value measurements as of December 31, 2017. All of the City's investments are valued using quoted market prices (Level 1).

Interest Rate Risk

As a means of limiting its exposure to fair value losses caused by rising interest rates, the City's investment policy requires that operating funds be invested primarily in short-term investments maturing within five years from the date of purchase and that the City's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments. The Treasurer cannot make investments which he does not reasonably believe can be held until the maturity date.

Credit Risk

The Moody's ratings of the City's investments are listed in the table above. The City has no investment policy that would further limit its investment choices other than what has been approved by State statute.

Concentration of Credit Risk

Concentration of credit risk is defined by the Governmental Accounting Standards Board as having five percent or more invested in the securities of a single issuer. The City places no limit on the amount it may invest in any one issuer.

NOTE 7 - PROPERTY TAXES

Property taxes include amounts levied against all real and public utility property located in the City. Property tax revenue received during 2017 for real and public utility property taxes represents collections of 2016 taxes.

2017 real property taxes are levied after October 1, 2017, on the assessed value as of January 1, 2017, the lien date. Real property taxes which are levied in 2017 are collected in and intended to finance 2018. Assessed values are established by State law at 35 percent of appraised market value.

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

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2017 public utility property taxes which became a lien on December 31, 2016, were levied after October 1, 2017, and are collected with real property taxes.

The full tax rate for all City operations for the year ended December 31, 2017, was \$3.40 per \$1,000 of assessed value. The assessed values of real property and public utility property upon which 2017 property tax receipts were based are as follows:

Real Property	\$361,470,060
Public Utility Property	17,959,210
	<u>\$379,429,270</u>

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the City of Zanesville. The County Auditor periodically remits to the City its portion of the taxes collected.

City of Zanesville, Ohio
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For the Year Ended December 31, 2017

Property taxes receivable represents real and public utility taxes which are measurable as of December 31, 2017, and for which there is an enforceable legal claim. In the governmental funds, the portion of the receivable not levied to finance 2017 operations is offset to deferred inflows of resources – property taxes. On the accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on the modified accrual basis the revenue has been reported as deferred inflows of resources – unavailable revenue.

NOTE 8 – TAX ABATEMENTS

As of December 31, 2017, the County provides tax abatements through two programs: The Community Reinvestment Area (CRA) Tax Abatements and Enterprise Zone Tax Exemptions.

Community Reinvestment Area (CRA)

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

Enterprise Zone Tax Exemptions

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

Below is the information relevant to the disclosure of those programs for the year ended December 31, 2017.

City of Zanesville, Ohio
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Tax Abatement Program	Amount of 2017 Taxes Abated
<i>Community Reinvestment Area (CRA)</i>	
Greenwood Homes LLC	\$32,220
Kricket Co. LLC	1,150
<i>Enterprise Zone Tax Exemptions</i>	
Time Warner	70,432
Economy Towel & Linen	13,130
Store IT	117

NOTE 9 - RECEIVABLES

Receivables at December 31, 2017, 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 \$43,655. 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 \$38,821.

A summary of the principal items of intergovernmental receivables follows:

Governmental Activities:	
Gasoline Tax and Motor Vehicle License	\$480,942
Nature Works Grant	137,800
Local Government	336,107
Probation Grant	33,510
Community Development Block Grant	582,276
Underground Storage Tank Testing	87,734
Bethesda Drive Project Reimbursement	308,582
Homestead and Rollback	56,402
Airport Grant	493,803
Miscellaneous	43,596
Total Governmental Activities	2,560,752
Business-Type Activities:	
Underground Storage Tank Testing	143,450
Total Intergovernmental Receivables	\$2,704,202

City of Zanesville, Ohio
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NOTE 10 - INCOME TAX

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

Employers within the City are required to withhold income tax on employee compensation and remit the tax to the City either monthly or quarterly, as required. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually. As of January 1, 2017 all city residents age 16 and older who have or had earned income are required to file a city tax return. Income tax proceeds are distributed to funds in the following manner: 1 percent to General Fund, .5 percent to Police Expenditure Special Revenue Fund, .2 percent to Jail Operating Special Revenue Fund, and .2 percent to the Fire Operating Special Revenue Fund.

NOTE 11 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2017, was as follows:

	Balance 12/31/16	Increases	Decreases	Balance 12/31/17
Governmental Activities:				
Capital Assets not being Depreciated:				
Land	\$1,188,231	\$0	\$0	\$1,188,231
Construction in Progress	121,706	898,468	(606,170)	414,004
Total Capital Assets not being Depreciated	<u>1,309,937</u>	<u>898,468</u>	<u>(606,170)</u>	<u>1,602,235</u>
Capital Assets being Depreciated:				
Buildings and Improvements	18,837,550	81,162	0	18,918,712
Machinery and Equipment	3,038,534	510,089	(143,096)	3,405,527
Vehicles	5,224,483	647,642	(430,903)	5,441,222
Infrastructure	20,072,971	995,764	0	21,068,735
Total Capital Assets being Depreciated	<u>47,173,538</u>	<u>2,234,657</u>	<u>(573,999)</u>	<u>48,834,196</u>
Less Accumulated Depreciation:				
Buildings and Improvements	(11,392,964)	(450,295)	0	(11,843,259)
Machinery and Equipment	(2,101,272)	(160,746)	143,096	(2,118,922)
Vehicles	(3,853,112)	(356,922)	414,608	(3,795,426)
Infrastructure	(9,706,010)	(826,900)	0	(10,532,910)
Total Accumulated Depreciation	<u>(27,053,358)</u>	<u>(1,794,863) *</u>	<u>557,704</u>	<u>(28,290,517)</u>
Total Capital Assets being Depreciated, Net	<u>20,120,180</u>	<u>439,794</u>	<u>(16,295)</u>	<u>20,543,679</u>
Governmental Activities Capital Assets, Net	<u>\$21,430,117</u>	<u>\$1,338,262</u>	<u>(\$622,465)</u>	<u>\$22,145,914</u>

* Depreciation expense was charged to governmental programs as follows:

General Government - Legislative and Executive	\$99,764
Security of Persons and Property:	
Police	234,183
Fire	272,003
Public Health Services	24,678
Community Environment	330
Transportation	990,858
Leisure Time Activities	173,047
Total Depreciation Expense	<u>\$1,794,863</u>

