

CITY OF ZANESVILLE
SINGLE AUDIT
FOR THE YEAR ENDED DECEMBER 31, 2020

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

OHIO AUDITOR OF STATE
KEITH FABER



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

We have reviewed the *Independent Auditors' Report* of the City of Zanesville, Muskingum County, prepared by Wilson, Phillips & Agin, CPA's, Inc., for the audit period January 1, 2020 through December 31, 2020. 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 cursive script that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

July 19, 2021

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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, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Zanesville, Muskingum County, Ohio as of December 31, 2020, and the respective changes in financial position and where applicable, cash flows, thereof, and the respective budgetary comparison for the General Fund, Police Expenditure Fund and Fire Operating Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 3 to the financial statements, during 2020, the City implemented GASB Statement No. 83, *Certain Asset Retirement Obligations*. We did not modify our opinion regarding this matter.

As discussed in Note 25 to the financial statements, during 2020, the impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the City. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

The 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 11, 2021, 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.

City of Zanesville, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2020
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, 2020. 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 2020 are as follows:

- In total, net position decreased \$2,401,940. Net position of governmental activities decreased \$3,322,046. The business-type activities increased \$920,106.
- General governmental revenues accounted for \$25,453,715 in revenue or 77 percent of all revenues in governmental activities. Program specific revenues in the form of charges for services, operating and capital grants, contributions, and interest accounted for \$7,587,016 or 23 percent of total revenues of \$33,040,731.
- The City had \$35,781,777 in expenses related to governmental activities; only \$7,587,016 of which was offset by program specific charges of services, and operating and capital grants, contributions and interest. General revenues in the amount of \$25,453,715 were adequate to provide for these programs.
- The City implemented GASB Statement No. 83 during the year establishing specific criteria for certain asset retirement obligations (AROs).

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 readers 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.

City of Zanesville, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2020
Unaudited

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 2020?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets and deferred outflows of resources and all liabilities and deferred inflows of resources using the accrual basis of accounting similar to the accounting used by private sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when the cash is received or paid.

These two statements report the City's net position and the changes in net position. This change in net position is important because it tells the reader whether, for the City as a whole, the financial position of the City has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the County's tax base, current property tax laws in Ohio restricting revenue growth and other factors.

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 general government, security of persons and property (police and fire) public health services, transportation, community development, leisure time activities, and all departments with the exception of our Sewer, Water, and Sanitation Funds.

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

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, Water, and Sanitation Enterprise Funds.

Governmental Funds Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of expendable resources, as well on balances of expendable resources available at the end of the year. Such information may be useful in evaluating a government's near-term financing requirements.

City of Zanesville, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2020
Unaudited

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government –wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains a multitude of individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental statement of revenues, expenditures, and changes in fund balances for the major funds, which were identified earlier. Data from the other governmental funds are combined into a single, aggregated presentation.

Proprietary Funds The City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements.

Internal Service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions on a cost reimbursement basis. The City's internal service funds report on the City department for self-insurance for health care claims and the other internal service fund accounts for vehicle maintenance costs.

Fiduciary Funds Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The City's fiduciary funds are custodial.

Notes to the Basic Financial Statements The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes provide a supplement to the financial statements.

The City of Zanesville as a Whole

The Statement of Net position provides an overall view of the City. Table 1 provides a summary of the City's net position for 2020 compared to 2019, which has been restated for the implementation of GASB 83.

City of Zanesville, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2020
Unaudited

(Table 1)

Net Position

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Assets						
Current and Other Assets	\$23,077,804	\$21,497,750	\$10,769,794	\$10,027,454	\$33,847,598	\$31,525,204
Capital Assets, Net	23,328,195	23,791,937	63,092,392	63,165,242	86,420,587	86,957,179
<i>Total Assets</i>	<u>46,405,999</u>	<u>45,289,687</u>	<u>73,862,186</u>	<u>73,192,696</u>	<u>120,268,185</u>	<u>118,482,383</u>
Deferred Outflows of Resources						
Pension	4,349,890	9,815,116	793,290	2,003,534	5,143,180	11,818,650
OPEB	2,905,017	2,305,304	535,866	259,066	3,440,883	2,564,370
Asset Retirement Obligation	0	0	434,400	445,600	434,400	445,600
<i>Total Deferred Outflows of Resources</i>	<u>7,254,907</u>	<u>12,120,420</u>	<u>1,763,556</u>	<u>2,708,200</u>	<u>9,018,463</u>	<u>14,828,620</u>
Liabilities						
Current and Other Liabilities	4,334,689	2,179,151	1,126,765	977,048	5,461,454	3,156,199
Long-term Liabilities						
Due Within One Year	1,351,180	1,168,522	1,886,876	1,873,928	3,238,056	3,042,450
Due in More Than One Year:						
Net Pension Liability	27,918,412	35,597,065	4,868,302	6,803,028	32,786,714	42,400,093
Net OPEB Liability	8,346,958	7,874,907	3,320,699	3,151,482	11,667,657	11,026,389
Other Amounts	7,368,138	7,681,986	21,993,727	22,996,416	29,361,865	30,678,402
<i>Total Liabilities</i>	<u>49,319,377</u>	<u>54,501,631</u>	<u>33,196,369</u>	<u>35,801,902</u>	<u>82,515,746</u>	<u>90,303,533</u>
Deferred Inflows of Resources						
Property Taxes	1,172,278	1,165,994	0	0	1,172,278	1,165,994
Payment in Lieu of Taxes	639,038	381,160	0	0	639,038	381,160
Leases	777,445	811,369	0	0	777,445	811,369
Pension	4,340,459	816,253	1,060,254	113,582	5,400,713	929,835
OPEB	1,988,609	987,954	483,672	20,071	2,472,281	1,008,025
<i>Total Deferred Inflows of Resources</i>	<u>8,917,829</u>	<u>4,162,730</u>	<u>1,543,926</u>	<u>133,653</u>	<u>10,461,755</u>	<u>4,296,383</u>
Net Position						
Net Investment in						
Capital Assets	16,569,110	16,906,416	40,039,512	39,178,049	56,608,622	56,084,465
Restricted	5,900,090	5,657,792	0	0	5,900,090	5,657,792
Unrestricted (Deficits)	(27,045,500)	(23,818,462)	845,935	787,292	(26,199,565)	(23,031,170)
<i>Total Net Position</i>	<u>(\$4,576,300)</u>	<u>(\$1,254,254)</u>	<u>\$40,885,447</u>	<u>\$39,965,341</u>	<u>\$36,309,147</u>	<u>\$38,711,087</u>

City of Zanesville, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2020
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The net pension liability (NPL) is one of the largest single liabilities reported by the City at December 31, 2020. GASB notes that pension and OPEB 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 and other postemployment benefits. GASB noted that the unfunded portion of this 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 these liabilities. 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 Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

In accordance with GASB 68 and GASB 75, the City’s statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan’s *change* in net pension liability and net OPEB liability, respectively, not accounted for as deferred inflows/outflows.

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 or the net OPEB liability. As explained above, changes in benefits, contribution rates, and return on investments affect the balance of these liabilities, 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 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 and the net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

Pension/OPEB changes noted in the above table reflect an overall decrease in deferred outflows and overall increase in deferred inflows. These changes are affected by changes in benefits, contribution rates, return on investments, and actuarial assumptions. The decrease in the net pension liability and increase in the net OPEB liability represent the City’s proportionate share of the unfunded benefits.

Aside from changes related to pension/OPEB, there were several other changes of note for governmental activities. The increase in current and other assets was due to an increase in cash and cash equivalents and income taxes, which were offset by a decrease in special assessments receivable. The increase in cash and cash equivalents is attributable to higher revenues coupled with careful spending. The decrease in special assessments receivable was due to the decrease in the number of new special assessments entered into during 2020 compared to 2019. Net capital assets for governmental activities decreased from the prior year due to a transfer of building from a governmental activity to the City’s water department. Current liabilities increased due to increases in accrued wages, unearned revenue, and the recording of a notes payable for 2020. Accrued wages increased due to the annual increase in wages combined with the timing of the payroll. There were two more days accrued for 2020 compared to 2019. The increase in unearned revenue in 2020 was a direct result of Federal Cares Act Funding resources received in advance of providing the services.

City of Zanesville, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2020
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The net position of the City's business-type activities increased \$920,106. Total current and other assets for business-type activities increased due to an increase in cash and cash equivalents due to the City closely monitoring cash expenses. Net capital assets decreased from the prior year due to current year depreciation outpacing the additions, which includes the transfer of building from governmental activities to the City's water department. Total liabilities for business-type activities decreased due to the principal payments exceeding additional borrowing in 2020.

Table 2 shows the changes in net position for the year ended December 31, 2020, and comparisons to 2019, which incorporates the effects of the restatement for GASB 83.

(Table 2)
Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Program Revenues:						
Charges for Services	\$1,220,267	\$2,058,032	\$15,696,983	\$15,785,022	\$16,917,250	\$17,843,054
Operating Grants, Contributions and Interest Capital Grants and Contributions	5,620,374	2,748,752	33,799	234,236	5,654,173	2,982,988
Total Program Revenues	7,587,016	5,764,564	15,730,782	16,133,903	23,317,798	21,898,467
General Revenues:						
Property Taxes	1,143,657	1,114,517	0	0	1,143,657	1,114,517
Income Tax	18,385,410	18,559,208	0	0	18,385,410	18,559,208
Payments in Lieu of Taxes	503,138	571,465	0	0	503,138	571,465
Franchise Tax	328,124	332,923	0	0	328,124	332,923
Grants and Entitlements	2,706,034	2,691,717	0	0	2,706,034	2,691,717
Investment Earnings	394,528	488,824	0	0	394,528	488,824
Gain on Sale of Capital Assets	4,518	13,622	16,059	1,700	20,577	15,322
Other	1,988,306	917,718	275,030	253,030	2,263,336	1,170,748
Total General Revenues	25,453,715	24,689,994	291,089	254,730	25,744,804	24,944,724
Total Revenues	\$33,040,731	\$30,454,558	\$16,021,871	\$16,388,633	\$49,062,602	\$46,843,191

City of Zanesville, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2020
Unaudited

(Table 2)
 Changes in Net Position (continued)

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Program Expenses						
General Government:						
Legislative and Executive	6,102,484	5,482,884	0	0	6,102,484	5,482,884
Court	634,818	630,816	0	0	634,818	630,816
Security of Persons and Property:						
Police	10,596,108	4,348,261	0	0	10,596,108	4,348,261
Fire	6,737,055	383,036	0	0	6,737,055	383,036
Other	91,377	69,593	0	0	91,377	69,593
Public Health Services	1,027,585	593,502	0	0	1,027,585	593,502
Community Environment	2,718,934	1,256,287	0	0	2,718,934	1,256,287
Community Environment -						
Intergovernmental	1,500,000	0	0	0	1,500,000	0
Transportation	5,128,681	4,014,094	0	0	5,128,681	4,014,094
Leisure Time Activities	1,031,526	1,219,371	0	0	1,031,526	1,219,371
Interest and Fiscal Charges	213,209	216,058	0	0	213,209	216,058
Sewer	0	0	6,931,075	7,206,825	6,931,075	7,206,825
Water	0	0	6,393,626	6,465,323	6,393,626	6,465,323
Sanitation	0	0	2,177,698	2,396,139	2,177,698	2,396,139
Nonmajor Enterprise	0	0	180,366	149,913	180,366	149,913
<i>Total Program Expenses</i>	<u>35,781,777</u>	<u>18,213,902</u>	<u>15,682,765</u>	<u>16,218,200</u>	<u>51,464,542</u>	<u>34,432,102</u>
<i>Increase Before Transfers</i>	(2,741,046)	12,240,656	339,106	170,433	(2,401,940)	12,411,089
Transfers	(581,000)	0	581,000	0	0	0
<i>Increase (Decrease) in Net Position</i>	(3,322,046)	12,240,656	920,106	170,433	(2,401,940)	12,411,089
Net Position (Deficit)						
Beginning of Year	(1,254,254)	(13,494,910)	39,965,341	39,794,908	38,711,087	26,299,998
Net Position (Deficit) End of Year	<u>(\$4,576,300)</u>	<u>(\$1,254,254)</u>	<u>\$40,885,447</u>	<u>\$39,965,341</u>	<u>\$36,309,147</u>	<u>\$38,711,087</u>

Governmental Activities

Several revenue sources fund our governmental activities, with the City income tax being the biggest contributor. The income tax rate is 1.9 percent. General revenues from grants and entitlements, such as local government funds, are also a large revenue generator. The City monitors both of these revenue sources very closely for fluctuations because the income tax and grants and entitlements general revenues represent 56 and 8 percent, respectively, of all revenues in the governmental activities.

Charges for services decreases in the governmental activities primarily due to a decrease in the number of new special assessments entered into during 2020 compared to 2019. Operating and capital grants, contributions, and interest accounted for 19 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.

The largest governmental activities expenses are normally for the police and fire departments. The police department employs fifty-six officers, including the police chief and forty-three support personnel. The fire department employs fifty-five full-time and part time positions.

City of Zanesville, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2020
Unaudited

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, water, and storm water departments. The major source of revenue for these funds is charges for services. During 2020, the City collected \$88,039 less in charges for services and spent \$48,871 less than the previous year in operating expenses. 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 to plan accordingly which includes finding additional ways to be able to effectively operate the enterprise funds without having to drastically increase utility rates.

The City's Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the year. Information about the City's governmental funds begins with the balance sheet. The funds are accounted for using the modified accrual method of accounting.

General Fund

The General Fund is the primary operating fund of the City. At the end of 2020, fund balance was \$4,392,043. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund disbursements. Unassigned fund balance represents 14 percent of total General Fund disbursements, while total fund balance represents 49 percent of that same amount. The fund balance of the City's General Fund decreased by \$424,433. The City was unable to provide a positive spending surplus within the general fund due to expenditures being made for the newly created Joint Economic Development District (JEDD) that was created during 2020.

Other Major Governmental Funds

The fund balance of the Police Expenditure Fund at December 31, 2020, was \$739,644, an increase of \$192,332. The Police Expenditure Fund's Restricted Fund Balance of \$739,644 represents 10 percent of current year expenditures. This increase in fund balance is directly due to the reimbursement of police wages from the Federal Cares Act monies that were received during the year.

The fund balance of the Fire Operating Fund at December 31, 2020, was \$160,527, an increase of \$84,342. The Fire Operating Fund's Restricted Fund Balance of \$160,527 represents 3 percent of current year expenditures. This increase in fund balance is directly due to the reimbursement of fire wages from the Federal Cares Act monies that were received during the year.

City of Zanesville, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2020
Unaudited

Enterprise Funds

The City's major enterprise funds are the Sewer, Water, and Sanitation Funds. Enterprise funds are handled in the same manner as governmental funds, with the intent to ensure the strength of these funds. The Sewer Fund had operating income and a modest increase in net position for 2020. Operating revenues continue to be sufficient to cover operating costs.

The Water Fund had an operating loss and decrease in net position in 2020 (as it has for the past two years). Revenues and expense were similar to prior year; however, the City's charges for services do not cover the costs of operations. 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. The City is continually working on adjusting the utility rates to cover the yearly costs of operations.

The Sanitation Fund has operating income in 2020 which reduced the deficit balance in the fund. The increase in utility rates resulted in an increase in charges for services which more than covered the costs of operations. The City will closely monitor this fund with the intent of eliminating the deficit balance on the financial statements.

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. During the course of 2020, the City amended its general fund accordingly to avoid waiting until the end of the year to adjust appropriations. 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. Budgetary changes normally consist of requests for additional funds to cover grant reimbursed expenditures and emergency construction work. The control level of the general fund is by object within each department. This allows the City to make small interdepartmental budget modifications within departments. The general fund is monitored closely with regard to revenues and related expenditures. There was an increase in revenues from the final budget due to an increased amount of municipal income taxes, franchise taxes, and other revenue received than expected. There was a decrease in actual expenditures plus other financing uses made compared to the final budget. This was due to restricting spending as much as possible in the City's efforts to ensure an improvement to the general fund balance.

Capital Assets and Debt Administration

Capital Assets

Total capital assets for the governmental activities, net of accumulated depreciation decreased from the prior year as a result of a building that was transferred from a governmental fund use to now being used by the City's water department. Current year governmental additions consisted of the purchase of a new medic, multiple police cruisers, two dump trucks, three pick-up trucks, a cargo van, and equipment consisting of a utility trailer, zero turn mowers, an excavator, a pothole machine, a lift hoist, a roof mounted exhaust fan, playground equipment, thermal imaging camera and a hands free cardiopulmonary resuscitation (CPR) machine. Other additions include improvements to the airport lighting, and construction in progress for the following projects: Linden Avenue project, cemetery facilities building

City of Zanesville, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2020
Unaudited

project, Dug Road improvement project, airport runway projects, and a streetscape project.

Total capital assets for the business-type assets, net of accumulated depreciation decreased from the prior year as a result of annual depreciation outpacing current year additions and asset transfers. The city transferred the use of a building from a governmental fund use to now being used by the City's water department. Current year additions consisted of the purchase of a new refuse truck and compaction containers for sanitation; a truck, a backhoe, a vactor truck, and a wheel loader for the water department; and three pick-up trucks, a utility vehicle, a vactor truck, and the construction of a pole barn for the sewer department. Other additions include the construction in progress for the following projects: a new water tower, sewer overflow and separation projects, and three storm sewer projects.

See Note 11 to the basic financial statements for additional information on capital assets.

Long-term Obligations

As of December 31, 2020, long-term obligations include general obligation bonds, state infrastructure bank (SIB) loans, OPWC loans, OWDA loans, workers compensation long-term claims payable, financed purchases, lease payable, net pension liability, net OPEB liability, compensated absences, and asset retirement obligation.