City of Zanesville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

	Balance 12/31/16	Increases	Decreases	Balance 12/31/17
Business-Type Activities:				
Capital Assets not being Depreciated:				
Land	\$233,184	\$0	\$0	\$233,184
Construction in Progress	209,889	288,857	(216,864)	281,882
Total Capital Assets not being Depreciated	<u>443,073</u>	<u>288,857</u>	<u>(216,864)</u>	<u>515,066</u>
Capital Assets being Depreciated:				
Buildings and Improvements	34,234,998	0	0	34,234,998
Machinery and Equipment	14,164,065	66,374	(12,514)	14,217,925
Vehicles	1,633,762	535,472	(14,375)	2,154,859
Infrastructure	46,939,187	216,864	0	47,156,051
Total Capital Assets being Depreciated	<u>96,972,012</u>	<u>818,710</u>	<u>(26,889)</u>	<u>97,763,833</u>
Less Accumulated Depreciation:				
Buildings and Improvements	(8,678,202)	(653,323)	0	(9,331,525)
Machinery and Equipment	(9,563,700)	(774,286)	12,514	(10,325,472)
Vehicles	(1,354,952)	(71,339)	14,375	(1,411,916)
Infrastructure	(12,050,485)	(942,026)	0	(12,992,511)
Total Accumulated Depreciation	<u>(31,647,339)</u>	<u>(2,440,974)</u>	<u>26,889</u>	<u>(34,061,424)</u>
Total Capital Assets being Depreciated, Net	<u>65,324,673</u>	<u>(1,622,264)</u>	<u>0</u>	<u>63,702,409</u>
Business-Type Activities Capital Assets, Net	<u>\$65,767,746</u>	<u>(\$1,333,407)</u>	<u>(\$216,864)</u>	<u>\$64,217,475</u>

NOTE 12 – RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. Effective June 1, 2017, the City contracted with U.S. Specialty Insurance Company for general liability insurance, EMT and Ambulance Malpractice liability, fire legal liability, personal injury and advertising injury. Bodily injury and property damage are covered for \$1,000,000 each occurrence, \$3,000,000 aggregate. The City has a \$5,000 deductible per occurrence for general liability insurance. Personal injury and advertising injury are covered up to \$1,000,000 for each occurrence, premises medical payments limit is \$10,000 per person and fire legal liability is covered \$50,000 per occurrence and subject to \$5,000 deductible. Ohio Stop Gap insurance of \$1,000,000 per occurrence and \$3,000,000 aggregate employee benefit liability is also maintained with a \$1,000 deductible, cemetery professional and fire division liability insurance are covered up to \$1,000,000 per occurrence. Property and contents coverage is maintained per summary of values and cost of reproduction new, less exclusions, plus leased and rented items, with a \$1,000 deductible per occurrence. Earthquake coverage is maintained with a \$5,000,000 occurrence limit, \$5,000,000 policy year limit, with a \$100,000 deductible each occurrence. Police professional liability coverage is maintained with a \$1,000,000 each occurrence, \$1,000,000 aggregate limit with a \$10,000 deductible per claim, including loss adjustment expense. Inland Marine is maintained per schedule with a \$1,000 deductible.

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

U.S. Specialty Insurance Company provides vehicle fleet insurance which is maintained in the amount of \$1,000,000 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.

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

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

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

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

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

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

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

The claims liability of the Health Self-Insurance internal service fund of \$754,200 reported at December 31, 2017, 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 2016 and 2017 were:

	Balance at Beginning of Year	Current Year Claims	Claims Payments	Balance at End of Year
2016	\$432,533	\$4,860,739	\$4,795,520	\$497,752
2017	497,752	5,109,198	4,852,750	754,200

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 2017 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.

City of Zanesville, Ohio
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Participation in the plan is approved on a yearly basis and is limited to entities that can meet the plan's selection criteria. The City contracts with the firm of Comp Management, Inc. to provide administrative, costs controls, and actuarial services for the plan. Incurred but not reported, incurred but not paid, and premiums have been accrued as liabilities at December 31, 2017, based on an estimate by the City Auditor's office and the Bureau of Workers' Compensation.

NOTE 13 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability

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

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

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

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

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

Plan Description – Ohio Public Employees Retirement System (OPERS)

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

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

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

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

Final average Salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

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

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

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

City of Zanesville, Ohio
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	State and Local
2017 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee	10.0 %
 2017 Actual Contribution Rates	
Employer:	
Pension	13.0 %
Post-employment Health Care Benefits	1.0
Total Employer	14.0 %
 Employee	 10.0 %

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City’s contractually required contribution was \$1,122,001 for 2017. Of this amount, \$120,731 is reported as an intergovernmental payable.

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

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

Upon attaining a qualifying age with sufficient years of service, a member of OP&F may retire and receive a lifetime monthly pension. OP&F offers four types of service retirement: normal, service commuted, age/service commuted and actuarially reduced. Each type has different eligibility guidelines and is calculated using the member’s average annual salary. The following discussion of the pension formula relates to normal service retirement.

For members hired after July 1, 2013, the minimum retirement age is 52 for normal service retirement with at least 25 years of service credit. For members hired on or before after July 1, 2013, the minimum retirement age is 48 for normal service retirement with at least 25 years of service credit.

The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.5 percent for each of the first 20 years of service credit, 2.0 percent for each of the next five years of service credit and 1.5 percent for each year of service credit in excess of 25 years. The maximum pension of 72 percent of the allowable average annual salary is paid after 33 years of service credit. (See OP&F CAFR referenced above for additional information, including requirements for Deferred Retirement Option Plan provisions and reduced and unreduced benefits.)