The City has financed purchases for a fire truck, a medic, radio equipment, a vactor truck, a sanitation truck, and a street sweeper. These financed purchases are being paid from the following funds: the fire operating, police operating, and street and state highway special revenue funds; the fire capital projects fund; and the water, sanitation, storm sewer enterprise funds.

For further information regarding the City's long-term obligations, refer to Notes 13, 14, 17, and 23 to the basic financial statements.

Current Financial Issues

During the year 2020, the City completed several projects that were started in 2019. Those projects included the Sewer System Bar Screen update and the airfield lighting project. The City spent approximately \$156,476 and \$472,532 on each project respectively. The Dug Road Replacement project was started in 2020 and has an estimated cost of \$5,000,000. However, only the design phase started in 2020 and the construction work will be bid out 2021. There are multiple projects ongoing at the airport which include two runway projects for rehabilitation and obstruction removal. Additionally, the Master Plan for the Airport is continually being updated with an estimated cost of \$390,000. The fight against blight within the city limits continued with an additional \$227,000 invested in demolition of real property. The City secured an Opportunity Zone Market Analysis Grant in the amount of \$15,000.

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 Andrew Body, Zanesville City Auditor, 401 Market Street, Zanesville, Ohio 43701, 740-617-4873.

City of Zanesville, Ohio
Statement of Net Position
December 31, 2020

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$11,848,325	\$8,837,203	\$20,685,528
Cash and Cash Equivalents in Segregated Accounts	24,901	0	24,901
Cash and Cash Equivalents with Fiscal Agents	0	20,000	20,000
Investments	50,000	0	50,000
Accrued Interest Receivable	68,391	0	68,391
Accounts Receivable	181,738	1,802,795	1,984,533
Intergovernmental Receivable	2,183,859	274	2,184,133
Permissive Motor Vehicle Tax Receivable	7,513	0	7,513
Internal Balances	698,132	(698,132)	0
Municipal Income Taxes Receivable	2,428,426	0	2,428,426
Property Taxes Receivable	1,439,346	0	1,439,346
Payments in Lieu of Taxes Receivable	639,038	0	639,038
Loans Receivable	15,905	0	15,905
Special Assessments Receivable	2,157,457	9,738	2,167,195
Leases Receivable	777,445	0	777,445
Materials and Supplies Inventory	358,409	735,852	1,094,261
Prepaid Items	198,919	62,064	260,983
Non-Depreciable Capital Assets	1,884,813	1,330,844	3,215,657
Depreciable Capital Assets, Net	21,443,382	61,761,548	83,204,930
<i>Total Assets</i>	<u>46,405,999</u>	<u>73,862,186</u>	<u>120,268,185</u>
Deferred Outflows of Resources			
Pension	4,349,890	793,290	5,143,180
OPEB	2,905,017	535,866	3,440,883
Asset Retirement Obligation	0	434,400	434,400
<i>Total Deferred Outflows of Resources</i>	<u>7,254,907</u>	<u>1,763,556</u>	<u>9,018,463</u>
Liabilities			
Accounts Payable	754,686	224,587	979,273
Contracts Payable	72,621	218,711	291,332
Accrued Wages Payable	652,377	179,712	832,089
Accrued Interest Payable	24,165	0	24,165
Intergovernmental Payable	402,832	73,259	476,091
Unearned Revenue	438,508	0	438,508
Claims Payable	477,200	0	477,200
Customer Deposits Payable	0	430,496	430,496
Notes Payable	1,512,300	0	1,512,300
Long-Term Liabilities:			
Due Within One Year	1,351,180	1,886,876	3,238,056
Due in More Than One Year:			
Net Pension Liability (See Note 13)	27,918,412	4,868,302	32,786,714
Net OPEB Liability (See Note 14)	8,346,958	3,320,699	11,667,657
Other Amounts	7,368,138	21,993,727	29,361,865
<i>Total Liabilities</i>	<u>49,319,377</u>	<u>33,196,369</u>	<u>82,515,746</u>
Deferred Inflows of Resources			
Property Taxes	1,172,278	0	1,172,278
Payments in Lieu of Taxes	639,038	0	639,038
Leases	777,445	0	777,445
Pension	4,340,459	1,060,254	5,400,713
OPEB	1,988,609	483,672	2,472,281
<i>Total Deferred Inflows of Resources</i>	<u>8,917,829</u>	<u>1,543,926</u>	<u>10,461,755</u>
Net Position			
Net Investment in Capital Assets	16,569,110	40,039,512	56,608,622
Restricted for:			
Street	1,032,391	0	1,032,391
Cemetery Operations	191,475	0	191,475
Community Development	808,468	0	808,468
Jail Operations	635,159	0	635,159
Police Operations	410,177	0	410,177
Fire Operations	42,835	0	42,835
Court Operations	620,141	0	620,141
Police and Fire Pension	57,459	0	57,459
Debt Service	42	0	42
Airport Operations	485,067	0	485,067
Capital Improvements	916,321	0	916,321
Unclaimed Monies	18,545	0	18,545
Perpetual Care:			
Expendable	2,803	0	2,803
Non-expendable	679,207	0	679,207
Unrestricted (Deficit)	(27,045,500)	845,935	(26,199,565)
<i>Total Net Position</i>	<u>(\$4,576,300)</u>	<u>\$40,885,447</u>	<u>\$36,309,147</u>

See accompanying notes to the basic financial statements

City of Zanesville, Ohio
Statement of Activities
For the Year Ended December 31, 2020

	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	\$6,102,484	\$135,760	\$437,541	\$0	(\$5,529,183)	\$0	(\$5,529,183)
Court	634,818	301,960	12,772	0	(320,086)	0	(320,086)
Security of Persons and Property:							
Police	10,596,108	195,143	587,756	0	(9,813,209)	0	(9,813,209)
Fire	6,737,055	264,376	114,920	0	(6,357,759)	0	(6,357,759)
Other	91,377	0	0	0	(91,377)	0	(91,377)
Public Health Services	1,027,585	113,321	519,495	0	(394,769)	0	(394,769)
Community Environment	2,718,934	38,540	1,658,744	0	(1,021,650)	0	(1,021,650)
Community Environment - Intergovernmental	1,500,000	0	0	0	(1,500,000)	0	(1,500,000)
Transportation	5,128,681	138,809	2,288,666	746,375	(1,954,831)	0	(1,954,831)
Leisure Time Activities	1,031,526	32,358	480	0	(998,688)	0	(998,688)
Interest and Fiscal Charges	213,209	0	0	0	(213,209)	0	(213,209)
<i>Total Governmental Activities</i>	<u>35,781,777</u>	<u>1,220,267</u>	<u>5,620,374</u>	<u>746,375</u>	<u>(28,194,761)</u>	<u>0</u>	<u>(28,194,761)</u>
Business-Type Activities							
Sewer	6,931,075	6,814,784	33,799	0	0	(82,492)	(82,492)
Water	6,393,626	5,606,012	0	0	0	(787,614)	(787,614)
Sanitation	2,177,698	2,123,438	0	0	0	(54,260)	(54,260)
Nonmajor	180,366	1,152,749	0	0	0	972,383	972,383
<i>Total Business-Type Activities</i>	<u>15,682,765</u>	<u>15,696,983</u>	<u>33,799</u>	<u>0</u>	<u>0</u>	<u>48,017</u>	<u>48,017</u>
<i>Total</i>	<u>\$51,464,542</u>	<u>\$16,917,250</u>	<u>\$5,654,173</u>	<u>\$746,375</u>	<u>(28,194,761)</u>	<u>48,017</u>	<u>(28,146,744)</u>

General Revenues

Property Taxes Levied for:

General Purposes	936,857	0	936,857
Police and Fire Pension	206,800	0	206,800
Income Taxes Levied for:			
General Purposes	10,279,217	0	10,279,217
Police Operations	4,502,301	0	4,502,301
Jail Operations	1,801,946	0	1,801,946
Fire Operations	1,801,946	0	1,801,946
Payments in Lieu of Taxes	503,138	0	503,138
Franchise Taxes	328,124	0	328,124
Grants and Entitlements not Restricted to Specific Programs	2,706,034	0	2,706,034
Investment Earnings	394,528	0	394,528
Gain on Sale of Capital Assets	4,518	16,059	20,577
Other	1,988,306	275,030	2,263,336
Transfers	(581,000)	581,000	0

Total General Revenues and Transfers

	<u>24,872,715</u>	<u>872,089</u>	<u>25,744,804</u>
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Change in Net Position

	(3,322,046)	920,106	(2,401,940)
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Net Position Beginning of Year - Restated (See Note 3)

	<u>(1,254,254)</u>	<u>39,965,341</u>	<u>38,711,087</u>
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Net Position End of Year

	<u>(\$4,576,300)</u>	<u>\$40,885,447</u>	<u>\$36,309,147</u>
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See accompanying notes to the basic financial statements

City of Zanesville, Ohio

Balance Sheet

Governmental Funds

December 31, 2020

	General	Police Expenditure	Fire Operating	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	\$5,168,985	\$655,249	\$324,924	\$4,735,850	\$10,885,008
Cash and Cash Equivalents in Segregated Accounts	16,368	0	0	8,533	24,901
Restricted Cash	18,545	0	0	0	18,545
Investments	0	0	0	50,000	50,000
Receivables:					
Accrued Interest	65,757	0	0	2,634	68,391
Accounts	131,819	0	13,842	36,077	181,738
Interfund	1,162	0	0	110,000	111,162
Intergovernmental	472,252	15,077	208	1,688,998	2,176,535
Permissive Motor Vehicle Tax	0	0	0	7,513	7,513
Municipal Income Taxes	1,278,081	638,919	255,713	255,713	2,428,426
Property Taxes	1,179,991	0	0	259,355	1,439,346
Payments in Lieu of Taxes	0	0	0	639,038	639,038
Loans	0	0	0	15,905	15,905
Special Assessments	2,156,580	0	0	877	2,157,457
Leases	31,209	0	0	746,236	777,445
Materials and Supplies Inventory	1,667	625	0	195,032	197,324
Prepaid Items	55,243	63,203	42,801	32,516	193,763
Total Assets	\$10,577,659	\$1,373,073	\$637,488	\$8,784,277	\$21,372,497
Liabilities					
Accounts Payable	\$313,376	\$92,473	\$5,309	\$314,346	\$725,504
Contracts Payable	0	0	0	72,621	72,621
Accrued Wages Payable	126,658	222,836	163,865	120,511	633,870
Accrued Interest Payable	12,603	0	0	0	12,603
Interfund Payable	29,898	62,310	163,124	29,385	284,717
Intergovernmental Payable	86,076	136,067	94,489	79,618	396,250
Unearned Revenue	0	0	0	438,508	438,508
Notes Payable	1,512,300	0	0	0	1,512,300
Total Liabilities	2,080,911	513,686	426,787	1,054,989	4,076,373
Deferred Inflows of Resources					
Property Taxes	960,349	0	0	211,929	1,172,278
Payments in Lieu of Taxes	0	0	0	639,038	639,038
Unavailable Revenue	3,113,147	119,743	50,174	1,332,359	4,615,423
Leases	31,209	0	0	746,236	777,445
Total Deferred Inflows of Resources	4,104,705	119,743	50,174	2,929,562	7,204,184
Fund Balances					
Nonspendable	75,455	63,828	42,801	906,755	1,088,839
Restricted	0	675,816	117,726	3,750,772	4,544,314
Committed	0	0	0	142,199	142,199
Assigned	3,020,000	0	0	0	3,020,000
Unassigned	1,296,588	0	0	0	1,296,588
Total Fund Balances	4,392,043	739,644	160,527	4,799,726	10,091,940
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$10,577,659	\$1,373,073	\$637,488	\$8,784,277	\$21,372,497

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, 2020*

Total Governmental Fund Balances \$10,091,940

*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. 23,328,195

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

Delinquent Property Taxes	267,068	
Municipal Income Taxes	455,122	
Charges for Services	2,161,162	
Fines, Licenses and Permits	57,991	
Franchise Tax	84,256	
Intergovernmental Revenues	1,524,669	
Investment Earnings	61,499	
Other Revenues	3,656	4,615,423

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). 839,858

An interfund payable is recorded in governmental activities to reflect overpayments to the internal service fund by the business-type activities. 618,695

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

Bonds Payable	(2,891,503)	
Accrued Interest Payable	(11,562)	
Loans Payable	(2,821,343)	
Workers' Compensation Claims Payable	(22,407)	
Financed Purchases Payable	(887,439)	
Lease Payable	(9,000)	
Compensated Absences Payable	(2,087,626)	(8,730,880)

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

Deferred Outflows - Pension	4,349,890	
Deferred Inflows - Pension	(4,340,459)	
Net Pension Liability	(27,918,412)	
Deferred Outflows - OPEB	2,905,017	
Deferred Inflows - OPEB	(1,988,609)	
Net OPEB Liability	(8,346,958)	(35,339,531)

Net Position of Governmental Activities **(\$4,576,300)**

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, 2020

	General	Police Expenditure	Fire Operating	Other Governmental Funds	Total Governmental Funds
Revenues					
Property Taxes	\$966,729	\$0	\$0	\$213,148	\$1,179,877
Permissive Motor Vehicle License	0	0	0	104,437	104,437
Municipal Income Taxes	10,224,808	4,475,102	1,791,061	1,791,061	18,282,032
Payments in Lieu of Taxes	0	0	0	503,138	503,138
Charges for Services	815,916	77,975	113,907	161,207	1,169,005
Fines, Licenses and Permits	319,452	8,365	0	267,316	595,133
Franchise Tax	329,217	0	0	0	329,217
Intergovernmental	2,653,155	344,910	0	5,880,198	8,878,263
Investment Earnings	365,658	0	0	94,848	460,506
Donations	2,000	1,963	0	0	3,963
Leases	10,837	0	0	96,053	106,890
Other	1,499,927	225,671	181,480	202,807	2,109,885
<i>Total Revenues</i>	<u>17,187,699</u>	<u>5,133,986</u>	<u>2,086,448</u>	<u>9,314,213</u>	<u>33,722,346</u>
Expenditures					
Current:					
General Government:					
Legislative and Executive	5,120,330	0	0	435,541	5,555,871
Court	502,562	0	0	97,929	600,491
Security of Persons and Property:					
Police	0	7,075,512	0	2,339,074	9,414,586
Fire	0	0	5,780,085	277,501	6,057,586
Other	91,377	0	0	0	91,377
Public Health Services	0	0	0	1,032,586	1,032,586
Community Environment	643,037	0	0	1,997,320	2,640,357
Transportation	370,649	0	0	4,034,403	4,405,052
Leisure Time Activities	733,824	0	0	225,415	959,239
Intergovernmental	1,500,000	0	0	0	1,500,000
Capital Outlay	34,265	0	0	852,327	886,592
Debt Service:					
Principal Retirement	0	74,447	53,910	428,106	556,463
Interest and Fiscal Charges	12,603	7,354	5,326	192,410	217,693
Issuance Costs	12,300	0	0	0	12,300
<i>Total Expenditures</i>	<u>9,020,947</u>	<u>7,157,313</u>	<u>5,839,321</u>	<u>11,912,612</u>	<u>33,930,193</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>8,166,752</u>	<u>(2,023,327)</u>	<u>(3,752,873)</u>	<u>(2,598,399)</u>	<u>(207,847)</u>
Other Financing Sources (Uses)					
Transfers In	0	2,215,429	3,599,223	2,661,781	8,476,433
Proceeds from Sale of Capital Assets	1,411	230	0	2,877	4,518
Inception of Financed Purchases	0	0	237,992	0	237,992
Transfers Out	(8,592,596)	0	0	0	(8,592,596)
<i>Total Other Financing Sources (Uses)</i>	<u>(8,591,185)</u>	<u>2,215,659</u>	<u>3,837,215</u>	<u>2,664,658</u>	<u>126,347</u>
<i>Net Change in Fund Balances</i>	<u>(424,433)</u>	<u>192,332</u>	<u>84,342</u>	<u>66,259</u>	<u>(81,500)</u>
<i>Fund Balances Beginning of Year</i>	<u>4,816,476</u>	<u>547,312</u>	<u>76,185</u>	<u>4,733,467</u>	<u>10,173,440</u>
<i>Fund Balances End of Year</i>	<u>\$4,392,043</u>	<u>\$739,644</u>	<u>\$160,527</u>	<u>\$4,799,726</u>	<u>\$10,091,940</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, 2020*

Net Change in Fund Balances - Total Governmental Funds (\$81,500)

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	2,193,947	
Depreciation	<u>(2,076,689)</u>	
Excess of Capital Outlay over Depreciation		117,258

Assets transferred from governmental funds during the year to enterprise funds (\$81,000)

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

Delinquent Property Taxes	(36,220)	
Municipal Income Taxes	103,378	
Charges for Services	(735,529)	
Fines, License and Permits	(19,669)	
Franchise Tax	(1,093)	
Intergovernmental Revenues	93,823	
Investment Earnings	30,756	
Other Revenues	<u>(121,579)</u>	(686,133)

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	
Accrued interest	<u>640</u>	4,484

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

General Obligation Bonds	155,000	
Long-Term Loans	202,568	
Lease Payable	11,000	
Financed Purchases	<u>198,895</u>	567,463

Inception of Financed Purchases are reported as other financing sources in the governmental funds, but the inception increases long-term liabilities on the statement of activities. (237,992)

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. (99,594)

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	(223,470)	
Claims Payable - BWC Retro	<u>21,345</u>	(202,125)

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

Pension	2,333,819	
OPEB	<u>46,630</u>	2,380,449

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

Pension	(3,621,208)	
OPEB	<u>(882,148)</u>	<u>(4,503,356)</u>

Change in Net Position of Governmental Activities (\$3,322,046)

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, 2020*

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
Revenues				
Property Taxes	\$1,005,292	\$1,005,292	\$966,729	(\$38,563)
Municipal Income Taxes	9,810,622	9,929,048	10,114,426	185,378
Charges for Services	787,292	837,692	813,836	(23,856)
Fines, Licenses and Permits	351,715	356,815	321,976	(34,839)
Franchise Tax	320,000	320,000	329,217	9,217
Intergovernmental	2,878,407	2,923,407	2,648,284	(275,123)
Investment Earnings	42,000	42,000	14,583	(27,417)
Donations	0	0	2,000	2,000
Leases	10,000	10,000	11,800	1,800
Other	289,156	459,656	1,505,064	1,045,408
<i>Total Revenues</i>	15,494,484	15,883,910	16,727,915	844,005
Expenditures				
Current:				
General Government:				
Legislative and Executive	6,540,764	6,753,670	5,380,785	1,372,885
Court	555,392	586,392	498,590	87,802
Security of Persons and Property:				
Other	109,881	109,881	94,152	15,729
Community Environment	1,098,536	1,018,536	632,764	385,772
Transportation	390,000	390,000	370,649	19,351
Leisure Time Activities	1,244,430	1,199,430	770,687	428,743
Intergovernmental	0	1,500,000	1,500,000	0
Capital Outlay	100,000	100,000	34,265	65,735
Debt Service:				
Issuance Costs	0	12,300	12,300	0
<i>Total Expenditures</i>	10,039,003	11,670,209	9,294,192	2,376,017
<i>Excess of Revenues Over Expenditures</i>	5,455,481	4,213,701	7,433,723	3,220,022
Other Financing Sources (Uses)				
Proceeds from Notes	0	1,512,300	1,512,300	0
Proceeds from Sale of Capital Assets	0	1,500	1,411	(89)
Transfers Out	(9,016,798)	(9,288,818)	(8,592,596)	696,222
<i>Total Other Financing Sources (Uses)</i>	(9,016,798)	(7,775,018)	(7,078,885)	696,133
<i>Net Change in Fund Balance</i>	(3,561,317)	(3,561,317)	354,838	3,916,155
<i>Fund Balance Beginning of Year</i>	3,561,317	3,561,317	3,561,317	0
<i>Fund Balance End of Year</i>	\$0	\$0	\$3,916,155	\$3,916,155

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, 2020

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Over (Under)
Revenues				
Municipal Income Taxes	\$4,471,854	\$4,406,080	\$4,405,982	(\$98)
Charges for Services	129,675	89,600	77,975	(11,625)
Intergovernmental	93,926	384,452	333,676	(50,776)
Fines, Licenses and Permits	8,365	8,365	8,365	0
Donations	0	0	1,963	1,963
Other	456,235	368,284	226,781	(141,503)
<i>Total Revenues</i>	5,160,055	5,256,781	5,054,742	(202,039)
Expenditures				
Current:				
Security of Persons and Property:				
Police	8,025,542	8,112,247	7,120,152	992,095
<i>Excess of Revenues Under Expenditures</i>	(2,865,487)	(2,855,466)	(2,065,410)	790,056
Other Financing Sources				
Transfers In	2,360,487	2,350,466	2,215,429	(135,037)
Proceeds from Sale of Capital Assets	0	0	230	230
<i>Total Other Financing Sources</i>	2,360,487	2,350,466	2,215,659	(134,807)
<i>Net Change in Fund Balance</i>	(505,000)	(505,000)	150,249	655,249
<i>Fund Balance Beginning of Year</i>	505,000	505,000	505,000	0
<i>Fund Balance End of Year</i>	<u>\$0</u>	<u>\$0</u>	<u>\$655,249</u>	<u>\$655,249</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, 2020

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Municipal Income Taxes	\$1,789,762	\$1,763,436	\$1,763,397	(\$39)
Charges for Services	63,300	81,600	102,107	20,507
Other	220,000	316,026	181,480	(134,546)
<i>Total Revenues</i>	2,073,062	2,161,062	2,046,984	(114,078)
Expenditures				
Current:				
Security of Persons and Property:				
Fire	6,017,894	6,095,894	5,656,892	439,002
<i>Excess of Revenues Under Expenditures</i>	(3,944,832)	(3,934,832)	(3,609,908)	324,924
Other Financing Sources				
Transfers In	3,609,223	3,599,223	3,599,223	0
<i>Net Change in Fund Balance</i>	(335,609)	(335,609)	(10,685)	324,924
<i>Fund Balance Beginning of Year</i>	335,609	335,609	335,609	0
<i>Fund Balance End of Year</i>	<u>\$0</u>	<u>\$0</u>	<u>\$324,924</u>	<u>\$324,924</u>

See accompanying notes to the basic financial statements

City of Zanesville, Ohio
Statement of Fund Net Position
Proprietary Funds
December 31, 2020

	Business Type Activities - Enterprise Funds					Governmental Activities - Internal Service Funds
	Sewer	Water	Sanitation	Nonmajor	Total	
Assets						
Current:						
Equity in Pooled Cash and Cash Equivalents	\$5,628,057	\$1,085,901	\$720,094	\$972,655	\$8,406,707	\$944,772
Cash and Cash Equivalents with Fiscal Agents	20,000	0	0	0	20,000	0
Accounts Receivable	777,860	592,959	295,797	136,179	1,802,795	0
Intergovernmental Receivable	274	0	0	0	274	7,324
Interfund Receivable	0	0	0	0	0	268,108
Special Assessments Receivable	9,738	0	0	0	9,738	0
Materials and Supplies Inventory	246,731	489,121	0	0	735,852	161,085
Restricted Assets:						
Customer Deposits - Equity in Pooled Cash and Cash Equivalents	0	430,496	0	0	430,496	0
Prepaid Items	26,991	27,283	7,790	0	62,064	5,156
Total Current Assets	6,709,651	2,625,760	1,023,681	1,108,834	11,467,926	1,386,445
Noncurrent:						
Non-Depreciable Capital Assets	833,709	252,662	0	244,473	1,330,844	0
Depreciable Capital Assets, Net	37,483,461	21,114,060	602,066	2,561,961	61,761,548	3,817
Total Noncurrent Assets	38,317,170	21,366,722	602,066	2,806,434	63,092,392	3,817
Total Assets	45,026,821	23,992,482	1,625,747	3,915,268	74,560,318	1,390,262
Deferred Outflows of Resources						
Pension	313,142	334,016	146,132	0	793,290	83,503
OPEB	211,527	225,628	98,711	0	535,866	56,406
Asset Retirement Obligation	434,400	0	0	0	434,400	0
Total Deferred Outflows of Resources	959,069	559,644	244,843	0	1,763,556	139,909
Liabilities						
Current:						
Accounts Payable	69,429	36,072	11,723	107,363	224,587	29,182
Contracts Payable	58,161	24,520	0	136,030	218,711	0
Accrued Wages Payable	65,478	76,981	37,253	0	179,712	18,507
Intergovernmental Payable	29,284	30,623	13,352	0	73,259	6,582
Claims Payable	0	0	0	0	0	477,200
Interfund Payable	25,308	23,344	30,785	0	79,437	15,116
Compensated Absences Payable	63,567	60,284	42,003	0	165,854	16,269
OPWC Loans Payable	109,486	0	0	0	109,486	0
OWDA Loans Payable	878,898	492,352	0	66,867	1,438,117	0
Financed Purchases Payable	0	68,385	70,972	34,062	173,419	0
Current Liabilities Payable from Restricted Assets:						
Customer Deposits	0	430,496	0	0	430,496	0
Total Current Liabilities	1,299,611	1,243,057	206,088	344,322	3,093,078	562,856
Long-Term:						
Compensated Absences Payable	147,308	152,539	84,913	0	384,760	48,044
OPWC Loans Payable	1,437,174	0	0	0	1,437,174	0
OWDA Loans Payable	8,277,799	10,393,674	0	236,166	18,907,639	0
SIB Loan Payable	0	0	0	489,039	489,039	0
Financed Purchases Payable	0	215,115	0	0	215,115	0
Net Pension Liability	1,921,697	2,049,813	896,792	0	4,868,302	512,452
Net OPEB Liability	1,310,803	1,398,189	611,707	0	3,320,699	349,545
Asset Retirement Obligation Liability	560,000	0	0	0	560,000	0
Total Long-Term Liabilities	13,654,781	14,209,330	1,593,412	725,205	30,182,728	910,041
Total Liabilities	14,954,392	15,452,387	1,799,500	1,069,527	33,275,806	1,472,897
Deferred Inflows of Resources						
Pension	418,522	446,421	195,311	0	1,060,254	111,606
OPEB	190,924	203,650	89,098	0	483,672	50,912
Total Deferred Inflows of Resources	609,446	650,071	284,409	0	1,543,926	162,518
Net Position (Deficit)						
Net Investment in Capital Assets	27,555,652	10,172,676	531,094	1,780,090	40,039,512	3,817
Unrestricted	2,866,400	(1,723,008)	(744,413)	1,065,651	1,464,630	(109,061)
Total Net Position (Deficit)	\$30,422,052	\$8,449,668	(\$213,319)	\$2,845,741	41,504,142	(\$105,244)

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	(618,695)
	\$40,885,447

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, 2020*

	Business Type Activities - Enterprise Funds					Governmental Activities - Internal Service Funds
	Sewer	Water	Sanitation	Nonmajor	Total	
Operating Revenues						
Charges for Services	\$6,814,784	\$5,606,012	\$2,123,438	\$1,152,749	\$15,696,983	\$6,180,792
Other Operating Revenues	104,016	0	92,996	0	197,012	16,705
<i>Total Operating Revenues</i>	<u>6,918,800</u>	<u>5,606,012</u>	<u>2,216,434</u>	<u>1,152,749</u>	<u>15,893,995</u>	<u>6,197,497</u>
Operating Expenses						
Salaries and Wages	1,638,146	1,591,997	772,312	0	4,002,455	409,879
Fringe Benefits	1,195,159	1,171,353	401,748	0	2,768,260	256,663
Contractual Services	1,985,880	1,588,036	750,993	85,289	4,410,198	690,762
Materials and Supplies	489,478	511,051	53,793	0	1,054,322	924,776
Claims	0	0	0	0	0	4,344,713
Depreciation and Amortization	1,209,530	1,188,194	98,230	77,737	2,573,691	0
<i>Total Operating Expenses</i>	<u>6,518,193</u>	<u>6,050,631</u>	<u>2,077,076</u>	<u>163,026</u>	<u>14,808,926</u>	<u>6,626,793</u>
<i>Operating Income (Loss)</i>	<u>400,607</u>	<u>(444,619)</u>	<u>139,358</u>	<u>989,723</u>	<u>1,085,069</u>	<u>(429,296)</u>
Non-Operating Revenues (Expenses)						
Intergovernmental	33,799	0	0	0	33,799	0
Gain on Sale of Capital Assets	3,746	11,980	333	0	16,059	0
Other Non-Operating Revenues	0	78,018	0	0	78,018	0
Interest and Fiscal Charges	(387,471)	(265,582)	(3,089)	(17,340)	(673,482)	0
<i>Total Non-Operating Revenues (Expenses)</i>	<u>(349,926)</u>	<u>(175,584)</u>	<u>(2,756)</u>	<u>(17,340)</u>	<u>(545,606)</u>	<u>0</u>
<i>Income (Loss) Before Contributions and Transfers</i>	<u>50,681</u>	<u>(620,203)</u>	<u>136,602</u>	<u>972,383</u>	<u>539,463</u>	<u>(429,296)</u>
Capital Contributions from Other Funds	0	581,000	0	0	581,000	0
Transfers	0	0	0	0	0	116,163
<i>Change in Net Position</i>	<u>50,681</u>	<u>(39,203)</u>	<u>136,602</u>	<u>972,383</u>	<u>1,120,463</u>	<u>(313,133)</u>
<i>Net Position (Deficit) Beginning of Year - Restated (See Note 3)</i>	<u>30,371,371</u>	<u>8,488,871</u>	<u>(349,921)</u>	<u>1,873,358</u>		<u>207,889</u>
<i>Net Position (Deficit) End of Year</i>	<u>\$30,422,052</u>	<u>\$8,449,668</u>	<u>(\$213,319)</u>	<u>\$2,845,741</u>		<u>(\$105,244)</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 busiess-type activities	(200,357)
	\$920,106

See accompanying notes to the basic financial statements

City of Zanesville, Ohio
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2020

	Business Type Activities - Enterprise Funds				Total Funds	Governmental Activities - Internal Service Funds
	Sewer	Water	Sanitation	Nonmajor		
Increase (Decrease) in Cash and Cash Equivalents						
Cash Flows from Operating Activities:						
Cash Received from Customers	\$6,802,377	\$5,562,142	\$2,116,928	\$1,127,720	\$15,609,167	\$0
Cash Received from Transactions with Other Funds	0	0	0	0	0	6,267,499
Cash Payments for Employee Services and Benefits	(2,570,585)	(2,504,899)	(1,029,967)	0	(6,105,451)	(576,530)
Cash Payments to Suppliers for Goods and Services	(2,495,999)	(2,121,740)	(802,424)	(54,789)	(5,474,952)	(1,447,182)
Other Operating Revenues	117,749	0	102,274	0	220,023	20,375
Cash Payments for Claims	0	0	0	0	0	(4,471,013)
Other Non-Operating Revenues	0	190,763	0	0	190,763	0
Customer Deposits Returned	0	(89,906)	0	0	(89,906)	0
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u>1,853,542</u>	<u>1,036,360</u>	<u>386,811</u>	<u>1,072,931</u>	<u>4,349,644</u>	<u>(206,851)</u>
Cash Flows from Capital and Related Financing Activities:						
Acquisition of Capital Assets	(697,822)	(546,116)	(173,628)	(41,080)	(1,458,646)	0
Capital Grants	0	40,591	0	0	40,591	0
Proceeds from Sale of Capital Assets	3,746	11,980	333	0	16,059	0
Loan Proceeds	441,549	181,000	0	0	622,549	0
Principal Paid on Financed Purchase	0	(75,393)	(69,444)	(14,354)	(159,191)	0
Principal Paid on Debt	(979,167)	(655,284)	0	(221,231)	(1,855,682)	0
Interest Paid on Debt	(387,471)	(265,582)	(3,089)	(17,340)	(673,482)	0
<i>Net Cash Used for Capital and Related Financing Activities</i>	<u>(1,619,165)</u>	<u>(1,308,804)</u>	<u>(245,828)</u>	<u>(294,005)</u>	<u>(3,467,802)</u>	<u>0</u>
Cash Flows from Non-Capital and Related Financing Activities:						
Operating Grants	33,799	0	97,505	0	131,304	0
Operating Transfers In	0	0	0	0	0	116,163
<i>Net Cash Provided by Non-Capital and Related Financing Activities</i>	<u>33,799</u>	<u>0</u>	<u>97,505</u>	<u>0</u>	<u>131,304</u>	<u>116,163</u>
<i>Net Increase in Cash and Cash Equivalents</i>	<u>268,176</u>	<u>(272,444)</u>	<u>238,488</u>	<u>778,926</u>	<u>1,013,146</u>	<u>(90,688)</u>
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>5,379,881</u>	<u>1,788,841</u>	<u>481,606</u>	<u>193,729</u>	<u>7,844,057</u>	<u>1,035,460</u>
<i>Cash and Cash Equivalents End of Year</i>	<u>\$5,648,057</u>	<u>\$1,516,397</u>	<u>\$720,094</u>	<u>\$972,655</u>	<u>\$8,857,203</u>	<u>\$944,772</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:						
<i>Operating Income (Loss)</i>	\$400,607	(\$444,619)	\$139,358	\$989,723	\$1,085,069	(\$429,296)
Adjustments:						
Depreciation and Amortization	1,209,530	1,188,194	98,230	77,737	2,573,691	0
Other Non-Operating Revenues	0	78,018	0	0	78,018	0
(Increase)/Decrease in Assets and Deferred Outflows of Resources:						
Accounts Receivable	(11,938)	(43,870)	(6,510)	(25,029)	(87,347)	0
Intergovernmental Receivable	13,733	0	9,278	0	23,011	5,638
Interfund Receivable	0	0	0	0	0	84,739
Special Assessments Receivable	(469)	0	0	0	(469)	0
Materials and Supplies Inventory	(8,386)	17,646	0	0	9,260	169,704
Prepaid Items	(11,854)	(12,055)	(4,987)	0	(28,896)	(3,482)
Deferred Outflows - Pension	391,373	417,465	182,641	0	991,479	104,366
Deferred Outflows - OPEB	186,613	199,054	87,086	0	472,753	49,763
Deferred Outflows - Asset Retirement Obligation	11,200	0	0	0	11,200	0
Increase/(Decrease) in Liabilities and Deferred Inflows of Resources:						
Accounts Payable	(4,476)	(25,821)	(4,064)	40,000	5,639	2,382
Contracts Payable	0	0	0	(9,500)	(9,500)	0
Accrued Wages Payable	(4,561)	15,077	12,212	0	22,728	2,655
Intergovernmental Payable	(2,938)	4,961	3,617	0	5,640	38
Interfund Payable	7,873	(2,423)	11,413	0	16,863	13,024
Customer Deposits Payable	0	22,839	0	0	22,839	0
Claims Payable	0	0	0	0	0	(126,300)
Deferred Inflows - Pension	(347,204)	(370,349)	(162,029)	0	(879,582)	(92,586)
Deferred Inflows - OPEB	(125,844)	(134,234)	(58,726)	0	(318,804)	(33,557)
Net Pension Liability	43,537	46,439	20,317	0	110,293	11,610
Net OPEB Liability	79,764	85,082	37,223	0	202,069	21,269
Compensated Absences Payable	26,982	(5,044)	21,752	0	43,690	13,182
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u>\$1,853,542</u>	<u>\$1,036,360</u>	<u>\$386,811</u>	<u>\$1,072,931</u>	<u>\$4,349,644</u>	<u>(\$206,851)</u>

At December 31, 2019, the City had contracts payable related to the purchase of capital assets of \$52,002 in the Sewer Enterprise Fund.