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

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

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

	Police	Firefighters
2017 Statutory Maximum Contribution Rates		
Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %
 2017 Actual Contribution Rates		
Employer:		
Pension	19.00 %	23.50 %
Post-employment Health Care Benefits	0.50	0.50
Total Employer	19.50 %	24.00 %
 Employee	 12.25 %	 12.25 %

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OP&F was \$1,351,485 for 2017. Of this amount, \$138,640 is reported as an intergovernmental payable.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability for OPERS was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. OP&F's total pension liability was measured as of December 31, 2016, and was determined by rolling forward the total pension liability as of January 1, 2016, to December 31, 2016. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

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	<u>OPERS</u>	<u>OP&F</u>	
Proportion of the Net Pension Liability:			
Current Measurement Date	0.066385%	0.2955580%	
Prior Measurement Date	<u>0.068924%</u>	<u>0.3133700%</u>	
Change in Proportionate Share	<u>-0.0025390%</u>	<u>-0.0178120%</u>	
			<u>Total</u>
Proportionate Share of the Net Pension Liability	\$15,074,904	\$18,720,348	\$33,795,252
Pension Expense	\$3,119,941	\$2,155,428	\$5,275,369

At December 31, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$20,433	\$5,296	\$25,729
Changes of assumptions	2,391,064	0	\$2,391,064
Net difference between projected and actual earnings on pension plan investments	2,245,001	1,820,471	4,065,472
Changes in proportion and differences between City contributions and proportionate share of contributions	76,341	27,092	103,433
City contributions subsequent to the measurement date	<u>1,122,001</u>	<u>1,351,485</u>	<u>2,473,486</u>
Total Deferred Outflows of Resources	<u>\$5,854,840</u>	<u>\$3,204,344</u>	<u>\$9,059,184</u>
Deferred Inflows of Resources			
Differences between expected and actual experience	\$89,719	\$43,102	\$132,821
Changes in proportion and differences between City contributions and proportionate share of contributions	<u>261,151</u>	<u>804,772</u>	<u>1,065,923</u>
Total Deferred Inflows of Resources	<u>\$350,870</u>	<u>\$847,874</u>	<u>\$1,198,744</u>

\$2,473,486 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

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Year Ending December 31:	OPERS	OP&F	Total
2018	\$1,806,722	\$539,508	\$2,346,230
2019	1,851,854	539,508	2,391,362
2020	789,200	374,534	1,163,734
2021	(65,807)	(275,401)	(341,208)
2022	0	(157,487)	(157,487)
2023	0	(15,677)	(15,677)
Total	<u>\$4,381,969</u>	<u>\$1,004,985</u>	<u>\$5,386,954</u>

Actuarial Assumptions - OPERS

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability was determined by an actuarial valuation as of December 31, 2016, using the following actuarial assumptions applied to all periods included in the measurement in accordance with the requirements of GASB 67. In 2016, the OPERS' actuarial consultants conducted an experience study for the period 2011 through 2015, comparing assumptions to actual results. The experience study incorporates both a historical review and forward-looking projections to determine the appropriate set of assumptions to keep the plan on a path toward full funding. Information from this study led to changes in both demographic and economic assumptions, with the most notable being a reduction in the actuarially assumed rate of return from 8.0 percent down to 7.5 percent, for the defined benefit investments. Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, prepared as of December 31, 2016, compared with December 31, 2015, are presented below.

	December 31, 2016	December 31, 2015
Wage Inflation	3.25 percent	3.75 percent
Future Salary Increases, including inflation	3.25 to 10.05 percent including wage inflation	4.25 to 10.05 percent including wage inflation
COLA or Ad Hoc COLA:		
Pre-January 7, 2013 Retirees	3 percent, simple	3 percent, simple
Post-January 7, 2013 Retirees	3 percent, simple through 2018, then 2.15 percent, simple	3 percent, simple through 2018, then 2.8 percent, simple
Investment Rate of Return	7.5 percent	8 percent
Actuarial Cost Method	Individual Entry Age	Individual Entry Age

For 2016, mortality rates are based on the RP-2014 Healthy Annuitant mortality table. For males, Healthy Annuitant Mortality tables were used, adjusted for mortality improvement back to the observation period base of 2006 and then established the base year as 2015. For females, Healthy Annuitant Mortality tables were used, adjusted for mortality improvements back to the observation period base year of 2006 and then established the base year as 2010. The mortality rates used in evaluating disability allowances were based on the RP-2014 Disabled mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and then established the base year as 2015 for males and 2010 for females. Mortality rates for

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a particular calendar year for both healthy and disabled retiree mortality tables are determined by applying the MP-2015 mortality improvement scale to the above described tables.

For 2015, mortality rates were based on the RP-2000 Mortality Table projected 20 years using Projection Scale AA. For males, 105 percent of the combined healthy male mortality rates were used. For females, 100 percent of the combined healthy female mortality rates were used. The mortality rates used in evaluating disability allowances were based on the RP-2000 mortality table with no projections. For males 120 percent of the disabled female mortality rates were used set forward two years. For females, 100 percent of the disabled female mortality rates were used.

The most recent experience study was completed for the five year period ended December 31, 2015. The prior experience study was completed for the five year period ended December 31, 2010.

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

During 2016, OPERS managed investments in four investment portfolios: the Defined Benefit portfolio, the 401(h) Health Care Trust portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The 401(h) Health Care Trust portfolio was closed as of June 30, 2016 and the net position transferred to the 115 Health Care Trust portfolio on July 1, 2016. The Defined Benefit portfolio contains the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. The Defined Benefit portfolio historically included the assets of the Member-Directed retiree medical accounts funded through the VEBA Trust. However, the VEBA Trust was closed as of June 30, 2016 and the net position transferred to the 115 Health Care Trust portfolio on July 1, 2016. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio is 8.3 percent for 2016.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2016 and the long-term expected real rates of return:

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Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	23.00 %	2.75 %
Domestic Equities	20.70	6.34
Real Estate	10.00	4.75
Private Equity	10.00	8.97
International Equities	18.30	7.95
Other investments	18.00	4.92
Total	100.00 %	5.66 %

Discount Rate The discount rate used to measure the total pension liability for 2016 was 7.5 percent. The discount rate for 2015 was 8 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the City's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.5 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.5 percent) or one-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
County's proportionate share of the net pension liability	\$23,030,284	\$15,074,904	\$8,445,500

Actuarial Assumptions – OP&F

OP&F's total pension liability as of December 31, 2016, is based on the results of an actuarial valuation date of January 1, 2016, and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OP&F's actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of January 1, 2016, are presented below:

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

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

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

The long-term expected rate of return on pension plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes. Best estimates of the long-term expected geometric real rates of return for each major asset class included in OP&F's target asset allocation as of December 31, 2016, are summarized below:

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

Note: Assumptions are geometric.

* levered 2x

OP&F's Board of Trustees has incorporated the "risk parity" concept into OP&F's asset liability valuation

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with the goal of reducing equity risk exposure, which reduces overall Total Portfolio risk without sacrificing return, and creating a more risk-balanced portfolio based on their relationship between asset classes and economic environments. From the notional portfolio perspective above, the Total Portfolio may be levered up to 1.2 times due to the application of leverage in certain fixed income asset classes.

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

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

	1% Decrease (7.25%)	Current Discount Rate (8.25%)	1% Increase (9.25%)
City's proportionate share of the net pension liability	\$24,933,284	\$18,720,348	\$13,454,799

Changes between Measurement Date and Report Date

In October 2017, the OP&F Board adopted certain assumption changes which will impact their annual actuarial valuation prepared as of January 1, 2017. The most significant change is a reduction in the discount rate from 8.25 percent to 8 percent. Although the exact amount of these changes is not known, it has the potential to impact to the City’s net pension liability.

NOTE 14 - POSTEMPLOYMENT BENEFITS

A. Ohio Public Employees Retirement System

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

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits

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to a Health Reimbursement Arrangement to qualifying benefit recipients of both the traditional pension and the combined plans. This trust is also used to fund health care for member-directed plan participants, in the form of a Retiree Medical Account (RMA). At retirement or refund, member directed plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45. See OPERS' CAFR referenced below for additional information.

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

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

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

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2017, state and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

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

Substantially all of the City's contribution allocated to fund postemployment health care benefits relates to the cost-sharing, multiple employer trusts. The corresponding contribution for the years ended December 31, 2017, 2016, and 2015 was \$86,308, \$171,633, and \$171,595, respectively. For 2017, 92.86 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2016 and 2015.

City of Zanesville, Ohio
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B. Police and Fire 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 health care benefits including coverage for medical, prescription drug, dental, vision, Medicare Part B Premium, and long-term care to retirees, qualifying benefit recipients and their eligible dependents.

OP&F provides access to postretirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or statutory survivor benefit, or is a spouse or eligible dependent child of such person. The health care coverage provided by OP&F meets the definition of an Other Post Employment Benefit (OPEB) as described in Government Accounting Standards Board (GASB) Statement No. 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 health care coverage to eligible participants and to establish and amend benefits is codified in Chapter 742 of the Ohio Revised Code.

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

Funding Policy - The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F defined benefit pension plan. Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently 19.5 percent and 24 percent of covered payroll for police and fire employer units. 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 the authority granted by the Ohio Revised Code to the OP&F Board of Trustees.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For 2017, the portion of employer contributions allocated to health care was 0.5 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

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

The City's contribution to OPF for the years ended December 31, 2017, 2016, and 2015 were \$1,351,485,

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\$1,341,260, and \$1,029,568, respectively, of which \$31,872, \$31,588, and \$31,708, respectively, was allocated to the healthcare plan. For 2017, 97.44 and 97.92, respectively percent has been contributed for both police and firefighters with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2016 and 2015.

NOTE 15 - OTHER EMPLOYEE BENEFITS

A. Other Insurance Benefits

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

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

B. Compensated Absences

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

NOTE 16 - SIGNIFICANT COMMITMENTS

A. Contractual Commitments

As of December 31, 2017, the City had contractual purchase commitments for projects in various funds.

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The amount for each project is as follows:

	Purchase Commitments	Amount Expended	Amount Remaining on Contracts
Airport Fence - Airport Fund	\$297,775	\$293,894	\$3,881
Airport Runway - Airport Fund	59,990	49,482	10,508
Airport Pavement Rehab - Airport Fund	49,335	46,778	2,557
6th Street Bridge Study - General Fund	16,800	7,030	9,770
Riverside Park Culvert - General Fund	5,600	3,800	1,800
Muskingum Avenue Improvement - General Fund	20,600	0	20,600
Northpointe Resurfacing - General Fund	20,050	20,050	0
Total Governmental Funds	<u>470,150</u>	<u>421,034</u>	<u>49,116</u>
Sewer Separation Design - Sewer Fund	8,200	6,200	2,000
Combined Sewer Overflow - Sewer Fund	158,000	64,000	94,000
Storm Water Program Analysis - Sewer Fund	415,084	22,525	392,559
Tank Repainting Project - Water Fund	55,400	12,994	42,406
Tank Replacement Project- Water Fund	97,800	63,498	34,302
Total Enterprise Funds	<u>734,484</u>	<u>169,217</u>	<u>565,267</u>
Total All Projects	<u>\$1,204,634</u>	<u>\$590,251</u>	<u>\$614,383</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	\$334,624
Police Expenditure Fund	17,160
Fire Operating Fund	30,799
Nonmajor Governmental Funds	342,786
Sewer Fund	269,833
Water Fund	154,807
Nonmajor Enterprise Fund	92,317
Internal Service Funds	79,868
Agency Funds	1,012
Total	<u>\$1,323,206</u>

NOTE 17 - CAPITAL LEASES – LESSEE DISCLOSURE

In prior years, the City had entered into capitalized lease agreements for a sewer camera and street sweeper. During 2017, the City entered into capital lease agreements for the purchase of a fire truck, a sanitation truck, and a truck for the sewer department. The lease meets the criteria of a capital lease which is defined

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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 fund financial statements. Principal payments made in 2017 totaled \$83,834 in Governmental Funds, \$72,533 in the Nonmajor Enterprise Fund, and \$97,995 in the Sewer Enterprise fund. The capital leases payable have been recorded on the proprietary fund statements.

The sewer camera equipment has been capitalized in the amount of \$144,545 and the lease was retired during 2017.

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

Year Ended	Governmental Fund Amount	Sewer Enterprise Fund Amount	Total
2018	\$15,688	\$15,688	\$31,376
2019	15,688	15,688	31,376
2020	15,688	15,688	31,376
2021	35,000	35,000	70,000
Total Minimum Lease Payments	82,064	82,064	164,128
Less: Amount Representing Interest	(6,082)	(6,082)	(12,164)
Present Value of Net Minimum Lease Payments	<u>\$75,982</u>	<u>\$75,982</u>	<u>\$151,964</u>

The equipment has been capitalized in the amount of \$209,802, the present value of the minimum lease payments at the inception of the lease. The accumulated depreciation as of December 31, 2017, was \$62,550, leaving a remaining book value of \$147,252.