At December 31, 2020, the City had contracts payable related to the purchase of capital assets of \$58,161 in the Sewer Enterprise Fund.

During 2020, the Water Fund entered into a financed purchase which resulted in a non-cash transaction in the amount of \$358,893. In addition, the Water Fund received assets donated from governmental funds in the amount of \$581,000.

At December 31, 2019, the City had contracts payable and retainage payable related to the purchase of capital assets of \$10,012 and \$121,758 in the Water Enterprise Fund.

At December 31, 2020, the City had contracts payable related to the purchase of capital assets of \$24,520 in the Water Enterprise Fund.

At December 31, 2020, the City had accounts payable and contracts payable related to the purchase of capital assets of \$136,030 and \$67,363, respectively in the Nonmajor Enterprise Fund.

See accompanying notes to the basic financial statements

City of Zanesville, Ohio
Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2020

	Private Purpose Trust Funds	Custodial Funds
Assets		
Equity in Pooled Cash and Cash Equivalents	\$24,569	\$545,417
Cash and Cash Equivalents in Segregated Accounts	0	56,348
Accrued Interest Receivable	4	0
Accounts Receivable	0	73,121
<i>Total Assets</i>	24,573	674,886
Liabilities		
Accounts Payable	0	14,484
Intergovernmental Payable	0	556,174
<i>Total Liabilities</i>	0	570,658
Net Position		
Restricted for Private Purposes	24,573	0
Restricted for Individuals, Organizations, and Other Governments	0	104,228
<i>Total Net Position</i>	\$24,573	\$104,228

See accompanying notes to the basic financial statements

City of Zanesville, Ohio
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended December 31, 2020

	Private Purpose Trust Funds	Custodial Funds
Additions		
Fines and Forfeitures for Other Governments	\$0	\$435,444
Income Tax Collections for Other Governments	0	1,745,137
Contributions from Individuals	0	114,865
	<hr/>	<hr/>
<i>Total Additions</i>	0	2,295,446
	<hr/>	<hr/>
Deductions		
Distributions to the State of Ohio	0	123,819
Distributions to Other Governments	0	1,760,138
Distributions to Individuals	0	342,088
Miscellaneous	0	49,076
	<hr/>	<hr/>
<i>Total Deductions</i>	0	2,275,121
	<hr/>	<hr/>
<i>Change in Net Position</i>	0	20,325
	<hr/>	<hr/>
<i>Net Position Beginning of Year</i>	24,573	83,903
	<hr/>	<hr/>
<i>Net Position End of Year</i>	\$24,573	\$104,228
	<hr/> <hr/>	<hr/> <hr/>

See accompanying notes to the basic financial statements

City of Zanesville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

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. The Zanesville Community Improvement Corporation acts as an agent for the City. With the implementation of Governmental Accounting Standard Board (GASB) Statement No. 61, "The Financial Reporting Entity: Omnibus", the City determined it is not misleading to exclude the component unit as they do not have a measurable influence on the City's financial statements for the year.

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

Ohio Mid-Eastern Governments Association (OMEGA)
Zanesville/Muskingum County Port Authority
Zanesville/Muskingum Convention 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 20.

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

City of Zanesville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

The City is involved with the following organization which is defined as a related organization. Additional information concerning the related organization is presented in Note 21.

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.

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. Custodial funds are reported by type.

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.

City of Zanesville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

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

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

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

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

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

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

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

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

Sanitation Fund The Sanitation Fund is used to account for the revenues generated from the charges for refuse collections to the residential and commercial users of the City.

The other nonmajor enterprise fund of the City accounts for the revenues generated from the charges to maintain the storm water system 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. The fiduciary fund category is split into four classifications: pension (and other employee benefit) trust funds, investment trust funds, private purpose trust funds, and custodial funds. Trust funds are distinguished from custodial funds by the existence of a trust agreement or equivalent arrangement that has certain characteristics. The City's private purpose trust funds are used to hold in trust monies that do not benefit the City. Custodial funds are used to report fiduciary activities that are not required to be reported in a trust fund.

City of Zanesville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

The City's fiduciary funds are custodial funds. The City's custodial funds account for amounts collected and distributed on behalf of another government for the Joint Economic Development District's, amounts collected and distributed by the municipal court that are paid to other governments, and amounts collected and distributed for inmates housed in the City jail.

Measurement Focus

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

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

Like the government-wide statements, all proprietary and fiduciary 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. In fiduciary funds, a liability to the beneficiaries of fiduciary activity is recognized when an event has occurred that compels the government to disburse fiduciary resources. Fiduciary fund liabilities other than those to beneficiaries are recognized using the economic resources measurement focus.

For proprietary funds, the statement of changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net total position. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary activities.

Fiduciary funds present a statement of changes in fiduciary net position which reports additions to and deductions from private purpose trust funds and custodial funds.

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 and the statements presented for proprietary and fiduciary funds are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, in the recording of deferred outflows/inflows of resources, and in the presentation of expenses versus expenditures.

City of Zanesville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

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.

Deferred Outflows/Inflows of Resources In addition to assets, the statements 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 the deferred charges on refundings, asset retirement obligations, pension and OPEB. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows of resources related to asset retirement obligations is originally measured at the amount of the corresponding liability. This amount is expensed in a systematic and rational manner over the tangible asset's useful life. The deferred outflows of resources related to pension and OPEB plans are explained in Notes 13 and 14.

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, payments in lieu of taxes, pension, OPEB, leases, and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2020, but which were levied to finance 2021 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. The deferred inflow for leases is related to the leases receivable and is being amortized to leases revenue in a systematic and rational manner over the term of the lease. 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, municipal income taxes, charges for services, fines, licenses and permits, franchise tax, intergovernmental revenues, investment earnings, and other revenues. 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 and OPEB plans are reported on the government-wide statement of net position. (See Notes 13 and 14)

City of Zanesville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

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.

Budget Process

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

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

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

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 at the time they are purchased by the City are considered to be cash equivalents. Investments with an original maturity of more than three months are reported as investments.

During 2020, investments were limited to federal agency securities, municipal bonds, money markets, negotiable certificates of deposit, and the State Treasury Asset Reserve of Ohio (STAR Ohio).

City of Zanesville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

During 2020, the City invested in STAR Ohio. STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, *Certain External Investment Pools and Pool Participants*. The City measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For 2020, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, twenty-four hours advance notice is appreciated for deposits and withdrawals of \$100 million or more. STAR Ohio reserves the right to limit the transactions to \$100 million per day, requiring the excess amount to be transacted the following business day(s), but only to the \$100 million limit. All accounts of the participant will be combined for these purposes.

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 2020 amounted to \$365,658, which includes \$294,390 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.

The City has monies on hand at a fiscal agent which represents loan principal that was paid to the Ohio Water Development Authority (OWDA) for a project which has yet to be started. These monies are presented as "Cash and Cash Equivalents with Fiscal Agent" as they are held outside of the City's treasury.

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.

City of Zanesville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

Inventory

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

Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2020, 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.

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

City of Zanesville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

Compensated Absences

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

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 and compensated absences 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. Net pension/OPEB liability should be recognized in the governmental funds to the extent that benefit payments are due and payable and the pension/OPEB plan's fiduciary net position is not sufficient for payment of those benefits.

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).

City of Zanesville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

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

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

Assigned Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by City Council or a City official delegated that authority by City Charter or ordinance, or by State Statute. The City Council assigned fund balance to cover the gap between the estimated resources and appropriations in the 2021's appropriated budget.

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.

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.

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

City of Zanesville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

Pensions/Other Postemployment Benefits (OPEB)

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

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, water, and storm 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.

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.

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.

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.

City of Zanesville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

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.

Unearned Revenue

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. The City recognizes unearned revenue for intergovernmental revenue from grants received before the eligibility requirements are met.

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 PRINCIPLE AND RESTATEMENT OF NET POSITION

For 2020, the City implemented the Governmental Accounting Standard Board's (GASB) Statement No. 83, Certain Asset Retirement Obligations. GASB Statement 83 addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. The implementation of GASB Statement No. 83 had the following effect on net position as of December 31, 2019:

Restatement of Net Position

The implementation of GASB Statement No. 83 had the following effect on net position as of December 31, 2019:

	Governmental Activities	Business Type Activities
Net Position December 31, 2019	(\$1,254,254)	\$40,079,741
Adjustments:		
GASB Statement 83	0	(114,400)
Restated Net Position December 31, 2019	(\$1,254,254)	\$39,965,341

	Sewer	Water	Sanitation	Nonmajor	Total Enterprise
Net Position December 31, 2019	\$30,485,771	\$8,488,871	(\$349,921)	\$1,873,358	\$40,498,079
Adjustments:					
GASB Statement 83	(114,400)	0	0	0	(114,400)
Restated Net Position December 31, 2019	\$30,371,371	\$8,488,871	(\$349,921)	\$1,873,358	\$40,383,679

City of Zanesville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

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. 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.
4. Notes issued are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

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

Net Change in Fund Balance

	<u>General</u>	<u>Police Expenditure</u>	<u>Fire Operating</u>
GAAP Basis	(\$424,433)	\$192,332	\$84,342
Net Adjustment for Revenue Accruals	(132,627)	(79,244)	(277,456)
Beginning of Year:			
Unrecorded Cash	31,816	0	0
Unrecorded Interest	115,913	0	0
Difference in Fair Market Value	795,787	0	0
Prepaid Items	21,687	29,536	14,543
Segregated Accounts	17,070	0	0
End of Year:			
Unrecorded Cash	(3,932)	0	0
Unrecorded Interest	(148,248)	0	0
Difference in Fair Market Value	(1,119,195)	0	0
Prepaid Items	(55,243)	(63,203)	(42,801)
Segregated Accounts	(16,368)	0	0
Net Adjustment for Expenditure Accruals	(239,689)	70,828	210,687
Notes Issued	1,512,300	0	0
Budget Basis	<u>\$354,838</u>	<u>\$150,249</u>	<u>(\$10,685)</u>

City of Zanesville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

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:

Fund Balances	General	Police Expenditures	Fire Operating	Other Governmental	Total
Nonspendable:					
Prepays	\$55,243	\$63,203	\$42,801	\$32,516	\$193,763
Cemetery Endowments	0	0	0	679,207	679,207
Unclaimed Monies	18,545	0	0	0	18,545
Materials and Supplies					
Inventory	1,667	625	0	195,032	197,324
<i>Total Nonspendable</i>	<u>75,455</u>	<u>63,828</u>	<u>42,801</u>	<u>906,755</u>	<u>1,088,839</u>
Restricted for:					
Street	0	0	0	510,604	510,604
Cemetery Operations	0	0	0	230,927	230,927
Community Development	0	0	0	275,263	275,263
Jail Operations	0	0	0	659,227	659,227
Police Operations	0	675,816	0	308,536	984,352
Fire Operations	0	0	117,726	42,835	160,561
Court Operations	0	0	0	574,505	574,505
Airport Operations	0	0	0	232,512	232,512
Debt Service	0	0	0	42	42
Capital Improvements	0	0	0	916,321	916,321
<i>Total Restricted</i>	<u>0</u>	<u>675,816</u>	<u>117,726</u>	<u>3,750,772</u>	<u>4,544,314</u>
Committed for:					
Capital Improvements	0	0	0	14,827	14,827
Auditorium Operating	0	0	0	127,372	127,372
<i>Total Committed</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>142,199</u>	<u>142,199</u>
Assigned to:					
Assigned to Subsequent Year's Appropriations	3,020,000	0	0	0	3,020,000
Unassigned:	1,296,588	0	0	0	1,296,588
<i>Total Fund Balances</i>	<u>\$4,392,043</u>	<u>\$739,644</u>	<u>\$160,527</u>	<u>\$4,799,726</u>	<u>\$10,091,940</u>

NOTE 6 - DEPOSITS AND INVESTMENTS

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

Active deposits are public monies determined to be necessary to meet current demands upon the City treasury. Active 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.

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

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

Protection of the City's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, or by the financial institutions 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.

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 including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances (for a period not to exceed one hundred eighty days) and commercial paper notes (for a period not to exceed two hundred seventy 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.

City of Zanesville, Ohio
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Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the City, and must be purchased with the expectation that it will be held to maturity.

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

Protection of the City's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, or by the financial institutions 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.

At December 31, 2020, the City's sewer fund had a balance of \$20,000 with fiscal agent. The cash balance was held under the control of the Ohio Water Development Authority (OWDA). These monies represents loan principal that was paid to the Ohio Water Development Authority (OWDA) for a project which has yet to be started.

Investments

Investments are reported at fair value. As of December 31, 2020, the City had the following investments:

Measurement/Investment	Measurement Amount	Maturity	Moody's Ratings	Percent of Total Investments
Net Asset Value Per Share:				
Star Ohio	\$6,152,833	Average 56 Days	Aaa	32.69%
Fair Value - Level One Inputs				
United States Money Market	1,279,889	Less than one year	n/a	6.80%
First American Treasury Money Market	54,281	Less than one year	n/a	0.29%
<i>Total Fair Value - Level One Inputs</i>	<u>1,334,169</u>			
Fair Value - Level Two Inputs				
Municipal Bonds	482,912	Less than one year	Aa2	2.57%
Federal Farm Credit Bank Bonds	1,385,069	Less than five years	Aaa	7.36%
Federal Home Loan Mortgage Corporation Notes	400,545	Less than five years	Aaa	2.13%
Federal National Mortgage Association Notes	632,478	Less than four years	Aaa	3.36%
Negotiable Certificates of Deposit	8,433,138	Less than five years	n/a	44.80%
<i>Total Fair Value - Level Two Inputs</i>	<u>11,334,142</u>			
Total	<u><u>\$18,821,145</u></u>			

City of Zanesville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

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 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, 2020. The Money Market Mutual Fund is measured at fair value and is valued using quoted market prices (Level 1 inputs). Other than STAR Ohio and the Money Markets, all of the City's remaining investments are measured at fair value and are valued using methodologies that incorporate market inputs such as benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers and reference data including market research publications. Market indicators and industry and economic events are also monitored, which could require the need to acquire further market data. (Level 2 inputs).

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 2020 for real and public utility property taxes represents collections of 2019 taxes.

2020 real property taxes are levied after October 1, 2020, on the assessed value as of January 1, 2020, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2020 real property taxes are collected in and intended to finance 2021.

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. 2020 public utility property taxes become a lien December 31, 2020, are levied after October 1, 2020, and are collected in 2021 with real property taxes.

City of Zanesville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

The full tax rate for all City operations for the year ended December 31, 2020, was \$3.40 per \$1,000 of assessed value. The assessed values of real property and public utility property upon which 2020 property tax receipts were based are as follows:

Real Property	\$382,836,900
Public Utility Real Property	19,701,000
	<u>\$402,537,900</u>

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the City of Zanesville. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real and public utility taxes which are measurable as of December 31, 2020, and for which there is an enforceable legal claim. In the governmental funds, the portion of the receivable not levied to finance 2020 operations is offset to deferred inflows of resources – property taxes. On the accrual basis, delinquent collectible property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been reported as deferred inflows of resources – unavailable revenue.

NOTE 8 - TAX ABATEMENTS

As of December 31, 2020, 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 one CRA 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 three 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.

City of Zanesville, Ohio
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Below is the information relevant to the disclosure of those programs for the year ended December 31, 2020.

Tax Abatement Program	Amount of 2020 Taxes Abated
<i>Community Reinvestment Area (CRA)</i>	
Greenwood Homes LLC	\$34,071
 <i>Enterprise Zone Tax Exemptions</i>	
JD Equipment Inc and Lyman Drive Group LLC	4,802
Store IT	14,493

NOTE 9 - RECEIVABLES

Receivables at December 31, 2020, consisted of taxes, payments in lieu of taxes, permissive motor vehicle license, special assessments, accounts (billings for user charged services including unbilled utility services), interfund, accrued interest, loans, leases, 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 \$15,905. 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 \$9,639. A summary of the principal items of intergovernmental receivables follows:

Governmental Activities:	
Community Development Block Grant	\$664,606
Gasoline Tax and Motor Vehicle License	638,231
Local Government	422,741
Airport Grant	340,222
Homestead and Rollback	56,416
Probation Grant	33,510
State of Ohio Grants for Police	15,077
Muskingum County Reimbursement	529
Environmental Protection Agency Brownfield Grant	1,632
Miscellaneous	10,895
Total Governmental Activities	2,183,859
 Business-Type Activities:	
Muskingum County Reimbursement	274
Total Intergovernmental Receivables	\$2,184,133

City of Zanesville, Ohio
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Payments in Lieu of Taxes

Historically, the City has entered into Tax Increment Financing Agreements with various developers for the purpose of constructing several retail and commercial centers.

To encourage these improvements, the property owners are granted an exemption from paying real property taxes on the new construction; however, the property owner is required to make payments in lieu of taxes. Payment in lieu of taxes are made to Muskingum County and distributed to the City in an amount equal to the real property taxes that otherwise would have been due in that current year. These payments are being used to finance public improvements, payment in lieu of taxes are receipted in the appropriate Tax Increment Financing Fund for the area in which the improvements can be made, and will continue over thirty years.

A receivable of \$639,038 has been recorded for the City of Zanesville 146 Connector, Harbor Freight, and the Dutro Real Estate Tax Increment Financing Agreements. This amount represents the amount measurable at December 31, 2020. The City is not able to record a receivable for all future payments because payments are based upon projected collections.

Leases Receivable

The City is reporting Leases Receivable of \$777,445 at December 31, 2020. For 2020, the City reported lease revenue of \$106,890 and interest revenue of \$7,611 related to lease payments received. A description of the City's leasing arrangements is as follows:

Airport Lease - On July 18, 2003, the City entered into a forty-five year lease agreement with Southeastern Ohio Air Service, Inc. for the lease of real property that is part of the Zanesville Municipal Airport. Based on this agreement, the City is receiving monthly payments through 2048.

A summary of the future principal and interest to be received is as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2021	\$7,905	\$494
2022	8,126	274
2023	7,983	817
2024	7,455	2,145
2025	7,662	1,938
2026-2030	41,634	6,366
2031-2035	41,874	8,927
2036-2040	40,827	13,173
2041-2045	46,838	7,162
2046-2048	27,740	1,061
	<u>\$238,044</u>	<u>\$42,357</u>

City of Zanesville, Ohio
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Freight Shop Lease - On November 15, 1989, the City entered into a fifty-one year lease agreement with JanEight, LLC for the lease of real property (land and buildings) for retail stores that were formerly used as the New York Central Freight Station. Based on this agreement, the City is receiving monthly payments through 2040.

A summary of the future principal and interest to be received is as follows:

Year	Principal	Interest
2021	\$1,606	\$3,416
2022	1,703	3,318
2023	1,806	3,215
2024	1,916	3,106
2025	2,032	2,990
2026-2030	12,163	12,943
2031-2035	16,325	8,783
2036-2040	21,073	3,198
	<u>\$58,624</u>	<u>\$40,969</u>

Columbia Gas Lease – On January 1, 2016, the City entered into a ten year lease agreement with Columbia Gas of Ohio, Inc. for the lease of a building. Based on this agreement, the City is receiving monthly payments through 2025.

A summary of the future principal and interest to be received is as follows:

Year	Principal	Interest
2021	\$78,791	\$10,611
2022	80,815	9,269
2023	83,273	6,811
2024	85,806	4,278
2025	88,416	1,668
2026	7,489	19
	<u>\$424,590</u>	<u>\$32,656</u>

Kessler Sign Lease - On April 1, 2015, the City entered into a five year lease agreement with Kessler Sign Company for the lease of a land to place a billboard. Based on this agreement, the City received the final monthly payments in 2020.

Law Director Office Lease - On January 1, 2020, the City entered into a four year lease agreement with City Law Director for the lease of an office within the municipal building. Based on this agreement, the City received monthly payments through 2023.

Year	Principal	Interest
2021	\$4,448	\$352
2022	4,583	217
2023	4,723	77
	<u>\$13,754</u>	<u>\$646</u>

City of Zanesville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

Softball Complex Lease - On January 1, 2020, the City entered into a three year lease agreement with District 11 Softball, LLC for the lease of a land and facilities at the City's Riverside Park Softball Complex. Based on this agreement, the City received annual payments through 2022.

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2021	\$7,651	\$349
2022	9,804	196
	<u>\$17,455</u>	<u>\$545</u>

Farming Lease - On June 1, 2020, the City entered into a five year lease agreement with a local farmer for farming rights at the Zanesville Municipal Airport. Based on this agreement, the City received annual payments through 2023.

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2021	\$6,060	\$500
2022	6,182	378
2023	6,305	255
2024	6,431	129
	<u>\$24,978</u>	<u>\$1,262</u>

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.

City of Zanesville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

NOTE 11 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2020, was as follows:

	Balance 12/31/2019	Increases	Decreases	Transfers	Balance 12/31/2020
Governmental Activities:					
Capital Assets not being Depreciated:					
Land	\$1,188,231	\$297,623	\$0	\$0	\$1,485,854
Construction in Progress	58,213	813,278	(472,532)	0	398,959
Total Capital Assets not being Depreciated	<u>1,246,444</u>	<u>1,110,901</u>	<u>(472,532)</u>	<u>0</u>	<u>1,884,813</u>
Capital Assets being Depreciated:					
Buildings and Improvements	19,948,989	7,868	0	(600,000)	19,356,857
Machinery and Equipment	4,238,981	320,411	0	0	4,559,392
Vehicles	5,788,737	754,767	(121,575)	0	6,421,929
Intangible Right to Use Lease - Property	24,000	0	0	0	24,000
Infrastructure	24,610,901	472,532	0	0	25,083,433
Total Capital Assets being Depreciated	<u>54,611,608</u>	<u>1,555,578</u>	<u>(121,575)</u>	<u>(600,000)</u>	<u>55,445,611</u>
Less Accumulated Depreciation and Amortization:					
Buildings and Improvements	(12,745,936)	(433,543)	0	19,000	(13,160,479)
Machinery and Equipment	(2,504,163)	(228,994)	0	0	(2,733,157)
Vehicles	(4,376,514)	(311,466)	121,575	0	(4,566,405)
Intangible Right to Use Lease - Property	(4,000)	(11,000)	0	0	(15,000)
Infrastructure	(12,435,502)	(1,091,686)	0	0	(13,527,188)
Total Accumulated Depreciation and Amortization	<u>(32,066,115)</u>	<u>(2,076,689) *</u>	<u>121,575</u>	<u>19,000</u>	<u>(34,002,229)</u>
Total Capital Assets being Depreciated, Net	<u>22,545,493</u>	<u>(521,111)</u>	<u>0</u>	<u>(581,000)</u>	<u>21,443,382</u>
Governmental Activities Capital Assets, Net	<u><u>\$23,791,937</u></u>	<u><u>\$589,790</u></u>	<u><u>(\$472,532)</u></u>	<u><u>(\$581,000)</u></u>	<u><u>\$23,328,195</u></u>

*Of this amount, \$11,000 is presented as amortization expense on the Statement of Activities and Net Position related to the City's intangible asset of property that the Police Department is using as an impound lot, which is included in the above table as Intangible Right to Use Lease. With the implementation of Governmental Accounting Standards Board Statement No. 87, *Leases*, a lease meeting the criteria of this statement requires the lessee to recognize a lease liability and an intangible right to use asset. Depreciation and amortization expense was charged to governmental programs as follows:

General Government - Legislative and Executive	\$99,431
Security of Persons and Property:	
Police	191,895
Fire	235,345
Public Health Services	33,052
Community Environment	1,009
Transportation	1,337,750
Leisure Time Activities	178,207
Total Depreciation Expense	<u><u>\$2,076,689</u></u>

Transfers of buildings and improvements include \$600,000 transferred to business-type activities. For the transferred building the accumulated depreciation was \$19,000 as of the date of the transfer.

City of Zanesville, Ohio
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For the Year Ended December 31, 2020

	Balance 12/31/2019	Increases	Decreases	Transfers	Balance 12/31/2020
Business-Type Activities:					
Capital Assets not being Depreciated:					
Land	\$233,184	\$0	\$0	\$0	\$233,184
Construction in Progress	580,534	673,602	(156,476)	0	1,097,660
Total Capital Assets not being Depreciated	813,718	673,602	(156,476)	0	1,330,844
Capital Assets being Depreciated:					
Buildings and Improvements	36,621,528	71,329	0	600,000	37,292,857
Machinery and Equipment	13,490,247	494,492	0	0	13,984,739
Vehicles	2,550,983	836,894	(226,112)	0	3,161,765
Intangible Right to Use Lease - Vehicle	94,479	0	(94,479)	0	0
Infrastructure	47,832,470	0	0	0	47,832,470
Total Capital Assets being Depreciated	100,589,707	1,402,715	(320,591)	600,000	102,271,831
Less Accumulated Depreciation and Amortization:					
Buildings and Improvements	(10,600,367)	(715,472)	0	(19,000)	(11,334,839)
Machinery and Equipment	(11,070,939)	(704,310)	0	0	(11,775,249)
Vehicles	(1,582,663)	(194,002)	226,112	0	(1,550,553)
Intangible Right to Use Lease - Vehicle	(94,479)	0	94,479	0	0
Infrastructure	(14,889,735)	(959,907)	0	0	(15,849,642)
Total Accumulated Depreciation and Amortization	(38,238,183)	(2,573,691)	320,591	(19,000)	(40,510,283)
Total Capital Assets being Depreciated, Net	62,351,524	(1,170,976)	0	581,000	61,761,548
Business-Type Activities Capital Assets, Net	\$63,165,242	(\$497,374)	(\$156,476)	\$581,000	\$63,092,392

Transfers of buildings and improvements include \$600,000 transferred from governmental activities. For the transferred building the accumulated depreciation was \$19,000 as of the date of the transfer.

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, 2020, 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 with a \$5,000 deductible. 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.

City of Zanesville, Ohio
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U.S. Specialty Insurance Company provides vehicle fleet insurance which is maintained in the amount of \$1,000,000, covering bodily injury and property damage. Uninsured and underinsured motorist is covered up to \$1,000,000. 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.

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.

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

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

ACE Property and Casualty 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 \$477,200 reported at December 31, 2020, 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 2019 and 2020 were:

	Balance at Beginning of Year	Current Year Claims	Claims Payments	Balance at End of Year
2019	\$789,100	\$4,796,254	\$4,981,854	\$603,500
2020	603,500	4,344,713	4,471,013	477,200

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 2020 claims paid by the Bureau of Workers' Compensation,

City of Zanesville, Ohio
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For the Year Ended December 31, 2020

the City will reimburse the State for claims paid on the City's behalf. This payable is reclassified from claims payable to intergovernmental payable.

Participation in the plan is approved on a yearly basis and is limited to entities that can meet the plan's selection criteria. The City contracts with the firm of Comp Management, Inc. to provide administrative, costs controls, and actuarial services for the plan. Incurred but not reported, incurred but not paid, and premiums have been accrued as liabilities at December 31, 2020, based on an estimate by the City Auditor's office and the Bureau of Workers' Compensation.

NOTE 13 - DEFINED BENEFIT PENSION PLANS

The Statewide retirement systems provide both pension benefits and other postemployment benefits (OPEB).

Net Pension Liability / Net OPEB Liability

The net pension liability and the net OPEB liability reported on the statement of net position represent liabilities to employees for pensions and OPEB, respectively. Pensions/OPEB are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions/OPEB 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/OPEB liability represent the City's proportionate share of each pension/OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension/OPEB plan's fiduciary net position. The net pension/OPEB 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 these estimates 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 and OPEB.

GASB 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires funding to come from these employers. All pension contributions to date have come solely from these employers (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within 30 years. If the pension amortization period exceeds 30 years, each retirement system's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability. Resulting adjustments to the net pension/OPEB liability would be effective when the changes are legally enforceable. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients.

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For the Year Ended December 31, 2020

The proportionate share of each plan’s unfunded benefits is presented as a long-term *net pension/OBEB liability* on the accrual basis of accounting. Any liability for the contractually-required pension/OPEB contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting. The remainder of this note includes the required pension disclosures. See Note 14 for the required OPEB disclosures.

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 combination cost-sharing, multiple-employer defined benefit/defined contribution pension plan. Participating employers are divided into state, local, law enforcement and public safety divisions. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the traditional plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional and combined plans. 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 in the traditional and combined plans 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 and combined plans as per the reduced benefits adopted by SB 343 (see OPERS Comprehensive Annual Financial Report 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
Traditional Plan 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	Traditional Plan 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	Traditional Plan 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
Combined Plan Formula: 1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30	Combined Plan Formula: 1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30	Combined Plan Formula: 1% of FAS multiplied by years of service for the first 35 years and 1.25% for service years in excess of 35

City of Zanesville, Ohio
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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. The initial amount of a member's pension benefit is vested upon receipt of the initial benefit payment for calculation of an annual cost-of-living adjustment.

When a traditional plan benefit recipient has received benefits for 12 months, current law provides for an annual cost of living adjustment (COLA). This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. Members retiring under the combined plan receive a cost-of-living adjustment on the defined benefit portion of their pension benefit. For those who retired prior to January 7, 2013, the cost of living adjustment is 3 percent. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, current law provides that the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

Defined contribution plan benefits are established in the plan documents, which may be amended by the Board. Member-directed plan and combined plan members who have met the retirement eligibility requirements may apply for retirement benefits. The amount available for defined contribution benefits in the combined plan consists of the member's contributions plus or minus the investment gains or losses resulting from the member's investment selections. Combined plan members wishing to receive benefits must meet the requirements for both the defined benefit and defined contribution plans. Member-directed participants must have attained the age of 55, have money on deposit in the defined contribution plan and have terminated public service to apply for retirement benefits. The amount available for defined contribution benefits in the member-directed plan consists of the members' contributions, vested employer contributions and investment gains or losses resulting from the members' investment selections. Employer contributions and associated investment earnings vest over a five-year period, at a rate of 20 percent each year. At retirement, members may select one of several distribution options for payment of the vested balance in their individual OPERS accounts. Options include the annuitization of the benefit (which includes joint and survivor options), partial lump-sum payments (subject to limitations), a rollover of the vested account balance to another financial institution, receipt of entire account balance, net of taxes withheld, or a combination of these options.

Beginning in 2022, the Combined Plan will be consolidated under the Traditional Pension Plan (defined benefit plan) and the Combined Plan option will no longer be available for new hires beginning in 2022.

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
2020 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee *	10.0 %
 2020 Actual Contribution Rates	
Employer:	
Pension *****	14.0 %
Post-employment Health Care Benefits *****	0.0
Total Employer	14.0 %
Employee	10.0 %

* Member contributions within the combined plan are not used to fund the defined benefit retirement allowance.

***** These pension and employer health care rates are for the traditional and combined plans. The employer contributions rate for the member-directed plan is allocated 4 percent for health care with the remainder going to pension.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll.

For 2020, The City’s contractually required contribution was \$1,400,254 for the traditional plan. Of these amounts, \$153,646 is reported as an intergovernmental payable for the traditional plan.

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.

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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 Comprehensive Annual Financial Report referenced above for additional information, including requirements for Deferred Retirement Option Plan provisions and reduced and unreduced benefits).

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, surviving beneficiaries, and statutory survivors. Members participating in the DROP program have separate eligibility requirements related to COLA.

Members retiring under normal service retirement, with less than 15 years of service credit on July 1, 2013, will receive a COLA equal to either three percent or the percent increase, if any, in the consumer price index over the 12 month period ending on September 30th of the immediately preceding year, whichever is less. The COLA amount for members with at least 15 years of service credit as of July 1, 2013, is equal to 3 percent of their base pension or disability benefit.

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

	Police	Firefighters
2020 Statutory Maximum Contribution Rates		
Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %
 2020 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 \$1,521,672 for 2020. Of this amount, \$177,517 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, 2019, 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, 2019, and was determined by rolling forward the total pension liability as of January 1, 2019, to December 31, 2019. 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 of the City’s defined benefit pension plans:

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	OPERS		
	<u>Traditional Plan</u>	<u>OP&F</u>	
Proportion of the Net Pension Liability/Asset:			
Current Measurement Date	0.06481600%	0.29652330%	
Prior Measurement Date	<u>0.06536700%</u>	<u>0.30011600%</u>	
Change in Proportionate Share	<u>-0.00055100%</u>	<u>-0.00359270%</u>	
Proportionate Share of the:			<u>Total</u>
Net Pension Liability	\$12,811,321	\$19,975,393	\$32,786,714
Pension Expense	\$1,984,970	\$2,469,925	\$4,454,895

At December 31, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to defined benefit pensions from the following sources:

	OPERS		
	<u>Traditional Plan</u>	<u>OP&F</u>	
Deferred Outflows of Resources			
Differences between expected and actual experience	\$0	\$756,133	\$756,133
Changes of assumptions	684,275	490,344	1,174,619
Changes in proportion and differences between City contributions and proportionate share of contributions	3,078	287,424	290,502
City contributions subsequent to the measurement date	<u>1,400,254</u>	<u>1,521,672</u>	<u>2,921,926</u>
Total Deferred Outflows of Resources	<u>\$2,087,607</u>	<u>\$3,055,573</u>	<u>\$5,143,180</u>
Deferred Inflows of Resources			
Differences between expected and actual experience	\$161,981	\$1,030,212	\$1,192,193
Net difference between projected and actual earnings on pension plan investments	2,555,571	964,972	3,520,543
Changes in proportion and differences between City contributions and proportionate share of contributions	<u>72,595</u>	<u>615,382</u>	<u>687,977</u>
Total Deferred Inflows of Resources	<u>\$2,790,147</u>	<u>\$2,610,566</u>	<u>\$5,400,713</u>

\$2,921,926 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 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

City of Zanesville, Ohio
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	OPERS Traditional Plan	OP&F	Total
Year Ending December 31:			
2021	(\$342,616)	(\$292,636)	(\$635,252)
2022	(851,274)	(174,319)	(1,025,593)
2023	105,825	405,890	511,715
2024	(1,014,729)	(910,526)	(1,925,255)
2025	0	(105,074)	(105,074)
Total	(\$2,102,794)	(\$1,076,665)	(\$3,179,459)

Actuarial Assumptions - OPERS

Actuarial valuations of an ongoing plan involve estimates of the value 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, 2019, using the following actuarial assumptions applied to all periods included in the measurement in accordance with the requirements of GASB 67. Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, prepared as of December 31, 2019, are presented below.

	OPERS Traditional Plan
Wage Inflation	3.25 percent
Future Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation
COLA or Ad Hoc COLA:	
Pre-January 7, 2013 Retirees	3 percent, simple
Post-January 7, 2013 Retirees	1.4 percent, simple through 2020, then 2.15 percent, simple
Investment Rate of Return	7.2 percent
Actuarial Cost Method	Individual Entry Age

In October 2019, the OPERS Board adopted a change in COLA for Post-January 7, 2013 retirees, changing it from 3 percent simple through 2018 then 2.15 simple to 1.4 percent simple through 2020 the 2.15 percent simple.