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

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Year Ended	Governmental Fund Amount
2018	\$65,592
2019	65,592
2020	65,592
2021	65,592
2022	65,592
2023-2026	240,509
Total Minimum Lease Payments	568,469
Less: Amount Representing Interest	(57,779)
Present Value of Net Minimum Lease Payments	\$510,690

The equipment has been capitalized in the amount of \$581,293, the present value of the minimum lease payments at the inception of the lease. The accumulated depreciation as of December 31, 2017, was \$33,909, leaving a remaining book value of \$547,384.

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

Year Ended	Sewer Enterprise Fund Amount	Nonmajor Enterprise Fund Amount
2018	\$54,790	\$72,533
2019	54,790	72,533
2020	0	72,533
2021	0	72,533
Total Minimum Lease Payments	109,580	290,132
Less: Amount Representing Interest	(3,280)	(15,280)
Present Value of Net Minimum Lease Payments	\$106,300	\$274,852

The equipment has been capitalized in the amount of \$508,475, the present value of the minimum lease payments at the inception of the lease. The accumulated depreciation as of December 31, 2017, was \$5,034, leaving a remaining book value of \$503,441.

NOTE 18 - LONG-TERM OBLIGATIONS

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Changes in long-term obligations of the City for the year ended December 31, 2017, were as follows:

	Principal Outstanding 12/31/2016	Additions	Deletions	Principal Outstanding 12/31/2017	Amounts Due in One Year
Governmental Activities:					
<u>General Obligation Bonds:</u>					
Capital Facilities Refunding Bonds					
2014 - \$1,270,000					
Jail Construction Refunding - \$889,000					
Serial Bonds @ 1.5%	\$364,000	\$0	\$178,500	\$185,500	\$185,500
Various Purpose Bonds					
2016 - \$2,555,000					
Serial Bonds @ 3%	830,000	0	85,000	745,000	95,000
Term Bonds @ 3.0-3.75%	1,725,000	0	0	1,725,000	0
Premium on Bonds	76,879	0	3,844	73,035	0
Street Improvement Bonds					
2010 - \$1,210,000 @ 4.138%	860,000	0	50,000	810,000	50,000
Total General Obligation Bonds	3,855,879	0	317,344	3,538,535	330,500
<u>Loans:</u>					
Bridge Replacement Loan - OPWC					
2012 - \$111,036 @0%	17,283	0	17,283	0	0
2005 ODOT Loan @ 3%	2,948,753	0	140,471	2,808,282	144,717
2013 ODOT Loan @ 3%	55,913	0	9,497	46,416	9,784
2015 Citywide Overlays Loan @ 0%	366,575	0	38,587	327,988	38,587
Total Long-Term Loans	3,388,524	0	205,838	3,182,686	193,088
<u>Net Pension Liability:</u>					
OPERS	7,401,874	1,944,565	0	9,346,439	0
OP&F	20,159,310	0	1,438,962	18,720,348	0
Total Net Pension Liability	27,561,184	1,944,565	1,438,962	28,066,787	0
Workers' Compensation Claims Payable	90,437	151,724	90,437	151,724	56,138
Capital Leases Payable	89,213	581,293	83,834	586,672	67,046
Compensated Absences	1,664,549	1,297,943	1,246,229	1,716,263	622,360
Total Governmental Activities	\$36,649,786	\$3,975,525	\$3,382,644	\$37,242,667	\$1,269,132

(continued)

City of Zanesville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

	Principal Outstanding 12/31/2016	Additions	Deletions	Principal Outstanding 12/31/2017	Amounts Due in One Year (continued)
Business-Type Activities:					
<u>Bonds:</u>					
Capital Facilities Refunding, 2014 \$1,270,000					
Water - \$381,000					
Serial/Term @ 1.2% - 4.00%	\$156,000	\$0	\$76,500	\$79,500	\$79,500
Total General Obligation Bonds	156,000	0	76,500	79,500	79,500
<u>Loans:</u>					
Sewer OPWC Loan					
2014 - \$1,274,932 @ 0.00%	1,115,566	0	63,747	1,051,819	63,747
Sewer OPWC Loan					
2015 - \$914,777 @ 0.00%	869,038	0	45,739	823,299	45,739
Total OPWC Loans	1,984,604	0	109,486	1,875,118	109,486
Water OWDA Loan					
2009 - \$864,936 @ 0.00%	144,588	0	41,311	103,277	41,311
Water OWDA Loan					
2009 - \$895,477 @ 3.20%	579,205	0	30,630	548,575	31,618
Water OWDA Loan					
2009 - \$7,514,758 @ 3.65%	6,610,413	0	165,618	6,444,795	171,719
Water OWDA Loan					
2009 - \$9,197,325 @ 0.00%	3,601,312	0	248,366	3,352,946	248,366
Water OWDA Loan					
2016 - \$401,400 @ 2.06%	1,408	326,287	16,405	311,290	0
Total Water OWDA Loans	10,936,926	326,287	502,330	10,760,883	493,014
Sewer OWDA Loan					
2002 - \$1,324,942 @ 3.59%	537,315	0	74,796	462,519	77,504
Sewer OWDA Loan					
2004 - \$1,268,110 @ 3.41%	439,382	0	52,350	387,032	54,150
Sewer OWDA Loan					
2007 - \$685,085 @ 4.17%	41,379	0	41,379	0	0
Sewer OWDA Loan					
2007 - \$887,526 @ 4.47%	54,302	0	54,302	0	0
Sewer OWDA Loan					
2007 - \$14,337,659 @ 4.47%	8,352,824	0	511,742	7,841,082	534,873
Sewer OWDA Loan					
2007 - \$834,640 @ 4.47%	77,976	0	77,976	0	0
Sewer OWDA Loan					
2009 - \$376,284 @ 3.25%	\$72,846	\$0	\$19,981	\$52,865	\$20,636

(continued)