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established

City of Zanesville, Ohio
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to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables.

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

During 2019, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets for the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. 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 was 17.2 percent for 2019.

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 long-term expected 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. Best estimates of arithmetic real rates of return were provided by the Board's investment consultant. For each major asset class that is included in the Defined Benefit portfolio's target asset allocation as of December 31, 2019, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	25.00 %	1.83 %
Domestic Equities	19.00	5.75
Real Estate	10.00	5.20
Private Equity	12.00	10.70
International Equities	21.00	7.66
Other investments	13.00	4.98
Total	100.00 %	5.61 %

Discount Rate The discount rate used to measure the total pension liability was 7.2 percent for the traditional plan and the combined plan. 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 for the traditional pension plan, combined plan and member-directed plan was applied to all periods of projected benefit payments to determine the total pension liability.

City of Zanesville, Ohio
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Sensitivity of the City’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the City’s proportionate share of the net pension liability (asset) calculated using the current period discount rate assumption of 7.2 percent, as well as what the City’s proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is one-percentage-point lower (6.2 percent) or one-percentage-point higher (8.2 percent) than the current rate:

	1% Decrease (6.20%)	Current Discount Rate (7.20%)	1% Increase (8.20%)
City's proportionate share of the net pension liability (asset)			
OPERS Traditional Plan	\$21,130,016	\$12,811,321	\$5,333,060

Actuarial Assumptions – OP&F

OP&F’s total pension liability as of December 31, 2019, is based on the results of an actuarial valuation date of January 1, 2019, 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 the value 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. Assumptions considered were: withdrawal rates, disability retirement, service retirement, DROP elections, mortality, percent married and forms of the payment, DROP interest rate, CPI-based COLA, investment returns, salary increases and payroll growth.

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, prepared as of January 1, 2019, are presented below.

Valuation Date	January 1, 2019, with actuarial liabilities rolled forward to December 31, 2019
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8.0 percent
Projected Salary Increases	3.75 percent to 10.5 percent
Payroll Growth	3.25 percent per annum, compounded annually, consisting of Inflation rate of 2.75 percent plus productivity increase rate of 0.5 percent
Cost of Living Adjustments	3.00 percent simple; 2.2 percent simple for increases based on the lesser of the increase in CPI and 3 percent

Mortality for non-disabled participants is based on the RP-2014 Total Employee and Healthy Annuitant Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Buck Modified 2016 Improvement Scale. Rates for surviving beneficiaries are adjusted by 120 percent.

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Age	Police	Fire
67 or less	77 %	68 %
68-77	105	87
78 and up	115	120

Mortality for disabled retirees is based on the RP-2014 Disabled Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Buck Modified 2016 Improvement Scale.

Age	Police	Fire
59 or less	35 %	35 %
60-69	60	45
70-79	75	70
80 and up	100	90

The most recent experience study was completed for the five year period ended December 31, 2016.

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 expected. 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, 2019, are summarized below:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash and Cash Equivalents	0.00 %	1.00 %
Domestic Equity	16.00	5.40
Non-US Equity	16.00	5.80
Private Markets	8.00	8.00
Core Fixed Income *	23.00	2.70
High Yield Fixed Income	7.00	4.70
Private Credit	5.00	5.50
U.S. Inflation Linked Bonds*	17.00	2.50
Master Limited Partnerships	8.00	6.60
Real Assets	8.00	7.40
Private Real Estate	12.00	6.40
Total	120.00 %	

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 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.

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Discount Rate The total pension liability was calculated using the discount rate of 8.00 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 of 8.00 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 8.00 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 (7.00 percent), or one percentage point higher (9.00 percent) than the current rate.

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
City's proportionate share of the net pension liability	\$27,685,201	\$19,975,393	\$13,526,904

NOTE 14 - DEFINED BENEFIT OPEB PLANS

See Note 13 for a description of the net OPEB liability.

Plan Description – Ohio Public Employees Retirement System (OPERS)

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 postemployment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits 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 separation, 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 with a minimum age of 60, or generally 30 years of qualifying service at any age. 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 75. See OPERS Comprehensive Annual Financial Report 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.

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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 allowing public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by OPERS' Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans. Beginning in 2018, OPERS no longer allocated a portion of its employer contributions to health care for the traditional plan and the combined plan

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2020, 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. For 2020, OPERS did not allocate any employer contribution to health care for members in the Traditional Pension Plan and Combined Plan. 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 2020 was 4.0 percent.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was \$18,531 for 2020. Of this amount, \$2,033 is reported as an intergovernmental payable.

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

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 health care plan administered by a third-party provider. This program is not guaranteed and is subject to change at any time upon action of the Board of Trustees. On January 1, 2019, OP&F implemented a new model for health care. Under this new model, OP&F provides eligible retirees with a fixed stipend earmarked to pay for health care and Medicare Part B reimbursements.

A retiree is eligible for the OP&F health care stipend unless they have access to any other group coverage including employer and retirement coverage. The eligibility of spouses and dependent children could increase the stipend amount. If the spouse or dependents have access to any other group coverage including employer or retirement coverage, they are not eligible for stipend support from OP&F. Even if an OP&F member or their dependents are not eligible for a stipend, they can use the services of the third-party administrator to select and enroll in a plan. The stipend provided by OP&F meets the definition of an Other Post Employment Benefit (OPEB) as described in Governmental Accounting Standards Board (GASB) Statement No. 75.

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.

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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, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.5 percent of covered payroll for police employer units and 24 percent of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

The Board of Trustees is authorized to allocate a portion of the total employer contributions for retiree health care benefits. For 2020, 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. 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 contractually required contribution to OP&F was \$35,882 for 2020. Of this amount, \$4,272 is reported as an intergovernmental payable.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The net OPEB liability and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2018, rolled forward to the measurement date of December 31, 2019, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. OP&F's total OPEB liability was measured as of December 31, 2019, and was determined by rolling forward the total OPEB liability as of January 1, 2019, to December 31, 2019. The City's proportion of the net OPEB liability was based on the City's share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	OPERS	OP&F	
Proportion of the Net OPEB Liability:			
Current Measurement Date	0.063266%	0.2965233%	
Prior Measurement Date	0.063611%	0.3001160%	
Change in Proportionate Share	-0.000345%	-0.0035927%	
			Total
Proportionate Share of the Net OPEB Liability	\$8,738,679	\$2,928,978	\$11,667,657
OPEB Expense	\$955,419	\$328,005	\$1,283,424

City of Zanesville, Ohio
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At December 31, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$234	\$0	\$234
Changes of assumptions	1,383,240	1,712,393	3,095,633
Changes in proportion and differences between City contributions and proportionate share of contributions	8,167	282,436	290,603
City contributions subsequent to the measurement date	<u>18,531</u>	<u>35,882</u>	<u>54,413</u>
Total Deferred Outflows of Resources	<u>\$1,410,172</u>	<u>\$2,030,711</u>	<u>\$3,440,883</u>
Deferred Inflows of Resources			
Differences between expected and actual experience	\$799,192	\$314,983	\$1,114,175
Changes of assumptions	0	624,209	624,209
Net difference between projected and actual earnings on OPEB plan investments	444,971	134,781	579,752
Changes in proportion and differences between City contributions and proportionate share of contributions	<u>28,652</u>	<u>125,493</u>	<u>154,145</u>
Total Deferred Inflows of Resources	<u>\$1,272,815</u>	<u>\$1,199,466</u>	<u>\$2,472,281</u>

\$54,413 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending December 31:	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
2021	\$214,051	\$143,817	\$357,868
2022	94,560	143,817	238,377
2023	354	171,465	171,819
2024	(190,139)	127,878	(62,261)
2025	0	147,506	147,506
Thereafter	<u>0</u>	<u>60,880</u>	<u>60,880</u>
Total	<u>\$118,826</u>	<u>\$795,363</u>	<u>\$914,189</u>

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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 health care costs 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 coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2018, rolled forward to the measurement date of December 31, 2019. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

Wage Inflation	3.25 percent
Projected Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation
Single Discount Rate:	
Current measurement date	3.16 percent
Prior Measurement date	3.96 percent
Investment Rate of Return	6.00 percent
Municipal Bond Rate:	
Current measurement date	2.75 percent
Prior Measurement date	3.71 percent
Health Care Cost Trend Rate:	
Current measurement date	10.0 percent, initial 3.50 percent, ultimate in 2030
Prior Measurement date	7.25 percent, initial 3.25 percent, ultimate in 2029
Actuarial Cost Method	Individual Entry Age Normal

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables.

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

During 2019, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, if any contribution are made into the plans, the contributions are assumed to be received continuously throughout the year based on the actual payroll

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payable at the time contributions are made. Health care-related payments are assumed to occur mid-year. 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 Health Care portfolio was 19.7 percent for 2019.

The allocation of investment assets within the Health Care portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary goal is to achieve and maintain a fully funded status for the benefits provided through the defined pension plans. Health care is a discretionary benefit. The long-term expected rate of return on health care 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. For each major asset class that is included in the Health Care's portfolio's target asset allocation as of December 31, 2019, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	36.00 %	1.53 %
Domestic Equities	21.00	5.75
Real Estate Investment Trust	6.00	5.69
International Equities	23.00	7.66
Other investments	14.00	4.90
Total	100.00 %	4.55 %

Discount Rate A single discount rate of 3.16 percent was used to measure the OPEB liability on the measurement date of December 31, 2019. A single discount rate of 3.96 percent was used to measure the OPEB liability on the measurement date of December 31, 2018. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.00 percent and a municipal bond rate of 2.75 percent. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2034. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2034, and the municipal bond rate was applied to all health care costs after that date.

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate The following table presents the City's proportionate share of the net OPEB liability calculated using the single discount rate of 3.16 percent, as well as what the City's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (2.16 percent) or one-percentage-point higher (4.16 percent) than the current rate:

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	1% Decrease (2.16%)	Current Discount Rate (3.16%)	1% Increase (4.16%)
City's proportionate share of the net OPEB liability	\$11,435,962	\$8,738,679	\$6,579,031

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate Changes in the health care cost trend rate may also have a significant impact on the net OPEB liability. The following table presents the net OPEB liability calculated using the assumed trend rates, and the expected net OPEB liability if it were calculated using a health care cost trend rate that is 1.0 percent lower or 1.0 percent higher than the current rate.

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2020 is 10.50 percent. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.50 percent in the most recent valuation.

	1% Decrease	Current Health Care Cost Trend Rate Assumption	1% Increase
City's proportionate share of the net OPEB liability	\$8,480,807	\$8,738,679	\$8,993,262

Changes between Measurement Date and Reporting Date

On January 15, 2020, the Board approved several changes to the health care plan offered to Medicare and pre-Medicare retirees in efforts to decrease costs and increase the solvency of the health care plan. These changes are effective January 1, 2022, and include changes to base allowances and eligibility for Medicare retirees, as well as replacing OPERS-sponsored medical plans for pre-Medicare retirees with monthly allowances, similar to the program for Medicare retirees. These changes are not reflected in the current year financial statements but are expected to decrease the associated OPEB liability.

Actuarial Assumptions – OP&F

OP&F's total OPEB liability as of December 31, 2019, is based on the results of an actuarial valuation date of January 1, 2019, and rolled-forward using generally accepted actuarial procedures. The total OPEB liability is determined by OP&F's actuaries in accordance with GASB Statement No. 74, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of the value 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.

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 and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

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Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee’s entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases, actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, are presented below.

Valuation Date	January 1, 2019, with actuarial liabilities rolled forward to December 31, 2019
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8.0 percent
Projected Salary Increases	3.75 percent to 10.5 percent
Payroll Growth	3.25 percent
Single discount rate:	
Current measurement date	3.56 percent
Prior measurement date	4.66 percent
Cost of Living Adjustments	3.00 percent simple; 2.2 percent simple for increased based on the lesser of the increase in CPI and 3 percent

Mortality for non-disabled participants is based on the RP-2014 Total Employee and Healthy Annuitant Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Buck Modified 2016 Improvement Scale. Rates for surviving beneficiaries are adjusted by 120 percent.

Age	Police	Fire
67 or less	77 %	68 %
68-77	105	87
78 and up	115	120

Mortality for disabled retirees is based on the RP-2014 Disabled Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Buck Modified 2016 Improvement Scale.

Age	Police	Fire
59 or less	35 %	35 %
60-69	60	45
70-79	75	70
80 and up	100	90

The most recent experience study was completed for the five year period ended December 31, 2016.

The OP&F health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 13.

Discount Rate For 2019, the total OPEB liability was calculated using the discount rate of 3.56 percent. For 2018, the total OPEB liability was calculated using the discount rate of 4.66 percent. The projection of cash flows used to determine the discount rate assumed the contribution from employers and from members

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would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earnings were calculated using the longer-term assumed investment rate of return of 8 percent. Based on those assumptions, OP&F's fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, a municipal bond rate of 2.75 percent at December 31, 2019 and 4.13 percent at December 31, 2018, was blended with the long-term rate of 8 percent, which resulted in a blended discount rate of 3.56 percent for 2019 and 4.66 percent for 2018. The municipal bond rate was determined using the Bond Buyers General Obligation 20-year Municipal Bond Index Rate. The OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments until 2034. The long-term expected rate of return on health care investments was applied to projected costs through 2034, and the municipal bond rate was applied to all health care costs after that date.

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate
 Net OPEB liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net OPEB liability calculated using the discount rate of 3.56 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.56 percent), or one percentage point higher (4.56 percent) than the current rate.

	1% Decrease (2.56%)	Current Discount Rate (3.56%)	1% Increase (4.56%)
City's proportionate share of the net OPEB liability	\$3,631,743	\$2,928,978	\$2,345,028

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate
 The total OPEB liability is based on a medical benefit that is a flat dollar amount; therefore, it is unaffected by a health care cost trend rate. An increase or decrease in the trend rate would have no effect on the total OPEB liability.

NOTE 15 - OTHER EMPLOYEE BENEFITS

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 and firefighters 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.

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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 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 is made to firefighters. Police sergeants and lieutenants receive, upon retirement, 33 percent of sick leave balances with a maximum of 500 hours. All other uniformed police receive, upon retirement, 33 percent of their balance with a maximum of 500 hours. Corrections officers receive, upon retirement, 33 percent of their balance with a maximum of 500 hours of sick leave. Unaffiliated employees 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 - CONTRACTUAL COMMITMENTS

As of December 31, 2020, the City had contractual purchase commitments for projects in various funds. The amount for each project is as follows:

	Purchase Commitments	Amount Expended	Amount Remaining on Contracts
Muskingum Avenue Dug Road Improvement Project - General Fund	\$175,150	\$175,150	\$0
Zanesville South Streetscape Project - General Fund	34,250	34,250	0
Canal Trail Lighting Project - General Fund	7,800	6,000	1,800
Linden Avenue Project - General Fund	59,991	59,991	0
Cemetery Facilities Building Project - Cemetery Development Fund	13,164	13,164	0
Airport Runway Project - Airport Fund	131,465	110,404	21,061
Airport Wildlife Removal Project - Airport Fund **	14,540	9,751	4,789
Airport Master Plan - Airport Fund **	392,820	246,266	146,554
Total Governmental Funds	<u>829,180</u>	<u>654,976</u>	<u>174,204</u>
Sewer Separation Project - Sewer Fund	100,000	72,658	27,342
Combined Sewer Overflow - Sewer Fund	784,009	616,054	167,955
Water Systems Management Project - Water Fund **	40,000	37,135	2,865
Tank Replacement Project - Water Fund	365,500	164,475	201,025
Combined Storm Sewer Replacement Projects - Non major Enterprise Fund	448,002	244,473	203,529
Total Enterprise Funds	<u>1,737,511</u>	<u>1,134,795</u>	<u>602,716</u>
Total All Projects	<u><u>\$2,566,691</u></u>	<u><u>\$1,789,771</u></u>	<u><u>\$776,920</u></u>

** Contractual Services

City of Zanesville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

NOTE 17 - LONG-TERM OBLIGATIONS

Changes in long-term obligations of the City for the year ended December 31, 2020, were as follows:

	Principal Outstanding 12/31/2019	Additions	Deletions	Principal Outstanding 12/31/2020	Amounts Due in One Year
Governmental Activities:					
<u>General Obligation Bonds from</u>					
<u>Direct Placements:</u>					
Various Purpose Bonds					
2016 - \$2,555,000					
Serial Bonds @ 3%	\$550,000	\$0	\$105,000	\$445,000	\$105,000
Term Bonds @ 3.0-3.75%	1,725,000	0	0	1,725,000	0
Premium on Bonds	65,347	0	3,844	61,503	0
Street Improvement Bonds					
2010 - \$1,210,000 @ 4.138%	710,000	0	50,000	660,000	60,000
Total General Obligation Bonds from Direct Placements	3,050,347	0	158,844	2,891,503	165,000
<u>Loans from Direct Borrowings</u>					
2005 SIB Loan \$4,772,627 @ 3%	2,514,474	0	153,597	2,360,877	158,240
2013 SIB Loan \$73,273 @ 3%	26,552	0	10,384	16,168	10,698
2019 SIB Loan \$232,071 @ 3%	232,071	0	0	232,071	0
2016 Citywide Overlays OPWC Loan \$385,868 @ 0%	250,814	0	38,587	212,227	38,587
Total Long-Term Loans from Direct Borrowings	3,023,911	0	202,568	2,821,343	207,525
<u>Net Pension Liability</u>					
OPERS	11,099,669	0	3,156,650	7,943,019	0
OP&F	24,497,396	0	4,522,003	19,975,393	0
Total Net Pension Liability	35,597,065	0	7,678,653	27,918,412	0
<u>Net OPEB Liability</u>					
OPERS	5,141,890	276,090	0	5,417,980	0
OP&F	2,733,017	195,961	0	2,928,978	0
Total Net OPEB Liability	7,874,907	472,051	0	8,346,958	0
Workers' Compensation Claims Payable	43,752	22,407	43,752	22,407	22,407
Financed Purchases Payable from					
Direct Borrowings	848,342	237,992	198,895	887,439	301,398
Police Lease Payable	20,000	0	11,000	9,000	9,000
Compensated Absences	1,864,156	1,448,483	1,225,013	2,087,626	645,850
Total Governmental Activities	\$52,322,480	\$2,180,933	\$9,518,725	\$44,984,688	\$1,351,180