City of Zanesville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

	Principal Outstanding 12/31/2016	Additions	Deletions	Principal Outstanding 12/31/2017	Amounts Due in One Year (continued)
Sewer OWDA Loan					
2012 - \$333,431 @ 3.17%	\$256,171	\$0	\$20,917	\$235,254	\$21,586
Sewer OWDA Loan					
2013 - \$2,625,195 @ 3.15%	2,377,876	0	107,664	2,270,212	111,083
Sewer OWDA Loan					
2013 - \$393,986 @ 3.92%	291,394	0	36,940	254,454	38,402
Sewer OWDA Loan					
2015 - \$738,063 @ 3.07%	599,305	0	143,050	456,255	147,476
Total Sewer OWDA Loans	13,100,770	0	1,141,097	11,959,673	1,005,710
Net Pension Liability - OPERS:					
Sewer	1,790,776	470,459	0	2,261,235	0
Water	1,910,160	501,826	0	2,411,986	0
Sanitation	835,697	219,547	0	1,055,244	0
Total Net Pension Liability	4,536,633	1,191,832	0	5,728,465	0
Sewer Capital Leases Payable	119,187	161,090	97,995	182,282	66,207
Sanitation Capital Leases Payable	0	347,385	72,533	274,852	66,487
Compensated Absences Payable	499,360	272,417	237,317	534,460	185,417
Total Business-Type Activities	31,333,480	2,299,011	2,237,258	31,395,233	2,005,821
Total Long-Term Activities	\$67,983,266	\$6,274,536	\$5,619,902	\$68,637,900	\$3,274,953

Compensated Absences - The City will pay compensated absences from the General Fund; Street and State Highway, Law Enforcement, Police Expenditure, Jail Operating, Fire Operating, Community Development, Airport, Cemetery, and Auditorium Special Revenue Funds; Vehicle Maintenance Internal Service Fund; and the Sanitation, Sewer, and Water Enterprise Funds. There is no repayment schedule for the net pension liability. However, employer pension contributions are made from the following funds: General Fund, Internal Service Fund, Water Fund, Sewer Fund and Sanitation Fund. For additional information related to the net pension liability see Note 13.

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

2014 Capital Facilities Refunding Bonds - On September 2, 2014, the City of Zanesville issued refunding bonds of \$1,270,000 consisting only of serial bonds. The capital facilities refunding bonds were issued for governmental and business type activities of \$889,000 and \$381,000, respectively. The refunding bonds will mature on December 1, 2018. These bonds were issued to current refund the 2003 Capital Facilities Refunding Bonds. The refunded bonds and unamortized premium were removed from the financial statements of the City. The refunding resulted in a difference between the net carrying amount of the debt and the acquisition price of \$4,510 for governmental type activities and \$3,604 for the Water Fund. The differences, reported in the accompanying financial statements as a deferred outflow of resources, is being amortized to interest expense over the life of the refunded bonds using the straight-line method. The amortization of this difference for 2017 was \$1,061 and \$848, respectively. The issuance resulted in a difference (savings) between the cash flows required to service the old debt and the cash flows required to service the new debt of \$56,370. The issuance resulted in an economic gain of \$54,095. The bonds are being repaid through a tax levy, and to the extent available, water revenues.

City of Zanesville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

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
2018	185,500	2,783	79,500	1,193

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

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

Year	Principal	Interest
2018	\$95,000	\$81,813
2019	100,000	78,962
2020	105,000	75,962
2021	105,000	72,812
2022	110,000	69,663
2023-2027	600,000	296,712
2028-2032	700,000	196,012
2033-2036	655,000	62,626
	\$2,470,000	\$934,562

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

Year	Principal	Interest
2018	\$50,000	\$34,320
2019	50,000	32,570
2020	50,000	30,695
2021	60,000	28,695
2022	65,000	26,175
2023-2027	370,000	87,165
2028-2029	165,000	11,250
	\$810,000	\$250,870

City of Zanesville, Ohio
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For the Year Ended December 31, 2017

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

Year	Principal	Principal
2018	\$144,717	\$83,172
2019	149,091	78,797
2020	153,597	74,291
2021	158,239	69,648
2022	163,022	64,866
2023-2027	892,069	247,372
2028-2032	1,035,286	104,155
2033	112,261	1,684
	\$2,808,282	\$723,985

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

Year	Principal	Principal
2018	\$9,784	\$1,319
2019	10,080	1,023
2020	10,385	719
2021	16,167	488
	\$46,416	\$3,549

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

Year	Principal
2018	\$38,587
2019	38,587
2020	38,587
2021	38,587
2022	38,587
2023-2026	135,053
	\$327,988

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

City of Zanesville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Year	Principal
2018	\$63,747
2019	63,746
2020	63,746
2021	63,746
2022	63,746
2023-2027	318,733
2028-2032	318,733
2033-2034	95,622
	\$1,051,819

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

Year	Principal
2018	\$45,739
2019	45,739
2020	45,739
2021	45,739
2022	45,739
2023-2027	228,694
2028-2032	228,694
2033-2034	137,216
	\$823,299

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

Year	Water		Sewer	
	Principal	Interest	Principal	Interest
2018	\$493,014	\$250,986	\$1,005,710	\$489,608
2019	500,360	243,641	1,045,529	451,067
2020	487,313	236,030	1,075,875	460,551
2021	474,545	228,144	945,764	371,179
2022	482,716	219,973	984,892	333,566
2023-2027	2,546,896	966,546	4,653,080	1,060,571
2028-2032	2,378,573	713,401	2,071,303	156,519
2033-2037	1,590,030	436,971	177,520	4,205
2038-2041	1,496,146	125,463	0	0
	\$10,449,593	\$3,421,155	\$11,959,673	\$3,327,266

City of Zanesville, Ohio
Notes to the Basic Financial Statements
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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 \$17,162,057. Principal and interest payments for the current year were \$1,659,275, net revenues were \$2,504,090, and total revenues were \$7,193,079.

The City has pledged future water customer revenues to repay the water system revenue refunding bonds. The bonds are payable solely from net revenues and are payable through 2041. Net revenues include all revenues received by the water utility less all operating expenses other than depreciation expense. Annual principal and interest payments on the loans as compared to net future revenues are not estimable but are expected to be less than net revenues in each year the loans are outstanding. The total principal and interest remaining to be paid on the bonds is \$14,162,057. Principal and interest payments for the current year were \$768,588, net revenues were \$956,787, and total revenues were \$5,708,378.

As of December 31, 2017, the City's overall legal debt margin (the ability to issue additional amounts of general obligation bonded debt) was \$36,175,375.

NOTE 19 - INTERFUND TRANSFERS AND BALANCES

A. Transfers

Interfund transfers during 2017 consisted of the following:

Transfers from	Transfers to					Total	
	Major Fund				Other		Internal Service Fund
	General	Police Expenditure	Fire Operating	Nonmajor Governmental	Vehicle Maintenance		
Major Fund:							
General	\$0	\$2,018,526	\$3,240,756	\$2,382,839	\$114,863	\$7,756,984	
Other Nonmajor Governmental	0	0	0	56,265	0	162,482	
Total All Funds	\$106,217	\$2,018,526	\$3,240,756	\$2,439,104	\$114,863	\$7,919,466	

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, 2017, consist of the following individual interfund receivables and payables:

City of Zanesville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Interfund Payable	Interfund Receivable				Total
	Major Fund	Other Governmental	Major Fund		
	General		Sewer	Internal Service	
Major Governmental Funds:					
General	\$0	\$0	\$0	\$46,532	\$46,532
Police Expenditure	10,313	0	0	76,466	86,779
Fire Operating	0	266,000	0	38,583	304,583
Other Governmental	22,150	0	0	20,386	42,536
Major Enterprise Funds:					
Sewer	32	0	0	80,882	80,914
Water	899	0	0	53,770	54,669
Nonmajor Enterprise	0	0	0	23,077	23,077
Internal Service	0	0	0	6,209	6,209
Total All Funds	\$33,394	\$266,000	\$0	\$345,905	\$645,299

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

Certain interfund receivable/payables of a longer term repayment schedule also exist. The Cemetery Endowment Fund provided an interfund loan to the Fire Operating Special Revenue Fund in the amount of \$482,021 in 2013 for the purchase of a fire truck. As of December 31, 2017, the remaining balance is \$266,000. The Debt Service Fund will make repayments on the loan from portions of tax revenue.

NOTE 20 - JOINTLY GOVERNED ORGANIZATIONS

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

The Ohio Mid-Eastern Governments Association (OMEGA) is a ten-county regional council of governments comprised of Belmont, Carroll, Coshocton, Columbiana, Guernsey, Harrison, Holmes, Jefferson, Muskingum, and Tuscarawas Counties. OMEGA was formed to aid and assist the participating counties in the application for Appalachian Regional Commission and Economic Development grant monies. OMEGA is governed by a twenty-one member executive board comprised of members appointed from each participating county and cities within each county. City membership is voluntary. The mayor of the City of Zanesville serves as the City's representative on the board. The board exercises total control over the operations of OMEGA including budgeting, appropriating, contracting, and designating management. Each participants degree of control is limited to its representation on the Board. Each member currently pays a nine cent per capita membership fee based upon the most recent U.S. census. During 2017, OMEGA received \$3,823 from the City of Zanesville. OMEGA has no outstanding debt. Financial information can be obtained from the Ohio Mid-Eastern Governments Association, 326 Highland Avenue, Suite B, Cambridge, Ohio 43725.

City of Zanesville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

B. The Zanesville/Muskingum County Port Authority

The Zanesville/Muskingum County Port Authority is a jointly governed organization under the laws of the State of Ohio. The Authority is governed by a five member board and was created by a resolution of the City of Zanesville and Muskingum County. The Authority is incorporated as a non-profit corporation under the laws of the State of Ohio. The City appoints two members to the Authority board and Muskingum County appoints two members. The fifth member is appointed jointly by the City and the County. The Board exercises total control over the operations of the Authority including budgeting, appropriating, contracting, and designating management. The Authority's primary function is to promote economic growth and development in the County. The Authority derives its revenues from rental income, interest income, and annual contributions from the City and County. During 2017, the City provided \$100,000 in operating subsidies and \$50,000 to improve and maintain infrastructure to the Authority. Financial information is available from the Zanesville/Muskingum County Port Authority, 205 North Fifth Street, Zanesville, Ohio 43701.

C. The Zanesville/Muskingum Convention Facility Authority

The Zanesville/Muskingum Conventions Facility Authority was created pursuant to State Statutes for the purpose of acquiring, constructing, equipping, and operating a convention facility in Muskingum County. The Authority operates under the direction of an eleven member appointed board of directors. The board consists of three members appointed by the Mayor of the City of Zanesville, six members appointed by Muskingum County, and two members appointed by remaining municipal corporations located in the County. The board exercises total control over the operation of the Authority including budgeting, appropriating, contracting, and designating management. The Authority receives funding in the form of a four percent hotel and motel excise tax for each transaction occurring in the boundaries of Muskingum County. The tax is levied and collected by the Authority directly. The City is prohibited from contributing to the operations of the Authority by State Law. During 2017, the Authority received \$496,324 from excise taxes and rental income. The Authority has no outstanding debt. Complete financial information can be obtained from the Zanesville/Muskingum Conventions Facility Authority, 205 North Fifth Street, Zanesville, Ohio 43701.

D. The Zanesville Metropolitan Housing Authority

The Zanesville Metropolitan Housing Authority was created in 1938, and currently operates pursuant to Revised Code Section 3735.27. The Authority is operated by a five member board. The City appoints two members and the County appoints three members. The board adopts their own appropriations, is their own contracting authority, hires and fires their own staff, authorizes all expenditures, and does not rely on the City or the County to finance deficits. The Authority receives funding from the federal government in the form of grants. All monies are received directly by the Authority in the Authority's name. Although the City appoints members to the board, the City is not financially accountable for the Authority, nor is the Authority fiscally dependent on the City. The Authority has no outstanding debt. Complete financial information can be obtained from the Zanesville Metropolitan Housing Authority, 407 Pershing Road, Zanesville, Ohio 43701.

City of Zanesville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

E. The Muskingum County Center for Seniors

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

F. The Muskingum County Land Reutilization Corporation

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

NOTE 21 - JOINT VENTURES

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

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

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

City of Zanesville, Ohio
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B. Zanesville-Washington Township Joint Economic Development District

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

C. Zanesville-Newton Township Joint Economic Development District

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

NOTE 22 - RELATED PARTY ORGANIZATION

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

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

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

City of Zanesville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

related debt on behalf of the Authority, but its role is limited to a ministerial function. The Authority may issue debt and determine its own budget. Complete financial information can be obtained from the South East Area Transit Authority, Zanesville, Ohio.

NOTE 23 - 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, 2017.

B. Litigation

The City of Zanesville is not currently party to legal proceedings.

NOTE 24 – SUBSEQUENT EVENT

On May 18, 2018, the City closed on the purchase of a new building that is to be used for the vehicle maintenances and the utility departments. The City purchased the building for \$600,000.

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

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

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

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

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
City's Proportion of the Net Pension Liability	0.2955580%	0.3133700%	0.3125626%	0.3125626%
City's Proportionate Share of the Net Pension Liability	\$18,720,348	\$20,159,310	\$16,192,046	\$15,222,779
City's Covered Payroll	\$6,311,524	\$6,341,695	\$6,161,926	\$5,312,905
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	296.61%	317.89%	262.78%	286.52%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	68.36%	66.77%	72.20%	73.00%

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

Amounts presented as the City's measurement date which is the prior year end.

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contribution	\$1,122,001	\$1,029,796	\$1,029,568	\$1,003,440	\$1,103,760
Contributions in Relation to the Contractually Required Contribution	<u>(1,122,001)</u>	<u>(1,029,796)</u>	<u>(1,029,568)</u>	<u>(1,003,440)</u>	<u>(1,103,760)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered Payroll	\$8,630,777	\$8,581,633	\$8,579,733	\$8,362,000	\$8,490,462
Contributions as a Percentage of Covered Payroll	13.00%	12.00%	12.00%	12.00%	13.00%

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

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$1,351,485	\$1,341,260	\$1,347,036	\$1,308,054
Contributions in Relation to the Contractually Required Contribution	<u>(1,351,485)</u>	<u>(1,341,260)</u>	<u>(1,347,036)</u>	<u>(1,308,054)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered Payroll	\$6,374,377	\$6,311,524	\$6,341,695	\$6,161,926
Contributions as a Percentage of Covered Payroll:	21.20%	21.25%	21.24%	21.23%

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$963,099	\$794,724	\$884,784	\$972,504	\$981,902	\$932,177
<u>(963,099)</u>	<u>(794,724)</u>	<u>(884,784)</u>	<u>(972,504)</u>	<u>(981,902)</u>	<u>(932,177)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$5,312,905	\$5,276,839	\$5,888,720	\$6,546,036	\$6,610,389	\$6,317,416
18.13%	15.06%	15.03%	14.86%	14.85%	14.76%

City of Zanesville, Ohio
Notes to the Required Supplementary Information
For the Year Ended December 31, 2017

Changes in Assumptions - OPERS

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

	<u>December 31, 2017</u>	<u>December 31, 2016 and Prior</u>
Wage Inflation	3.25 percent	3.75 percent
Future Salary Increases, including inflation	3.25 to 10.05 percent including wage inflation	4.25 to 10.05 percent including wage inflation
COLA or Ad Hoc COLA:		
Pre-January 7, 2013 Retirees	3 percent, simple	3 percent, simple
Post-January 7, 2013 Retirees	3 percent, simple through 2018, then 2.15 percent, simple	3 percent, simple through 2018, then 2.8 percent, simple
Investment Rate of Return	7.5 percent	8 percent
Actuarial Cost Method	Individual Entry Age	Individual Entry Age

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

Amounts reported for 2016 and prior use mortality rates based on the RP-2000 Mortality Table projected 20 years using Projection Scale AA. For males, 105 percent of the combined healthy male mortality rates were used. For females, 100 percent of the combined healthy female mortality rates were used. The mortality rates used in evaluating disability allowances were based on the RP-2000 mortality table with no projections. For males 120 percent of the disabled female mortality rates were used set forward two years. For females, 100 percent of the disabled female mortality rates were used.

**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, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 22, 2018.

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
June 22, 2018

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

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

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

To the City Council:

Report on Compliance for Each Major Federal Program

We have audited the City of Zanesville's compliance with the applicable requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could directly and materially affect each of the City of Zanesville's major federal programs for the year ended December 31, 2017. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the City of Zanesville's major federal programs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion

In our opinion, the City of Zanesville complied, in all material respects, with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended December 31, 2017.

Report on Internal Control Over Compliance

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

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

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

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

Wilson, Phillips & Agin, CPA's, Inc.
Zanesville, Ohio
June 22, 2018

**CITY OF ZANESVILLE
SCHEDULE OF FINDINGS
2 CFR SECTION 200.515
December 31, 2017**

1. Summary of Auditor's Results

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

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

NONE

3. Findings and Questioned Costs for Federal Awards

NONE

CITY OF ZANESVILLE
MUSKINGUM COUNTY
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2017

Federal Grantor/ Sub-Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Disbursements	Pass through to Subrecipients
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:</u>					
(pass through Ohio Department of Development)					
Community Development Block Grant	A-F-15-2ES-1 A-F-16-2ES-1	14.228	54,311 <u>56,779</u> 111,090	54,311 <u>56,779</u> 111,090	
HOME Investment Partnership Program	B-C-16-ICC-1	14.239	<u>33,944</u> 33,944	<u>33,944</u> 33,944	
Total U.S. Department of Housing and Urban Development			145,034	145,034	
<u>U.S. DEPARTMENT OF TRANSPORTATION:</u>					
Direct Award					
Airport Improvement Program	3-39-0097-014-15 3-39-0097-015-17	20.106	141,301 <u>255,843</u> 397,144	108,433 <u>255,843</u> 364,276	
Pass through Ohio Department of Transportation					
Highway Planning and Construction	PID# 93104 PID# 96497	20.205	392,752 <u>219,034</u> 611,786	392,752 <u>219,034</u> 611,786	
Total U.S. Department of Transportation			1,008,930	976,062	
<u>APPALACHIAN REGIONAL COMMISSION</u>					
Direct Award					
Appalachian Area Development	PW-18458-IM-A	23.002	<u>15,000</u>	<u>15,000</u>	
Total Appalachian Regional Commission			15,000	15,000	
<u>U.S. ENVIRONMENTAL PROTECTION AGENCY</u>					
Direct Award					
Brownfields Assessment & Cleanup Cooperative Agreements	BF00E02015	66.818	<u>112,784</u>	<u>112,784</u>	
Total U.S. Environmental Protection Agency			112,784	112,784	
Total Federal Awards Expenditures			<u>1,281,748</u>	<u>1,248,880</u>	

See notes to Schedule of Federal Awards Expenditures.

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

NOTES A – SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - GENERAL

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

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

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Dave Yost • Auditor of State

CITY OF ZANESVILLE

MUSKINGUM COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
SEPTEMBER 6, 2018