City of Zanesville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

	Principal Outstanding 12/31/2019	Additions	Deletions	Principal Outstanding 12/31/2020	Amounts Due in One Year
Business-Type Activities:					
<u>SIB Loan from Direct Borrowing</u>					
2019 SIB Loan \$489,039 @ 3%	\$489,039	\$0	\$0	\$489,039	\$0
<u>OPWC Loans from Direct Borrowings</u>					
Sewer OPWC Loan					
2014 - \$1,274,932 @ 0.00%	924,325	0	63,747	860,578	63,747
Sewer OPWC Loan					
2015 - \$914,777 @ 0.00%	731,821	0	45,739	686,082	45,739
Total OPWC Loans from Direct Borrowings	1,656,146	0	109,486	1,546,660	109,486
<u>OWDA Loans from Direct Borrowings</u>					
Water OWDA Loan					
2009 - \$864,936 @ 0.00%	20,655	0	20,655	0	0
Water OWDA Loan					
2009 - \$895,477 @ 3.20%	484,319	0	33,691	450,628	34,778
Water OWDA Loan					
2009 - \$7,514,758 @ 3.65%	6,095,032	0	184,602	5,910,430	191,401
Water OWDA Loan					
2009 - \$9,197,325 @ 0.00%	2,856,213	0	248,367	2,607,846	248,367
Water OWDA Loan					
2016 - \$401,400 @ 2.06%	351,168	0	17,445	333,723	17,806
Water OWDA Loan					
2018 - \$1,808,793 @ 1.31%	1,548,278	44,532	80,779	1,512,031	0
Water OWDA Loan					
2019 - \$348,725 @ 0.00%	4,645	136,468	69,745	71,368	0
Total Water OWDA Loans	11,360,310	181,000	655,284	10,886,026	492,352
Sewer OWDA Loan					
2002 - \$1,324,942 @ 3.59%	304,703	0	83,221	221,482	86,236
Sewer OWDA Loan					
2004 - \$1,268,110 @ 3.41%	276,870	0	57,938	218,932	59,931
Sewer OWDA Loan					
2007 - \$14,337,659 @ 4.47%	6,747,160	0	584,318	6,162,842	610,729
Sewer OWDA Loan					
2009 - \$376,284 @ 3.25%	10,917	0	10,917	0	0
Sewer OWDA Loan					
2013 - \$2,625,195 @ 3.15%	2,044,520	0	118,248	1,926,272	122,002
Sewer OWDA Loan					
2019 - \$241,743 @ 2.87%	200,659	158,621	15,039	344,241	0
Sewer OWDA Loan					
2020 - \$809,373 @ 0.87%	0	282,928	0	282,928	0
Total Sewer OWDA Loans	9,584,829	441,549	869,681	9,156,697	878,898
Storm Water OWDA Loan					
2012 - \$333,431 @ 3.17%	191,393	0	22,987	168,406	23,722
Storm Water OWDA Loan					
2013 - \$393,986 @ 3.92%	176,130	0	41,503	134,627	43,145
Storm Water OWDA Loan					
2015 - \$738,063 @ 3.07%	156,741	0	156,741	0	0
Total Storm Water OWDA Loans	\$524,264	\$0	\$221,231	\$303,033	\$66,867

(continued)

City of Zanesville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

	Principal Outstanding 12/31/2019	Additions	Deletions	Principal Outstanding 12/31/2020	Amounts Due in One Year (continued)
Net Pension Liability - OPERS					
Sewer	\$2,685,404	\$0	\$763,707	\$1,921,697	\$0
Water	2,864,434	0	814,621	2,049,813	0
Sanitation	1,253,190	0	356,398	896,792	0
Total Net Pension Liability	6,803,028	0	1,934,726	4,868,302	0
Net OPEB Liability - OPERS					
Sewer	1,244,007	66,796	0	1,310,803	0
Water	1,326,941	71,248	0	1,398,189	0
Sanitation	580,534	31,173	0	611,707	0
Total Net OPEB Liability	3,151,482	169,217	0	3,320,699	0
Storm Water Financed Purchases					
Payable from Direct Borrowings	48,416	0	14,354	34,062	34,062
Water Financed Purchases					
Payable from Direct Borrowings	0	358,893	75,393	283,500	68,385
Sanitation Financed Purchases					
Payable from Direct Borrowings	140,416	0	69,444	70,972	70,972
Asset Retirement Obligation - Sewer	560,000	0	0	560,000	0
Compensated Absences Payable	506,924	325,956	282,266	550,614	165,854
Total Business-Type Activities	\$34,824,854	\$1,476,615	\$4,231,865	\$32,069,604	\$1,886,876

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.

Net Pension/OPEB Liabilities - There are no repayment schedules for the net pension and OPEB liabilities. However, employer pension contributions are made from the following funds: 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. For additional information related to the net pension/OPEB liabilities, see Notes 13 and 14.

Financed Purchases - In prior years, the City had entered into financed purchase agreements for a fire truck, radio equipment, street sweeper, and two trucks for sanitation. During 2020, the City entered into two new financed purchase agreements for a medic truck and vactor truck. These agreements meet the criteria of a financed purchase which is defined as a financed purchase which transfers ownership to the lessee. Financed purchase payments are reflected as debt service expenditures in the fund financial statements. Principal payments made in 2020 totaled \$198,895 in Governmental Funds, \$75,393 in the Water Enterprise Fund, \$69,444 in the Sanitation Enterprise Fund, and \$14,354 in the Nonmajor Enterprise Fund. The financed purchases payable have been recorded on the proprietary fund statements.

During 2016, the City entered into a financed purchase for a street sweeper in the amount of \$209,802. Financed purchase payments are reflected as debt service expenditures in the Street Fund and Nonmajor Enterprise Fund in the amount of \$15,688, respectively. The agreement provides for minimum annual financed purchase payments as follows:

City of Zanesville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

Year Ended	Governmental Fund Amount	Nonmajor Enterprise Fund Amount	Total
2021	\$35,000	\$35,000	\$70,000
Total Minimum Finance Payments	35,000	35,000	70,000
Less: Amount Representing Interest	(938)	(938)	(1,876)
Present Value of Net Minimum Finance Payments	\$34,062	\$34,062	\$68,124

The City's outstanding financed purchases from direct borrowings related to governmental and business type activities for the street sweeper contain provisions that in the event of default (1) Lessor may apply late fees of 18 percent per year, (2) the outstanding amounts shall, at Lessor's option, become immediately due and payable, (3) Lessor could request that the street sweeper be returned, and if not returned, the street sweeper will be peacefully repossessed.

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

Year Ended	Governmental Fund Amount
2021	\$65,592
2022	65,592
2023	65,592
2024	65,592
2025	65,592
2026	43,732
Total Minimum Finance Payments	371,692
Less: Amount Representing Interest	(25,436)
Present Value of Net Minimum Finance Payments	\$346,256

The City's outstanding financed purchases from direct borrowings related to governmental activities for the fire truck contain provisions that in the event of default (1) the outstanding amounts shall, at Lessor's option, become immediately due and payable, (2) Lessor could request that the fire truck be returned, and if not returned, the fire truck will be repossessed.

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

City of Zanesville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

Year Ended	Sanitation Enterprise Fund Amount
2021	\$72,533
Total Minimum Finance Payments	72,533
Less: Amount Representing Interest	(1,561)
Present Value of Net Minimum Finance Payments	\$70,972

The City's outstanding financed purchases from direct borrowings related to business type activities for the sanitation truck contain provisions that in the event of default (1) the outstanding amounts shall, at Lessor's option, become immediately due and payable, (2) Lessor could request that the sanitation truck be returned, and if not returned, the sanitation truck will be repossessed.

During 2018, the City entered into a financed purchase agreement for radio equipment for the fire and police departments in the amount of \$662,911. The agreement provides for minimum annual finance payments as follows:

Year Ended	Governmental Fund Amount
2021	\$141,037
2022	141,037
Total Minimum Finance Payments	282,074
Less: Amount Representing Interest	(12,945)
Present Value of Net Minimum Finance Payments	\$269,129

The City's outstanding financed purchases from direct borrowings related to governmental activities for the radio equipment contain provisions that in the event of default (1) the outstanding amounts shall, at Lessor's option, become immediately due and payable, (2) Lessor could request that the radio equipment be returned, and if not returned, the radio equipment will be repossessed.

During 2020, the City entered into a financed purchase agreement for a medic truck for the fire department in the amount of \$237,992. The agreement provides for minimum annual finance payments as follows:

Year Ended	Governmental Fund Amount
2021	\$83,540
2022	83,540
2023	83,539
Total Minimum Finance Payments	250,619
Less: Amount Representing Interest	(12,627)
Present Value of Net Minimum Finance Payments	\$237,992

City of Zanesville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

The City's outstanding financed purchases from direct borrowings related to governmental activities for the fire truck contain provisions that in the event of default (1) the outstanding amounts shall, at Lessor's option, become immediately due and payable, (2) Lessor could request that the fire truck be returned, and if not returned, the fire truck will be repossessed.

During 2020, the City entered into a financed purchase agreement for a vactor truck for the water department in the amount of \$358,893. The agreement provides for minimum annual finance payments as follows:

Year Ended	Water Enterprise Fund Amount
2021	\$75,393
2022	75,393
2023	75,393
2024	75,392
Total Minimum Finance Payments	301,571
Less: Amount Representing Interest	(18,071)
Present Value of Net Minimum Finance Payments	\$283,500

The City's outstanding financed purchases from direct borrowings related to business type activities for the sanitation truck contain provisions that in the event of default (1) the outstanding amounts shall, at Lessor's option, become immediately due and payable, (2) Lessor could request that the sanitation truck be returned, and if not returned, the sanitation truck will be repossessed.

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 from the General Fund.

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.

City of Zanesville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

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

Year	Principal	Interest
2021	\$105,000	\$72,812
2022	110,000	69,662
2023	115,000	66,362
2024	115,000	62,912
2025	120,000	59,462
2026-2030	655,000	239,288
2031-2035	775,000	120,762
2036	175,000	6,565
	<u>\$2,170,000</u>	<u>\$697,825</u>

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

Year	Principal	Interest
2021	\$60,000	\$28,695
2022	65,000	26,175
2023	70,000	23,445
2024	70,000	20,505
2025	70,000	17,565
2026-2029	325,000	36,900
	<u>\$660,000</u>	<u>\$153,285</u>

The City's outstanding bond from direct placement related to governmental activities of \$660,000 contain a provision that in an event of default, outstanding amounts become immediately due if the City is unable to make payment.

SIB Loan - During 2005, the City entered into a loan agreement with the Ohio Department of Transportation through the State Infrastructure Bank. 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	Interest
2021	\$158,240	\$69,648
2022	163,022	64,866
2023	167,950	59,938
2024	173,026	54,862
2025	178,255	49,633
2026-2030	975,429	164,012
2031-2033	544,955	24,766
	<u>\$2,360,877</u>	<u>\$487,725</u>

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

City of Zanesville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

Year	Principal	Interest
2021	\$10,698	\$406
2022	5,470	82
	\$16,168	\$488

SIB Loan - During 2019, the City entered into a loan agreement with the Ohio Department of Transportation through the State Infrastructure Bank. These proceeds were used to repair State Route 60 due to road slippage along the river. These proceeds were recorded in both the Street Governmental Fund as well as the Storm Water (Nonmajor) Enterprise Fund due to the City having to install a storm water system under the replaced roadway. The loan was issued at 3 percent and is to be paid over ten years. An amortization schedule is not yet available.

The City's outstanding SIB Loans from direct borrowings related to governmental and business type activities contain a provision that in the event of default, outstanding amounts shall become immediately due and payable.

Lease Payable - \$24,000 has been recorded as intangible right to use lease in the Governmental Fund capital assets. Due to the implementation of GASB Statement No. 87, this lease for property met the criteria of a lease thus requiring it to be recorded by the City. This asset will be amortized over the lease term since it is shorter than the useful life due to the City not taking ownership of the property. The lease will end in 2021. The remaining principal and interest amount is \$9,000 for the remaining lease.

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
2021	\$38,587
2022	38,587
2023	38,587
2024	38,587
2025	38,587
2026	19,292
	\$212,227

The City's outstanding OPWC loans from direct borrowings related to governmental activities of \$212,227 contain provisions that in the event of default (1) OPWC may apply late fees of 8 percent per year, (2) loans more than 60 days late will be turned over to the Attorney General's office for collection, and as provided by law, OPWC may require that such payment be taken from the City's share of the county undivided local government fund, and (3) the outstanding amounts shall, at OPWC's option, become immediately due and payable.

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
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Year	Principal
2021	\$63,747
2022	63,746
2023	63,746
2024	63,746
2025	63,746
2026-2030	318,730
2031-2034	223,117
	\$860,578

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 2036. A summary of the principal requirements to retire this loan is as follows:

Year	Principal
2021	\$45,739
2022	45,739
2023	45,739
2024	45,739
2025	45,739
2026-2030	228,694
2031-2035	182,956
2036	45,737
	\$686,082

The City's outstanding OPWC loans from direct borrowings related to governmental activities of \$1,546,660 contain provisions that in the event of default (1) OPWC may apply late fees of 8 percent per year, (2) loans more than 60 days late will be turned over to the Attorney General's office for collection, and as provided by law, OPWC may require that such payment be taken from the City's share of the county undivided local government fund, and (3) the outstanding amounts shall, at OPWC's option, become immediately due and payable.

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

City of Zanesville, Ohio
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Year	Sewer		Water		Storm Water	
	Principal	Interest	Principal	Interest	Principal	Interest
2021	\$878,898	\$342,599	\$492,352	\$234,927	\$66,867	\$28,580
2022	915,559	305,935	500,891	226,388	69,333	27,631
2023	907,069	267,718	509,735	217,544	71,891	26,637
2024	864,222	230,408	518,893	208,385	26,069	26,099
2025	867,110	194,075	528,377	198,902	26,902	26,902
2026-2030	3,580,327	406,410	2,796,387	840,003	41,971	41,973
2031-2035	516,343	28,834	1,764,926	558,131	0	0
2036-2040	0	0	1,796,497	255,099	0	0
2041	0	0	394,569	10,834	0	0
	<u>\$8,529,528</u>	<u>\$1,775,979</u>	<u>\$9,302,627</u>	<u>\$2,750,213</u>	<u>\$303,033</u>	<u>\$177,822</u>

The City's outstanding OWDA loans from direct borrowings related to business type activities of \$20,345,756 contain provisions that in an event of default (1) the amount of such default shall bear interest at the default rate from the due date until the date of payment, (2) if any of the charges have not been paid within 30 days, in addition to the interest calculated at the default rate, a late charge of 1 percent on the amount of each default shall also be paid to the OWDA, and (3) for each additional 30 days during which the charges remain unpaid, the City shall continue to pay an additional late charge of 1 percent on the amount of the default until such charges are paid.

Pledged Revenue - 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 2033. 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 \$10,932,676. Principal and interest payments for the current year were \$1,257,010, net revenues were \$1,610,137, and total revenues were \$6,918,800.

The City has pledged future water customer revenues to repay the OWDA loans. The loans 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 \$13,636,239. Principal and interest payments for the current year were \$920,866, net revenues were \$821,593, and total revenues were \$5,684,030.

The City has pledged future storm water 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 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 \$480,855. Principal and interest payments for the current year were \$237,237, net revenues were \$1,067,460, and total revenues were \$1,152,749.

Debt Margin - As of December 31, 2020, the City's overall legal debt margin (the ability to issue additional amounts of general obligation bonded debt) was \$37,317,853.

City of Zanesville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

NOTE 18 - INTERFUND TRANSFERS AND BALANCES

Transfers

Interfund transfers during 2020 consisted of the following:

Transfers from	Transfers to				Total
	Major Fund		Other Nonmajor Governmental	Internal Service Fund	
	Police Expenditure	Fire Operating		Vehicle Maintenance	
Major Fund: General	\$2,215,429	\$3,599,223	\$2,661,781	\$116,163	\$8,592,596

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.

Balances

Interfund balances, as of December 31, 2020, consist of the following individual interfund receivables and payables:

Interfund Payable	Interfund Receivable			Total
	Major Fund	Other Governmental	Internal Service	
	General			
Major Governmental Funds:				
General	\$0	\$0	\$29,898	\$29,898
Police Expenditure	0	0	62,310	62,310
Fire Operating	10	110,000	53,114	163,124
Other Governmental	335	0	29,050	29,385
Major Enterprise Funds:				
Sewer	45	0	25,263	25,308
Water	772	0	22,572	23,344
Sanitation	0	0	30,785	30,785
Internal Service	0	0	15,116	15,116
Total All Funds	\$1,162	\$110,000	\$268,108	\$379,270

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 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.

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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, 2020, the remaining balance is \$110,000. The Debt Service Fund will make repayments on the loan from portions of tax revenue.

NOTE 19 - JOINTLY GOVERNED ORGANIZATIONS

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 2020, the City paid \$3,823 in membership dues to OMEGA. 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.

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 2020, 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.

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 2020, the Authority received \$406,629 from excise taxes and rental income. The Authority has no outstanding debt. Complete financial information can be

City of Zanesville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

obtained from the Zanesville/Muskingum Conventions Facility Authority, 205 North Fifth Street, Zanesville, Ohio 43701.

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.

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.

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 20 - JOINT VENTURES

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 715.72. The JEDD was created to facilitate

City of Zanesville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

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, the 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 715.72 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.

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 715.72. 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 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 715.72 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.

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 715.72. 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 715.72 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.

City of Zanesville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

Zanesville-Perry Township Joint Economic Development District

Zanesville-Perry Township Joint Economic Development District (JEDD) was created by contract during 2020 pursuant to Revised Code Section 715.72. 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, the Zanesville-Muskingum County Port Authority, and the JEDD. The JEDD is operated by a three member board. The City and Perry 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 715.72 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-Perry Township Joint Economic Development District, Zanesville, Ohio.

NOTE 21 - RELATED ORGANIZATION

South East Area Transit Authority

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

The Authority is managed by 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 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 22 - NOTES PAYABLE

Changes in short-term obligation of the City for the year ended December 31, 2020 were as follows:

	<u>Principal Outstanding 12/31/2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Principal Outstanding 12/31/2020</u>
Governmental Activities:				
2020 Ohio National Road Business				
Park Infrastructure Notes - 2%	\$0	\$1,512,300	\$0	\$1,512,300

City of Zanesville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

The Ohio National Road Business Park Infrastructure Notes issued on July 30, 2020, for \$1,512,300 mature on July 30, 2021. The note was issued to finance infrastructure at the National Road Business Park on behalf of the newly created Zanesville-Perry Township JEDD. Per the cooperative agreement, no assets are owned by the City.

NOTE 23 - ASSET RETIREMENT OBLIGATIONS

State and/or federal laws and regulations require the City to go through a decommissioning process if their waste water treatment facilities were to close. Through this decommissioning process, the City would be responsible to remediate any public safety issues associated with their waste water treatment facilities. The City Public Service Director estimates these public safety issues to include cleaning/removing certain equipment and backfilling certain exposed areas. These assets retirement obligations (ARO) of \$560,000 associated with the City's waste water treatment facilities were estimated by the City Public Service Director. The remaining useful life of these facilities range from 28 to 46 years.

NOTE 24 - CONTINGENCIES

Grants

The City received financial assistance from the federal and state agencies in the form of grants. The distribution 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, 2020.

Litigation

The City of Zanesville is currently party to pending litigation seeking damages and/or injunctive relief as confirmed by the City Law Director. The possible outcome or impact on the financial statements cannot be determined at this time.

NOTE 25 - COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the City. The City's investment portfolio fluctuates with market conditions, and due to market volatility, the amount of gains or losses that will be realized in subsequent periods, if any, cannot be determined. In addition, the impact on the City's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated. Additional funding will be available through the Consolidated Appropriations Act, 2021, passed by Congress on December 21, 2020 and/or the American Rescue Plan Act, passed by Congress on March 11, 2021.

During 2020, the City received \$2,139,365 in Coronavirus Aid, Relief, and Economic Security (CARES) Act funding.

**Required
Supplementary
Information**

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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 Seven Years (1)

	2020	2019	2018
City's Proportion of the Net Pension Liability	0.064816%	0.065367%	0.065310%
City's Proportionate Share of the Net Pension Liability	\$12,811,321	\$17,902,697	\$10,245,871
City's Covered Payroll	\$9,119,543	\$8,828,986	\$8,630,777
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	140.48%	202.77%	118.71%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	82.17%	74.70%	84.66%

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

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

See accompanying notes to the required supplementary information.

2017	2016	2015	2014
0.066385%	0.068924%	0.068205%	0.068205%
\$15,074,904	\$11,938,507	\$8,226,286	\$8,040,481
\$8,581,633	\$8,579,733	\$8,362,000	\$8,490,462
175.66%	139.15%	98.38%	94.70%
77.25%	81.08%	86.45%	86.36%

See accountant's compilation report.

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

	2020	2019	2018	2017
City's Proportion of the Net OPEB Liability	0.0632660%	0.0636110%	0.0633900%	0.0642400%
City's Proportionate Share of the Net OPEB Liability	\$8,738,679	\$8,293,372	\$6,883,686	\$6,488,458
City's Covered Payroll	\$10,453,343	\$10,117,787	\$9,804,778	\$9,634,896
City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	83.60%	81.97%	70.21%	67.34%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	47.80%	46.33%	54.14%	54.04%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2017 is not available. An additional column will be added each year.

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

See accompanying notes to the required supplementary information.

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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 Seven Years (1)

	<u>2020</u>	<u>2019</u>	<u>2018</u>
City's Proportion of the Net Pension Liability	0.2965233%	0.3001160%	0.2925050%
City's Proportionate Share of the Net Pension Liability	\$19,975,393	\$24,497,396	\$17,952,353
City's Covered Payroll	\$7,036,889	\$6,695,669	\$6,374,377
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	283.87%	365.87%	281.63%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.89%	63.07%	70.91%

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

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

See accompanying notes to the required supplementary information.

2017	2016	2015	2014
0.2955580%	0.3133700%	0.3125626%	0.3125626%
\$18,720,348	\$20,159,310	\$16,192,046	\$15,222,779
\$6,311,524	\$6,341,694	\$6,161,926	\$5,312,905
296.61%	317.89%	262.78%	286.52%
68.36%	66.77%	71.71%	73.00%

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

	2020	2019	2018	2017
City's Proportion of the Net OPEB Liability	0.2965233%	0.3001160%	0.2925050%	0.2955580%
City's Proportionate Share of the Net OPEB Liability	\$2,928,978	\$2,733,017	\$16,572,924	\$14,029,474
City's Covered Payroll	\$7,036,889	\$6,695,669	\$6,374,377	\$6,311,524
City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	41.62%	40.82%	259.99%	222.28%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	47.08%	46.57%	14.13%	15.96%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2017 is not available. An additional column will be added each year.

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

See accompanying notes to the required supplementary information.

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City of Zanesville, Ohio
Required Supplementary Information
Schedule of City Contributions
Ohio Public Employees Retirement System
Last Eight Years (1)(2)

	2020	2019	2018	2017
Net Pension Liability - Traditional Plan				
Contractually Required Contribution	\$1,400,254	\$1,276,736	\$1,236,058	\$1,122,001
Contributions in Relation to the Contractually Required Contribution	<u>(1,400,254)</u>	<u>(1,276,736)</u>	<u>(1,236,058)</u>	<u>(1,122,001)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered Payroll	\$10,001,814	\$9,119,543	\$8,828,986	\$8,630,777
Pension Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>13.00%</u>
Net OPEB Liability - OPEB Plan				
Contractually Required Contribution	\$18,531	\$15,261	\$13,794	\$23,608
Contributions in Relation to the Contractually Required Contribution	<u>(18,531)</u>	<u>(15,261)</u>	<u>(13,794)</u>	<u>(23,608)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered Payroll (3)	\$11,466,311	\$10,453,343	\$10,117,787	\$9,804,778
OPEB Contributions as a Percentage of Covered Payroll	<u>0.16%</u>	<u>0.15%</u>	<u>0.14%</u>	<u>0.24%</u>

- (1) Information prior to 2013 is not available for traditional plan.
- (2) Beginning in 2016, OPERS used one trust fund as the funding vehicle for all health care plans; therefore, information prior to 2016 is not presented.
- (3) The OPEB plan includes the members from the traditional plan, the combined plan, and the member directed plan. The member directed pension plan is a defined contribution pension plan; therefore, the pension side is not included above.

See accompanying notes to the required supplementary information.

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
\$1,029,796	\$1,029,568	\$1,003,440	\$1,103,760
<u>(1,029,796)</u>	<u>(1,029,568)</u>	<u>(1,003,440)</u>	<u>(1,103,760)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$8,581,633	\$8,579,733	\$8,362,000	\$8,490,462
<u>12.00%</u>	<u>12.00%</u>	<u>12.00%</u>	<u>13.00%</u>
\$31,980			
<u>(31,980)</u>			
<u>\$0</u>			
\$9,634,896			
<u>0.33%</u>			

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Net Pension Liability			
Contractually Required Contribution	\$1,521,672	\$1,489,766	\$1,419,118
Contributions in Relation to the Contractually Required Contribution	<u>(1,521,672)</u>	<u>(1,489,766)</u>	<u>(1,419,118)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered Payroll (1)	\$7,176,412	\$7,036,889	\$6,695,669
Pension Contributions as a Percentage of Covered Payroll	<u>21.20%</u>	<u>21.17%</u>	<u>21.19%</u>
Net OPEB Liability			
Contractually Required Contribution	\$35,882	\$35,184	\$33,479
Contributions in Relation to the Contractually Required Contribution	<u>(35,882)</u>	<u>(35,184)</u>	<u>(33,479)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
OPEB Contributions as a Percentage of Covered Payroll	<u>0.50%</u>	<u>0.50%</u>	<u>0.50%</u>
Total Contributions as a Percentage of Covered Payroll	<u>21.70%</u>	<u>21.67%</u>	<u>21.69%</u>

(1) The City's Covered payroll is the same for Pension and OPEB.

See accompanying notes to the required supplementary information.

<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$1,351,485	\$1,341,260	\$1,347,036	\$1,308,054	\$963,099	\$794,724	\$884,784
<u>(1,351,485)</u>	<u>(1,341,260)</u>	<u>(1,347,036)</u>	<u>(1,308,054)</u>	<u>(963,099)</u>	<u>(794,724)</u>	<u>(884,784)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$6,374,377	\$6,311,524	\$6,341,694	\$6,161,926	\$5,312,905	\$5,276,839	\$5,888,720
<u>21.20%</u>	<u>21.25%</u>	<u>21.24%</u>	<u>21.23%</u>	<u>18.13%</u>	<u>15.06%</u>	<u>15.03%</u>
\$31,872	\$31,558	\$31,708	\$30,809	\$192,150	\$356,187	\$397,488
<u>(31,872)</u>	<u>(31,558)</u>	<u>(31,708)</u>	<u>(30,809)</u>	<u>(192,150)</u>	<u>(356,187)</u>	<u>(397,488)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>0.50%</u>	<u>0.50%</u>	<u>0.50%</u>	<u>0.50%</u>	<u>3.62%</u>	<u>6.75%</u>	<u>6.75%</u>
<u>21.70%</u>	<u>21.75%</u>	<u>21.74%</u>	<u>21.73%</u>	<u>21.75%</u>	<u>21.81%</u>	<u>21.78%</u>

City of Zanesville, Ohio
Notes to the Required Supplementary Information
For the Year Ended December 31, 2020

Changes in Assumptions – OPERS Pension– Traditional Plan

Amounts reported beginning in 2019 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 prior years are presented below:

	2019	2018 and 2017	2016 and prior
Wage Inflation	3.25 percent	3.25 percent	3.75 percent
Future Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation	3.25 to 10.75 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	3 percent, simple
Post-January 7, 2013 Retirees	see below	see below	see below
Investment Rate of Return	7.2 percent	7.5 percent	8 percent
Actuarial Cost Method	Individual Entry Age	Individual Entry Age	Individual Entry Age

The assumptions related COLA or Ad Hoc COLA for Post-January 7, 2013 Retirees are as follows:

COLA or Ad Hoc COLA, Post-January 7, 2013 Retirees:

2020	1.4 percent, simple through 2020 then 2.15 percent, simple
2017 through 2019	3.0 percent, simple through 2018 then 2.15 percent, simple
2016 and prior	3.0 percent, simple through 2018 then 2.80 percent, simple

Amounts reported beginning in 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.

City of Zanesville, Ohio
Notes to the Required Supplementary Information
For the Year Ended December 31, 2020

Changes in Assumptions – OP&F Pension

Amounts reported beginning in 2018 incorporate changes in assumptions used by OP&F in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in 2017 and prior are presented below:

	Beginning in 2018	2017 and Prior
Valuation Date	January 1, 2017, with actuarial liabilities rolled forward to December 31, 2017	January 1, 2016, with actuarial liabilities rolled forward to December 31, 2016
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Investment Rate of Return	8.0 percent	8.25 percent
Projected Salary Increases	3.75 percent to 10.5 percent	4.25 percent to 11 percent
Payroll Growth	Inflation rate of 2.75 percent plus productivity increase rate of 0.5 percent	Inflation rate of 3.25 percent plus productivity increase rate of 0.5 percent
Cost of Living Adjustments	3.00 percent simple; 2.2 percent simple for increased based on the lesser of the increase in CPI and 3 percent	3.00 percent simple; 2.6 percent simple for increased based on the lesser of the increase in CPI and 3 percent

Amounts reported beginning in 2018 use valuation, mortality for non-disabled participants is based on the RP-2014 Total Employee and Healthy Annuitant Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Buck/Conduent Modified 2016 Improvement Scale. Rates for surviving beneficiaries are adjusted by 120 percent.

Age	Police	Fire
67 or less	77 %	68 %
68-77	105	87
78 and up	115	120

Amounts reported beginning in 2018 use valuation, mortality for disabled retirees is based on the RP-2014 Disabled Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Buck/Conduent Modified 2016 Improvement Scale.

Age	Police	Fire
59 or less	35 %	35 %
60-69	60	45
70-79	75	70
80 and up	100	90

Amounts reported for 2017 and prior use valuation, rates of death were 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.

City of Zanesville, Ohio
Notes to the Required Supplementary Information
For the Year Ended December 31, 2020

Changes in Assumptions – OPERS OPEB

Investment Return Assumption:	
Beginning in 2019	6.00 percent
2018	6.50 percent
Municipal Bond Rate:	
2020	2.75 percent
2019	3.71 percent
2018	3.31 percent
Single Discount Rate:	
2020	3.16 percent
2019	3.96 percent
2018	3.85 percent
Health Care Cost Trend Rate:	
2020	10.0 percent, initial 3.5 percent, ultimate in 2030
2019	10.0 percent, initial 3.25 percent, ultimate in 2029
2018	7.5 percent, initial 3.25 percent, ultimate in 2028

Changes in Assumptions – OP&F OPEB

Single Discount Rate:	
2020	3.56 percent
2019	4.66 percent
2018	3.24 percent

Changes in Benefit Terms – OP&F OPEB

For 2019, OP&F recognized a change in benefit terms. Under this new model, OP&F provides eligible retirees with a fixed stipend earmarked to pay for health care and Medicare Part B reimbursements. This new model replaced the self-insured health care plan used in prior years.

**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, 2020, 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 11, 2021. We noted the City implemented GASB Statement No. 83, *Certain Asset Retirement Obligations*.

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 11, 2021

**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, 2020. 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, 2020.

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 11, 2021

**CITY OF ZANESVILLE
SCHEDULE OF FINDINGS
2 CFR SECTION 200.515
December 31, 2020**

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:	Coronavirus Relief Fund, CFDA #21.019
(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, 2020**

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-19-2ES-1	14.228	97,746	83,691	-
	County/City CHIP 2018		4,245	4,245	-
	A-X-17-2ES-1		260,951	260,951	-
			362,942	348,887	-
HOME Investment Partnership Program	B-C-16-1CC-1	14.239	5,230	-	-
			5,230	-	-
Total U.S. Department of Housing and Urban Development			368,172	348,887	-
<u>U.S. DEPARTMENT OF TRANSPORTATION:</u>					
Direct Award					
Airport Improvement Program	3-39-0097-019-20	20.106	22,736	42,775	-
	3-39-0097-016-18		23,857	-	-
	3-39-0097-017-19		269,166	246,342	-
	3-39-0097-018-19		171,602	201,405	-
			487,361	490,522	-
(pass through Ohio Department of Transportation)					
Minimum Penalties for Repeat Offenders DWI	IDEP-2020-00089	20.608	3,950	3,950	-
			3,950	3,950	-
State & Community Highway Safety	STEP-2020-00089	20.600	4,564	4,564	-
			1,083	1,083	-
			5,647	5,647	-
National Priority Safety Programs	DDEP-2020-00058	20.616	1,208	1,208	-
			1,208	1,208	-
Total U.S. Department of Transportation			498,166	501,327	-
<u>U.S. DEPARTMENT OF TREASURY</u>					
(pass through Ohio Office of Budget and Management)					
Coronavirus Relief Fund	HB481-CRF-Local	21.019	2,577,873	1,964,302	-
Total U.S. Department of Treasury			2,577,873	1,964,302	-
<u>APPALACHIAN REGIONAL COMMISSION</u>					
Direct Award					
Appalachian Area Development	OH-18936-2017	23.002	40,591	40,591	-
	OH-19235-2018		-	36,774	-
Total Appalachian Regional Commission			40,591	77,365	-
<u>FEDERAL AVIATION ADMINISTRATION</u>					
Direct Award					
CARES Act Airport Grant	ZZVGLG3900970702020	21.019	-	69,000	-
Total Federal Aviation Administration			-	69,000	-
<u>U.S. ENVIRONMENTAL PROTECTION AGENCY</u>					
Direct Award					
Brownfields Assessment & Cleanup Cooperative Agreements	BF00E02015	66.818	310,820	310,820	-
Total U.S. Environmental Protection Agency			310,820	310,820	-
Total Federal Awards Expenditures			3,795,622	3,271,701	-

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 elected to use the 10 percent de minimus indirect cost rate to recover indirect costs as allowed under the Uniform Guidance.

NOTE C – DONATED PPE (UNAUDITED)

During 2020, the City received donated personal protective equipment (PPE) which had a fair market value of \$6,000.

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OHIO AUDITOR OF STATE KEITH FABER



CITY OF ZANESVILLE

MUSKINGUM COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 7/29/2021

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov