

313 Second St.  
Marietta, OH 45750  
740.373.0056

1907 Grand Central Ave.  
Vienna, WV 26105  
304.422.2203

104 South Sugar St.  
St. Clairsville, OH 43950  
740.695.1569

1310 Market Street, Suite 300  
Wheeling, WV 26003  
304.232.1358



# PERRY & Associates

Certified Public Accountants, A.C.

**CITY OF MARIETTA  
WASHINGTON COUNTY  
Single Audit  
For the Year Ended December 31, 2016**

[www.perrycpas.com](http://www.perrycpas.com)

*...“bringing more to the table”*

Tax – Accounting – Audit – Review – Compilation – Agreed Upon Procedure – Consultation – Bookkeeping – Payroll  
Litigation Support – Financial Investigations

Members: American Institute of Certified Public Accountants

- Ohio Society of CPAs • West Virginia Society of CPAs • Association of Certified Fraud Examiners •
- Association of Certified Anti - Money Laundering Specialists •







# Dave Yost • Auditor of State

City Council  
City of Marietta  
301 Putnam St  
Marietta, OH 45750

We have reviewed the *Independent Auditor's Report* of the City of Marietta, Washington County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2016 through December 31, 2016. 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 Marietta is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost  
Auditor of State

October 4, 2017

**This page intentionally left blank.**

City of Marietta, Ohio

Table of Contents

<b>TITLE</b>	<b>PAGE</b>
Independent Auditor’s Report .....	1
Management’s Discussion and Analysis .....	4
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position .....	13
Statement of Activities .....	14
Fund Financial Statements:	
Balance Sheet – Governmental Funds .....	16
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities .....	17
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds .....	18
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	19
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual – General Fund.....	20
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual – Street Fund.....	21
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual – Community Development Fund.....	22
Statement of Fund Net Position – Enterprise Funds .....	23
Statement of Revenues, Expenses and Changes in Fund Net Position – Enterprise Funds .....	24
Statement of Cash Flows – Enterprise Funds .....	25
Statement of Fiduciary Assets and Liabilities – Agency Funds .....	26
Notes to the Basic Financial Statements.....	27
Required Supplementary Information:	
Schedule of the City’s Proportionate Share of the Net Pension Liability – Ohio Public Employees Retirement System – Traditional Plan.....	71
Schedule of the City’s Proportionate Share of the Net Pension Liability – Ohio Police and Fire Pension Fund.....	72

City of Marietta, Ohio

Table of Contents

<b>TITLE</b>	<b>PAGE</b>
Schedule of City Contributions – Ohio Public Employees Retirement System – Traditional Plan .....	73
Schedule of City Contributions – Ohio Police and Fire Pension Fund .....	74
Schedule of Expenditures of Federal Awards.....	77
Notes to the Schedule of Expenditures of Federal Awards .....	78
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	79
Independent Auditor’s Report on Compliance with Requirements Applicable to the Major Federal Program and on Internal Control over Compliance Required by the Uniform Guidance.....	81
Schedule of Audit Findings .....	83



313 Second St.  
Marietta, OH 45750  
740.373.0056

1907 Grand Central Ave.  
Vienna, WV 26105  
304.422.2203

104 South Sugar St.  
St. Clairsville, OH 43950  
740.695.1569

1310 Market St., Suite 300  
Wheeling, WV 26003  
304.232.1358

## INDEPENDENT AUDITOR'S REPORT

July 28, 2017

City of Marietta  
Washington County  
301 Putnam Street  
Marietta, OH 45750

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 Marietta**, Washington County, Ohio (the "City"), as of and for the year ended December 31, 2016, 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.

[www.perrycpas.com](http://www.perrycpas.com)  
...*"bringing more to the table"*

Tax - Accounting - Audit - Review - Compilation - Agreed Upon Procedure - Consultation - Bookkeeping - Payroll - Litigation Support - Financial Investigations  
Members: American Institute of Certified Public Accountants  
• Ohio Society of CPAs • West Virginia Society of CPAs • Association of Certified Fraud Examiners • Association of Certified Anti-Money Laundering Specialists •

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the City of Marietta, Washington County, Ohio as of December 31, 2016, and the respective changes in its financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General, Street and Community Development Funds thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

***Other Matters***

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis* and the schedules of net pension liabilities and pension contributions listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for 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 derives from and relates 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 the schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, 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 our report dated July 28, 2017 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



**Perry & Associates**  
Certified Public Accountants, A.C.  
*Marietta, Ohio*

**City of Marietta, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2016*  
*Unaudited*

---

The discussion and analysis of the City of Marietta's financial performance provides an overall review of the City's financial activities for the year ended December 31, 2016. 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 2016 are as follows:

- In total, net position decreased \$2,268,360. Net position of governmental activities decreased \$1,722,295. The business-type activities also decreased \$546,065.
- General governmental revenues accounted for \$12,736,096 in revenue or 61% of all revenues in governmental activities. Program specific revenues in the form of charges for services, grants, contributions, and interest accounted for \$8,030,343 or 39% of total revenues of \$20,766,439.

### **Using this Annual Financial Report**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the City of Marietta 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 statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what dollars remain for future spending. The fund financial statements also look at the City's most significant funds with all other nonmajor funds presented in total in one column.

### ***Reporting the City of Marietta 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 2016?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by private sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when the cash is received or paid.

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

**City of Marietta, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2016*  
*Unaudited*

---

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

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

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

***Reporting the City of Marietta'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 Marietta, our major funds are the General Fund; the Street and Community Development Special Revenue Funds; the Capital Improvement Capital Projects Fund; and the Sewer and Water Enterprise Funds.

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

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

**The City of Marietta as a Whole**

Recall that the Statement of Net Position looks at the City as a whole. Table 1 provides a summary of the City's net position for 2016 compared to 2015.

**City of Marietta, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2016*  
*Unaudited*

(Table 1)  
Net Position

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
<b>Assets</b>						
Current and Other Assets	\$9,312,238	\$10,633,735	\$10,345,336	\$13,429,763	\$19,657,574	\$24,063,498
Capital Assets, Net	37,367,320	36,895,685	28,222,370	25,692,596	65,589,690	62,588,281
<i>Total Assets</i>	<u>46,679,558</u>	<u>47,529,420</u>	<u>38,567,706</u>	<u>39,122,359</u>	<u>85,247,264</u>	<u>86,651,779</u>
<b>Deferred Outflows of Resources</b>						
Pension	5,226,304	1,983,708	990,768	321,347	6,217,072	2,305,055
<b>Liabilities</b>						
Current and Other Liabilities	2,250,713	2,087,442	7,087,866	2,828,153	9,338,579	4,915,595
Long-term Liabilities						
Due Within One Year	280,763	365,338	799,754	899,941	1,080,517	1,265,279
Due in More Than One Year:						
Net Pension Liability	18,487,487	14,081,405	2,552,460	1,782,281	21,039,947	15,863,686
Other Amounts	7,701,322	8,170,043	16,780,097	21,086,428	24,481,419	29,256,471
<i>Total Liabilities</i>	<u>28,720,285</u>	<u>24,704,228</u>	<u>27,220,177</u>	<u>26,596,803</u>	<u>55,940,462</u>	<u>51,301,031</u>
<b>Deferred Inflows of Resources</b>						
Property Taxes	505,786	484,727	0	0	505,786	484,727
Pension	141,484	63,571	68,770	31,311	210,254	94,882
<i>Total Deferred Inflows of Resources</i>	<u>647,270</u>	<u>548,298</u>	<u>68,770</u>	<u>31,311</u>	<u>716,040</u>	<u>579,609</u>
<b>Net Position</b>						
Net Investment in Capital Assets	29,363,339	30,303,234	8,338,543	6,901,911	37,701,882	37,205,145
Restricted	5,481,445	5,224,599	0	0	5,481,445	5,224,599
Unrestricted (Deficit)	(12,306,477)	(11,267,231)	3,930,984	5,913,681	(8,375,493)	(5,353,550)
<i>Total Net Position</i>	<u>\$22,538,307</u>	<u>\$24,260,602</u>	<u>\$12,269,527</u>	<u>\$12,815,592</u>	<u>\$34,807,834</u>	<u>\$37,076,194</u>

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

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

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

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

**City of Marietta, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2016*  
*Unaudited*

---

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

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

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

Total assets decreased \$1,404,515. Governmental activities decreased \$849,862, as well as the business-type activities by \$554,653. Total liabilities increased \$4,639,431. Governmental activities increased \$4,016,057 along with the business-type activities of \$623,374.

Notable changes in governmental activity assets are a decrease in equity in pooled cash of \$1,554,480, an increase in intergovernmental receivables of \$187,198, a decrease of \$135,856 in income taxes receivable, and an increase in capital assets of \$471,635. The significant increase in total deferred outflow of resources in 2016 was due to an increase in the difference between projected and actual earnings on investments related to the City’s net pension liability for OPERS. Although the majority of the City’s governmental activity liabilities experience small changes, contracts and retainage payables increased \$210,520 and \$98,371, respectively. This reflects the City’s increased construction activity in 2016. Accrued wages and intergovernmental payables decreased \$202,336 and \$114,767, respectively, due to the timing of when the pay periods ended compared to the prior year. Notes payable increased \$155,650 also. The net pension liability increase represents the City’s proportionate share of the OPERS traditional plan’s unfunded benefits. As indicated above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability.

For business-type activities, equity in pooled cash decreased \$3,187,515 and materials and supplies decreased \$35,473. All other assets had increases in 2016 including accounts receivables of \$48,533 and capital assets of \$2,529,774. Current liabilities increased \$4,259,713 mainly for notes payable of

**City of Marietta, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2016*  
*Unaudited*

\$4,309,000. Long-term liabilities decreased \$3,636,339 overall. Long-term notes payable decreased \$4,924,815 due to the City retiring the bond anticipation notes and issuing loans from OWDA. Offsetting this decrease is an increase in net pension liability of \$770,179.

Table 2 shows the changes in net position for the year ended December 31, 2016, and comparisons to 2015.

(Table 2)  
Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
<b>Revenues</b>						
Program Revenues						
Charges for Services	\$3,514,072	\$3,538,594	\$8,269,648	\$8,097,991	\$11,783,720	\$11,636,585
Operating Grants, Contributions and Interest	3,656,640	3,790,993	172,541	0	3,829,181	3,790,993
Capital Grants and Contributions	859,631	993,281	0	81,812	859,631	1,075,093
<b>Total Program Revenues</b>	<b>8,030,343</b>	<b>8,322,868</b>	<b>8,442,189</b>	<b>8,179,803</b>	<b>16,472,532</b>	<b>16,502,671</b>
General Revenues						
Property Taxes	542,980	516,588	0	0	542,980	516,588
Income Taxes	10,464,320	10,299,247	0	0	10,464,320	10,299,247
Payments in Lieu of Taxes	117,015	106,994	0	0	117,015	106,994
Hotel Tax	486,051	544,949	0	0	486,051	544,949
Franchise Taxes	208,168	209,835	0	0	208,168	209,835
Grants and Entitlements	323,367	329,114	0	0	323,367	329,114
Gain on Sale of Capital Assets	0	4,698	2,521	5,144	2,521	9,842
Investment Earnings	73,810	54,609	27,875	0	101,685	54,609
Other	520,385	301,247	127,426	105,353	647,811	406,600
<b>Total General Revenues</b>	<b>12,736,096</b>	<b>12,367,281</b>	<b>157,822</b>	<b>110,497</b>	<b>12,893,918</b>	<b>12,477,778</b>
<b>Total Revenues</b>	<b>20,766,439</b>	<b>20,690,149</b>	<b>8,600,011</b>	<b>8,290,300</b>	<b>29,366,450</b>	<b>28,980,449</b>
<b>Program Expenses</b>						
General Government:						
Legislative and Executive	4,500,850	4,070,862	0	0	4,500,850	4,070,862
Court	1,696,498	1,559,392	0	0	1,696,498	1,559,392
Security of Persons and Property:						
Police	4,055,715	3,849,379	0	0	4,055,715	3,849,379
Fire	4,655,678	4,025,761	0	0	4,655,678	4,025,761
Public Health Services	814,036	920,425	0	0	814,036	920,425
Community Environment	529,139	584,575	0	0	529,139	584,575
Intergovernmental	2,044,302	1,844,718	0	0	2,044,302	1,844,718
Street	3,384,915	2,694,441	0	0	3,384,915	2,694,441
Transportation	56,371	22,921	0	0	56,371	22,921
Leisure Time Activities	584,237	559,056	0	0	584,237	559,056
Interest and Fiscal Charges	166,993	153,165	0	0	166,993	153,165
Sewer	0	0	4,114,889	3,332,236	4,114,889	3,332,236
Water	0	0	5,031,187	3,357,850	5,031,187	3,357,850
<b>Total Program Expenses</b>	<b>22,488,734</b>	<b>20,284,695</b>	<b>9,146,076</b>	<b>6,690,086</b>	<b>31,634,810</b>	<b>26,974,781</b>
<b>Changes in Net Position</b>	<b>(1,722,295)</b>	<b>405,454</b>	<b>(546,065)</b>	<b>1,600,214</b>	<b>(2,268,360)</b>	<b>2,005,668</b>
Net Position Beginning of Year	24,260,602	23,855,148	12,815,592	11,215,378	37,076,194	35,070,526
<b>Net Position End of Year</b>	<b>\$22,538,307</b>	<b>\$24,260,602</b>	<b>\$12,269,527</b>	<b>\$12,815,592</b>	<b>\$34,807,834</b>	<b>\$37,076,194</b>

**City of Marietta, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2016*  
*Unaudited*

---

***Governmental Activities***

Several revenue sources fund our governmental activities, with the City income tax being the biggest contributor. Incomes taxes reported an increase of \$165,073 for 2016. The income tax rate is 1.7 percent. The City monitors this revenue source very closely for fluctuations because it represents 50 percent of all revenues in the governmental activities.

Intergovernmental revenues (operating and capital grants) and contributions accounted for 56 percent of all program 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.

Second to fire program expenses, the largest 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.

Security of persons and property is the largest activity of the City, generating 39% of the governmental expenses. During 2016, expenses for police and fire operations amounted to \$4,055,715 and \$4,655,678, respectively. Expenses in these programs increased \$836,253 from 2015. These activities are, for the most part, funded by the municipal income tax. The City attempts to supplement the income and activities of the police department with grants to enable the police department to widen the scope of its activities. The operations of the fire department are also being supplemented by the third-party billings.

Street activities of the City accounted for over 15% of the governmental expenses. Street paving, patching, depreciation, and street lighting expenses during 2016 amounted to \$3,384,915, an increase of \$690,474 from 2015.

***Business-Type Activities***

The City's business-type activities consist of the sewer and water departments. During 2016, the City collected \$171,657 more in charges for services over the previous year but spent \$2,455,990 more.

**The City's Funds**

The City's governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$20,649,764 and expenditures of \$22,337,252.

The fund balance of the General Fund increased \$43,340. The General Fund's Unassigned Fund Balance of \$1,517,155 represented 13% of current year expenditures. Most of this balance remains in the City's treasury and is invested.

The fund balance of the Street Fund decreased \$178,588. The Street Fund's Restricted Fund Balance of \$638,635 represented 24% of current year expenditures.

The fund balance of the Community Development Fund decreased \$30,531. The Fund's Restricted Fund Balance of \$233,105 represented 9% of current year expenditures.



**City of Marietta, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2016*  
*Unaudited*

---

The fund balance of the Capital Improvement Fund decreased \$1,040,309. The Fund has a restricted fund balance of \$950,982.

During 2016, the Sewer Fund had operating revenues of \$4,257,677 and operating expenses of \$3,746,611. The Water Fund had operating revenues of \$4,073,797 and operating expenses of \$4,838,608. The major operating expenses for these funds are salaries and wages, materials and supplies, and contractual services.

### ***General Fund Budgeting Highlights***

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

During the course of 2016, the City amended its General Fund budget several times. Since the legal level of budgetary control is at the object level, any budgetary modifications at this level may only be made by resolution of the Council. All recommendations for a budget change are given to the City Auditor, who processes them when there are sufficient resources to make such a change, and are then sent to the Finance Committee of Council for review before going to the whole Council for Ordinance enactment on the change. Most of the expenditure changes are presented to the City Auditor by the Administration.

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

Original budgeted revenues were increased \$19,371. Intergovernmental revenue was increased \$6,511 along with donations, charges for services, and other revenue. The remaining revenues stayed the same as the original budget. Actual revenues were \$255,950 under final estimates. The original appropriations were increased \$155,354. Legislative and executive was increased \$61,067 while judicial was decreased \$50,135. Police was decreased \$49,133, while fire was increased \$194,202. Public health was also decreased by \$647. Actual expenditures were \$254,871 under final appropriations.

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

## **Capital Assets and Debt Administration**

### ***Capital Assets***

Note 11 (Capital Assets) provides capital asset activity during 2016. Table 3 shows year 2016 balances compared to 2015.



**City of Marietta, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2016*  
*Unaudited*

(Table 3)  
 Capital Assets at December 31, 2016

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	\$1,397,625	\$1,231,784	\$597,771	\$597,771	\$1,995,396	\$1,829,555
Buildings and Improvements	18,442,405	19,279,434	213,826	235,074	18,656,231	19,514,508
Machinery and Equipment	1,364,008	1,336,391	549,409	520,538	1,913,417	1,856,929
Vehicles	1,355,525	1,649,495	177,691	158,142	1,533,216	1,807,637
Infrastructure	10,375,316	7,239,864	7,857,101	8,019,130	18,232,417	15,258,994
Construction in Progress	4,432,441	6,158,717	18,826,572	16,161,941	23,259,013	22,320,658
<b>Totals</b>	<b>\$37,367,320</b>	<b>\$36,895,685</b>	<b>\$28,222,370</b>	<b>\$25,692,596</b>	<b>\$65,589,690</b>	<b>\$62,588,281</b>

**Debt**

The City's overall debt limit at December 31, 2016, is \$19,840,847. Additional information on the City's debt can be found in Notes 17 and 18 of this report. Table 4 below is a summary of the City's debt obligations:

(Table 4)  
 Outstanding Debt, at Year End

	Governmental Activities		Business-Type Activities	
	2016	2015	2016	2015
2000 Parking Lot Bonds	\$56,500	\$69,000	\$0	\$0
2014 Municipal Court Bonds	2,490,000	2,605,000	0	0
2014 Municipal Software Bonds	153,000	174,000	102,000	116,000
Armory Loan	450,000	500,000	0	0
Energy Conservation Loan	63,400	125,100	0	0
Capital Facilities Bond				
Anticipation Notes:				
Short-term	250,750	95,100	0	0
Long-term	3,979,250	4,201,500	0	0
Water Bond Anticipation Notes:				
Short-term	0	0	5,122,500	913,500
Long-term	0	0	0	3,932,500
Sewer Bond Anticipation Notes:				
Short-term	0	0	992,315	892,315
Long-term	0	0	81,855	1,074,170
OPWC Paving Loan	31,517	0	0	0
2013 Water Refunding Bonds	0	0	1,830,000	2,175,000
2014 Water Bonds	0	0	1,775,000	1,860,000
2014 Sewer Bonds	0	0	800,000	840,000
Sewer OWDA Loans	0	0	11,840,734	11,260,375
Water OPWC Loans	0	0	247,469	291,788
Sewer OPWC Loan	0	0	604,985	158,030
<b>Totals</b>	<b>\$7,474,417</b>	<b>\$7,769,700</b>	<b>\$23,396,858</b>	<b>\$23,513,678</b>

**City of Marietta, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2016*  
*Unaudited*

---

**Current Financial Issues**

The City is facing financial pressures like many other forms of government. Our costs are mostly personnel and will comprise over 83.2% of the General Fund expenditures. Based upon current negotiations and agreements, the yearly increase in projected personnel costs are projected at nearly 3.26% of current General Fund appropriations.

Five year financial projections show that revenues are not keeping pace with increases in expenditures. Carryovers which have allowed level of services to the general public to remain fairly constant will shrink, thereby causing problematic production of services in the future. Using non-quantifiable revenues in the General Fund produces a level of uncertainty in times of tight financial needs.

Income tax revenues have increased in 2016, as they have for the past five years. Income tax revenues comprise almost 65% of the total revenue for the General Fund and over 50% of governmental activities revenues.

**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 Sherri Hess, Marietta City Auditor, 301 Putnam Street, Marietta, Ohio 45750, 740-373-0473.

**City of Marietta, Ohio**  
*Statement of Net Position*  
*December 31, 2016*

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$4,654,329	\$8,181,895	\$12,836,224
Cash and Cash Equivalents in Segregated Accounts	81,277	247,783	329,060
Cash and Cash Equivalents with Fiscal Agents	0	410	410
Investments	315,434	100,000	415,434
Hotel Taxes Receivable	24,669	0	24,669
Permissive Motor Vehicle License Receivable	2,493	0	2,493
Accounts Receivable	131,681	1,607,072	1,738,753
Payments in Lieu of Taxes Receivable	117,015	0	117,015
Accrued Interest Receivable	4,879	0	4,879
Intergovernmental Receivable	1,895,777	868	1,896,645
Municipal Income Tax Receivable	1,215,838	0	1,215,838
Loans Receivable	4,575	0	4,575
Materials and Supplies Inventory	65,578	81,483	147,061
Prepaid Items	270,109	125,825	395,934
Property Taxes Receivable	528,584	0	528,584
Non-Depreciable Capital Assets	5,830,066	19,424,343	25,254,409
Depreciable Capital Assets, Net	31,537,254	8,798,027	40,335,281
<i>Total Assets</i>	<u>46,679,558</u>	<u>38,567,706</u>	<u>85,247,264</u>
<b>Deferred Outflows of Resources</b>			
Pension	5,226,304	990,768	6,217,072
<b>Liabilities</b>			
Accounts Payable	137,437	132,291	269,728
Contracts Payable	434,309	193,251	627,560
Accrued Wages Payable	124,662	37,788	162,450
Retainage Payable	100,802	51,213	152,015
Matured Compensated Absences Payable	19,887	0	19,887
Accrued Interest Payable	49,843	70,705	120,548
Intergovernmental Payable	175,287	43,484	218,771
Vacation and Compensatory Benefits Payable	957,736	235,339	1,193,075
Customer Deposits Payable	0	208,980	208,980
Notes Payable	250,750	6,114,815	6,365,565
Long-Term Liabilities:			
Due Within One Year	280,763	799,754	1,080,517
Due In More Than One Year:			
Net Pension Liability (See Note 13)	18,487,487	2,552,460	21,039,947
Other Amounts Due In More Than One Year	7,701,322	16,780,097	24,481,419
<i>Total Liabilities</i>	<u>28,720,285</u>	<u>27,220,177</u>	<u>55,940,462</u>
<b>Deferred Inflows of Resources</b>			
Property Taxes	505,786	0	505,786
Pension	141,484	68,770	210,254
<i>Total Deferred Inflows of Resources</i>	<u>647,270</u>	<u>68,770</u>	<u>716,040</u>
<b>Net Position</b>			
Net Investment in Capital Assets	29,363,339	8,338,543	37,701,882
Restricted for:			
Street	1,075,058	0	1,075,058
Cemetery	27,600	0	27,600
Community Development	676,336	0	676,336
Fire Operations	251,438	0	251,438
Police Operations	202,851	0	202,851
Court Operations	543,584	0	543,584
Recreation	211,785	0	211,785
Health	168,620	0	168,620
Capital Projects	1,757,954	0	1,757,954
Perpetual Care:			
Expendable	6,426	0	6,426
Non-expendable	464,153	0	464,153
Park - Non-expendable	711	0	711
Unclaimed Monies	16,619	0	16,619
Other Purposes	78,310	0	78,310
Unrestricted (Deficit)	<u>(12,306,477)</u>	<u>3,930,984</u>	<u>(8,375,493)</u>
<i>Total Net Position</i>	<u>\$22,538,307</u>	<u>\$12,269,527</u>	<u>\$34,807,834</u>

See accompanying notes to the basic financial statements

**City of Marietta, Ohio**  
*Statement of Activities*  
For the Year Ended December 31, 2016

	Program Revenues			
	Expenses	Charges for Services	Operating Grants, Contributions and Interest	Capital Grants and Contributions
<b>Governmental Activities</b>				
General Government:				
Legislative and Executive	\$4,500,850	\$1,060,416	\$120,391	\$99,350
Court	1,696,498	989,059	234,901	0
Security of Persons and Property:				
Police	4,055,715	66,855	4,991	0
Fire	4,655,678	605,446	287	10,000
Public Health Services	814,036	334,853	111,787	0
Community Environment	529,139	0	564,632	0
Intergovernmental	2,044,302	0	1,882,598	0
Street	3,384,915	33,809	736,053	493,919
Transportation	56,371	69,133	0	0
Leisure Time Activities	584,237	354,501	1,000	256,362
Interest and Fiscal Charges	166,993	0	0	0
<i>Total Governmental Activities</i>	22,488,734	3,514,072	3,656,640	859,631
<b>Business-Type Activities</b>				
Sewer	4,114,889	4,225,309	172,541	0
Water	5,031,187	4,044,339	0	0
<i>Total Business-Type Activities</i>	9,146,076	8,269,648	172,541	0
<i>Total</i>	\$31,634,810	\$11,783,720	\$3,829,181	\$859,631

**General Revenues**

Property Taxes Levied for:  
  General Purposes  
  Debt Service  
Income Taxes Levied for:  
  General Purposes  
  Street  
  Fire Operations  
  Capital Outlay  
Payments in Lieu of Taxes  
Hotel Tax  
Franchise Taxes  
Grants and Entitlements not Restricted to Specific Programs  
Gain on Sale of Capital Assets  
Investment Earnings  
Premium on Notes Issued  
Insurance Recoveries  
Donations  
Other

*Total General Revenues*

*Change in Net Position*

*Net Position Beginning of Year*

*Net Position End of Year*

See accompanying notes to the basic financial statements

Net (Expense) Revenue  
and Changes in Net Position

Governmental Activities	Business-Type Activities	Total
(\$3,220,693)	\$0	(\$3,220,693)
(472,538)	0	(472,538)
(3,983,869)	0	(3,983,869)
(4,039,945)	0	(4,039,945)
(367,396)	0	(367,396)
35,493	0	35,493
(161,704)	0	(161,704)
(2,121,134)	0	(2,121,134)
12,762	0	12,762
27,626	0	27,626
(166,993)	0	(166,993)
<u>(14,458,391)</u>	<u>0</u>	<u>(14,458,391)</u>
0	282,961	282,961
<u>0</u>	<u>(986,848)</u>	<u>(986,848)</u>
<u>0</u>	<u>(703,887)</u>	<u>(703,887)</u>
<u>(14,458,391)</u>	<u>(703,887)</u>	<u>(15,162,278)</u>
526,526	0	526,526
16,454	0	16,454
7,527,506	0	7,527,506
1,174,713	0	1,174,713
1,174,713	0	1,174,713
587,388	0	587,388
117,015	0	117,015
486,051	0	486,051
208,168	0	208,168
323,367	0	323,367
0	2,521	2,521
73,810	27,875	101,685
18,358	0	18,358
207,015	0	207,015
100	0	100
294,912	127,426	422,338
<u>12,736,096</u>	<u>157,822</u>	<u>12,893,918</u>
(1,722,295)	(546,065)	(2,268,360)
<u>24,260,602</u>	<u>12,815,592</u>	<u>37,076,194</u>
<u>\$22,538,307</u>	<u>\$12,269,527</u>	<u>\$34,807,834</u>

**City of Marietta, Ohio**  
*Balance Sheet*  
*Governmental Funds*  
*December 31, 2016*

	General	Street	Community Development	Capital Improvement	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>						
Equity in Pooled Cash and Cash Equivalents	\$919,460	\$470,208	\$62,567	\$1,271,678	\$1,913,797	\$4,637,710
Cash and Cash Equivalents in Segregated Accounts	42,761	0	0	0	38,516	81,277
Restricted Cash	16,619	0	0	0	0	16,619
Investments	0	0	0	0	315,434	315,434
Receivables:						
Hotel Taxes	24,669	0	0	0	0	24,669
Permissive Motor Vehicle License	0	2,493	0	0	0	2,493
Accounts	85,256	0	0	0	46,425	131,681
Payments in Lieu of Taxes	0	0	0	0	117,015	117,015
Accrued Interest	3,172	93	0	0	1,614	4,879
Interfund	205,747	0	0	0	0	205,747
Municipal Income Tax	877,605	135,293	0	67,647	135,293	1,215,838
Loans	0	0	0	0	4,575	4,575
Property Taxes	512,346	0	0	0	16,238	528,584
Intergovernmental	195,596	622,595	623,684	4,704	449,198	1,895,777
Materials and Supplies Inventory	23,728	41,850	0	0	0	65,578
Prepaid Items	213,246	19,571	296	0	36,996	270,109
<i>Total Assets</i>	<u>\$3,120,205</u>	<u>\$1,292,103</u>	<u>\$686,547</u>	<u>\$1,344,029</u>	<u>\$3,075,101</u>	<u>\$9,517,985</u>
<b>Liabilities and Fund Balances</b>						
<b>Liabilities</b>						
Accounts Payable	\$79,760	\$14,319	\$1,622	\$26,315	\$15,421	\$137,437
Contracts Payable	0	332,956	0	21,301	80,052	434,309
Accrued Wages Payable	98,198	10,197	644	0	15,623	124,662
Retainage Payable	0	607	0	77,939	22,256	100,802
Accrued Interest Payable	0	0	0	2,424	0	2,424
Matured Compensated Absences Payable	19,887	0	0	0	0	19,887
Intergovernmental Payable	137,684	11,318	1,329	0	24,956	175,287
Interfund Payable	0	0	8,000	0	197,747	205,747
Notes Payable	0	0	0	250,750	0	250,750
<i>Total Liabilities</i>	<u>335,529</u>	<u>369,397</u>	<u>11,595</u>	<u>378,729</u>	<u>356,055</u>	<u>1,451,305</u>
<b>Deferred Inflows of Resources</b>						
Property Taxes	489,548	0	0	0	16,238	505,786
Unavailable Revenue	284,736	222,650	441,551	14,318	479,488	1,442,743
<i>Total Deferred Inflows of Resources</i>	<u>774,284</u>	<u>222,650</u>	<u>441,551</u>	<u>14,318</u>	<u>495,726</u>	<u>1,948,529</u>
<b>Fund Balances</b>						
Nonspendable	253,593	61,421	296	0	501,860	817,170
Restricted	0	638,635	233,105	950,982	1,628,582	3,451,304
Committed	0	0	0	0	180,303	180,303
Assigned	239,644	0	0	0	0	239,644
Unassigned (Deficit)	1,517,155	0	0	0	(87,425)	1,429,730
<i>Total Fund Balances</i>	<u>2,010,392</u>	<u>700,056</u>	<u>233,401</u>	<u>950,982</u>	<u>2,223,320</u>	<u>6,118,151</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$3,120,205</u>	<u>\$1,292,103</u>	<u>\$686,547</u>	<u>\$1,344,029</u>	<u>\$3,075,101</u>	<u>\$9,517,985</u>

See accompanying notes to the basic financial statements

**City of Marietta, Ohio**  
*Reconciliation of Total Governmental Fund Balances to  
 Net Position of Governmental Activities  
 December 31, 2016*

**Total Governmental Fund Balances** \$6,118,151

*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. 37,367,320

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

Investment Earnings	319	
Delinquent Property Taxes	22,798	
Charges for Services	21,651	
Municipal Income Tax	197,288	
Payments in Lieu of Taxes	117,015	
Intergovernmental Revenues	1,083,672	
<b>Total</b>	<b>1,442,743</b>	<b>1,442,743</b>

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

Deferred Outflows - Pension	5,226,304	
Deferred Inflows - Pension	(141,484)	
<b>Net Pension Liability</b>	<b>(18,487,487)</b>	<b>(13,402,667)</b>

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

Bonds Payable	(2,746,699)	
Accrued Interest Payable	(47,419)	
Loans Payable	(544,917)	
Notes Payable	(3,979,250)	
Intergovernmental Payable	(10,868)	
Compensated Absences Payable - Sick Leave	(700,351)	
Vacation and Compensatory Benefits Payable	(957,736)	
<b>Total</b>	<b>(8,987,240)</b>	<b>(8,987,240)</b>

***Net Position of Governmental Activities*** **\$22,538,307**

See accompanying notes to the basic financial statements

**City of Marietta, Ohio**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Year Ended December 31, 2016*

	General	Street	Community Development	Capital Improvement	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>						
Property Taxes	\$520,911	\$0	\$0	\$0	\$16,454	\$537,365
Hotel Tax	486,051	0	0	0	0	486,051
Permissive Motor Vehicle License	0	33,809	0	0	0	33,809
Municipal Income Tax	7,504,720	1,171,467	0	585,757	1,171,467	10,433,411
Payments in Lieu of Taxes	0	0	0	0	106,994	106,994
Charges for Services	1,392,759	0	0	0	919,375	2,312,134
Fines, Licenses and Permits	579,783	0	0	0	552,413	1,132,196
Franchise Taxes	208,168	0	0	0	0	208,168
Intergovernmental	416,832	1,271,052	2,597,759	29,605	520,881	4,836,129
Investment Earnings	73,810	3,018	0	0	6,388	83,216
Donations	109,450	0	0	0	35,644	145,094
Rent	30,566	0	0	0	7,531	38,097
Other	238,144	5,822	2,939	1,102	49,093	297,100
<i>Total Revenues</i>	<u>11,561,194</u>	<u>2,485,168</u>	<u>2,600,698</u>	<u>616,464</u>	<u>3,386,240</u>	<u>20,649,764</u>
<b>Expenditures</b>						
Current:						
General Government:						
Legislative and Executive	4,148,129	0	0	0	66,605	4,214,734
Court	810,248	0	0	0	500,026	1,310,274
Security of Persons and Property:						
Police	3,586,299	0	0	0	37,620	3,623,919
Fire	2,421,638	0	0	0	1,618,225	4,039,863
Public Health Services	487,842	0	0	0	291,273	779,115
Community Environment	0	0	586,927	0	4,387	591,314
Street	0	2,712,926	0	0	0	2,712,926
Transportation	0	0	0	0	68,201	68,201
Leisure Time Activities	0	0	0	0	499,671	499,671
Capital Outlay	0	0	0	1,449,739	317,790	1,767,529
Intergovernmental	0	0	2,044,302	0	0	2,044,302
Debt Service:						
Principal Retirement	61,700	0	0	0	198,500	260,200
Current Refunding	0	0	0	250,750	0	250,750
Issuance Costs	0	0	0	15,469	0	15,469
Interest and Fiscal Charges	3,378	0	0	44,543	111,064	158,985
<i>Total Expenditures</i>	<u>11,519,234</u>	<u>2,712,926</u>	<u>2,631,229</u>	<u>1,760,501</u>	<u>3,713,362</u>	<u>22,337,252</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>41,960</u>	<u>(227,758)</u>	<u>(30,531)</u>	<u>(1,144,037)</u>	<u>(327,122)</u>	<u>(1,687,488)</u>
<b>Other Financing Sources (Uses)</b>						
Premium on Notes Issued	0	0	0	0	18,358	18,358
Loan Proceeds	0	31,517	0	0	0	31,517
Notes Issued	0	0	0	3,979,250	0	3,979,250
Proceeds from Sale of Capital Assets	5,282	281	0	22,538	0	28,101
Current Refunding	0	0	0	(3,950,750)	0	(3,950,750)
Insurance Recoveries	71,048	17,372	0	118,595	0	207,015
Transfers In	0	0	0	0	293,110	293,110
Transfers Out	(74,950)	0	0	(65,905)	(152,255)	(293,110)
<i>Total Other Financing Sources (Uses)</i>	<u>1,380</u>	<u>49,170</u>	<u>0</u>	<u>103,728</u>	<u>159,213</u>	<u>313,491</u>
<i>Net Change in Fund Balances</i>	43,340	(178,588)	(30,531)	(1,040,309)	(167,909)	(1,373,997)
<i>Fund Balances Beginning of Year</i>	<u>1,967,052</u>	<u>878,644</u>	<u>263,932</u>	<u>1,991,291</u>	<u>2,391,229</u>	<u>7,492,148</u>
<i>Fund Balances End of Year</i>	<u>\$2,010,392</u>	<u>\$700,056</u>	<u>\$233,401</u>	<u>\$950,982</u>	<u>\$2,223,320</u>	<u>\$6,118,151</u>

See accompanying notes to the basic financial statements



**City of Marietta, 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, 2016*

**Net Change in Fund Balances - Total Governmental Funds** (\$1,373,997)

*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	2,547,949	
Depreciation	(2,028,484)	
Excess of Capital Outlay over Depreciation Expense		519,465

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

Proceeds from Sale of Capital Assets	(28,101)	
Loss on Sale of Capital Assets	(19,729)	(47,830)

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

Investment Earnings	94	
Delinquent Property Taxes	5,615	
Charges for Services	(2,164)	
Municipal Income Tax	30,909	
Payments in Lieu of Taxes	10,021	
Other Revenues	(2,188)	
Intergovernmental Revenues	(150,985)	
Total		(108,698)

Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows. 1,355,664

Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities. (2,597,063)

Interest is reported as an expenditure when due in the governmental funds, but is accrued on outstanding debt on the statement of activities. Premiums are reported as revenues when the debt is first issued; however, these amounts are deferred and amortized on the statement of activities:

Bond Premium Amortization	3,041	
Accrued Interest Payable	(11,049)	
Total		(8,008)

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

Governmental funds report the effect of premiums when the debt is first issued; however, these amounts are deferred and amortized on the statement of activities:

Loan	(31,517)	
Notes	(3,979,250)	
Total		(4,010,767)

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

Bonds	148,500	
Notes	4,201,500	
Loans	111,700	
Total		4,461,700

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:

Intergovernmental Payable	20,306	
Vacation and Compensatory Benefits Payable	(12,083)	
Compensated Absences Payable - Sick Leave	79,016	
Total		87,239

**Change in Net Position of Governmental Activities** (\$1,722,295)

See accompanying notes to the basic financial statements

**City of Marietta, Ohio**  
*Statement of Revenues, Expenditures and Changes*  
*in Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*General Fund*  
*For the Year Ended December 31, 2016*

	Budgeted Amounts			Variance with Final Budget Over (Under)
	Original	Final	Actual	
<b>Revenues</b>				
Property Taxes	\$525,500	\$525,500	\$520,911	(\$4,589)
Hotel Tax	524,128	524,128	491,788	(32,340)
Municipal Income Tax	7,876,744	7,876,744	7,626,852	(249,892)
Charges for Services	1,362,291	1,362,612	1,385,062	22,450
Fines, Licenses and Permits	601,500	601,500	577,108	(24,392)
Franchise Tax	218,142	218,142	209,001	(9,141)
Intergovernmental	416,774	423,285	416,447	(6,838)
Investment Earnings	50,000	50,000	70,266	20,266
Donations	60	70	100	30
Rent	27,717	27,717	30,566	2,849
Other	74,743	87,272	112,919	25,647
<i>Total Revenues</i>	<u>11,677,599</u>	<u>11,696,970</u>	<u>11,441,020</u>	<u>(255,950)</u>
<b>Expenditures</b>				
Current:				
General Government:				
Legislative and Executive	4,427,759	4,488,826	4,324,550	164,276
Court	894,493	844,358	836,443	7,915
Security of Persons and Property:				
Police	3,834,926	3,785,793	3,754,816	30,977
Fire	2,398,766	2,592,968	2,581,938	11,030
Public Health Services	549,042	548,395	507,722	40,673
Debt Service:				
Principal	61,700	61,700	61,700	0
Interest and Fiscal Charges	3,378	3,378	3,378	0
<i>Total Expenditures</i>	<u>12,170,064</u>	<u>12,325,418</u>	<u>12,070,547</u>	<u>254,871</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(492,465)</u>	<u>(628,448)</u>	<u>(629,527)</u>	<u>(1,079)</u>
<b>Other Financing Sources (Uses)</b>				
Advances In	44,835	52,350	75,000	22,650
Advances Out	0	(75,000)	(75,000)	0
Insurance Recoveries	42,472	49,592	71,048	21,456
Sale of Capital Assets	0	0	5,001	5,001
Transfers Out	(74,950)	(92,575)	(74,950)	17,625
<i>Total Other Financing Sources (Uses)</i>	<u>12,357</u>	<u>(65,633)</u>	<u>1,099</u>	<u>66,732</u>
<i>Net Change in Fund Balance</i>	(480,108)	(694,081)	(628,428)	65,653
<i>Fund Balance Beginning of Year</i>	1,288,600	1,288,600	1,288,600	0
Prior Year Encumbrances Appropriated	124,295	124,295	124,295	0
<i>Fund Balance End of Year</i>	<u>\$932,787</u>	<u>\$718,814</u>	<u>\$784,467</u>	<u>\$65,653</u>

See accompanying notes to the basic financial statements

**City of Marietta, Ohio**  
*Statement of Revenues, Expenditures and Changes  
in Fund Balance - Budget (Non-GAAP Basis) and Actual  
Street Fund  
For the Year Ended December 31, 2016*

	<u>Budgeted Amounts</u>			Variance with Final Budget Over (Under)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues</b>				
Permissive Motor Vehicle License Tax	\$86,200	\$159,257	\$34,030	(\$125,227)
Municipal Income Tax	1,222,702	1,222,702	1,189,047	(33,655)
Intergovernmental	1,966,087	1,966,087	1,005,410	(960,677)
Investment Earnings	1,100	1,100	2,945	1,845
Other	2,291,453	2,312,728	6,071	(2,306,657)
<i>Total Revenues</i>	<u>5,567,542</u>	<u>5,661,874</u>	<u>2,237,503</u>	<u>(3,424,371)</u>
<b>Expenditures</b>				
Current:				
Street	<u>5,961,726</u>	<u>2,891,276</u>	<u>2,737,167</u>	<u>154,109</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(394,184)</u>	<u>2,770,598</u>	<u>(499,664)</u>	<u>(3,270,262)</u>
<b>Other Financing Sources</b>				
Loan Proceeds	31,517	31,517	31,517	0
Insurance Recoveries	17,495	17,495	17,495	0
<i>Total Other Financing Sources</i>	<u>49,012</u>	<u>49,012</u>	<u>49,012</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	<u>(345,172)</u>	<u>2,819,610</u>	<u>(450,652)</u>	<u>(3,270,262)</u>
<i>Fund Balance Beginning of Year</i>	501,048	501,048	501,048	0
Prior Year Encumbrances Appropriated	<u>212,690</u>	<u>212,690</u>	<u>212,690</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$368,566</u></u>	<u><u>\$3,533,348</u></u>	<u><u>\$263,086</u></u>	<u><u>(\$3,270,262)</u></u>

See accompanying notes to the basic financial statements

**City of Marietta, Ohio**  
*Statement of Revenues, Expenditures and Changes  
in Fund Balance - Budget (Non-GAAP Basis) and Actual  
Community Development Fund  
For the Year Ended December 31, 2016*

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
<b>Revenues</b>				
Intergovernmental	\$1,935,860	\$2,976,631	\$2,584,921	(\$391,710)
Other	0	50	2,939	2,889
<i>Total Revenues</i>	<u>1,935,860</u>	<u>2,976,681</u>	<u>2,587,860</u>	<u>(388,821)</u>
<b>Expenditures</b>				
Current:				
Community Environment	440,671	717,624	592,213	125,411
Intergovernmental	1,500,000	2,044,302	2,044,302	0
<i>Total Expenditures</i>	<u>1,940,671</u>	<u>2,761,926</u>	<u>2,636,515</u>	<u>125,411</u>
<i>Net Change in Fund Balance</i>	(4,811)	214,755	(48,655)	(263,410)
<i>Fund Balance Beginning of Year</i>	98,411	98,411	98,411	0
Prior Year Encumbrances Appropriated	4,811	4,811	4,811	0
<i>Fund Balance End of Year</i>	<u>\$98,411</u>	<u>\$317,977</u>	<u>\$54,567</u>	<u>(\$263,410)</u>

See accompanying notes to the basic financial statements

**City of Marietta, Ohio**  
*Statement of Fund Net Position*  
*Enterprise Funds*  
*December 31, 2016*

	Sewer	Water	Total Enterprise Funds
<b>Assets</b>			
<b>Current:</b>			
Equity in Pooled Cash and Cash Equivalents	\$4,958,562	\$3,114,353	\$8,072,915
Cash and Cash Equivalents in Segregated Accounts	126,029	121,754	247,783
Cash and Cash Equivalents with Fiscal Agents	0	410	410
Accounts Receivable	819,103	787,969	1,607,072
Intergovernmental Receivable	416	452	868
Materials and Supplies Inventory	30,545	50,938	81,483
<b>Restricted Assets:</b>			
<b>Customer Deposits:</b>			
Equity in Pooled Cash and Cash Equivalents	53,400	55,580	108,980
Investments	49,000	51,000	100,000
Prepaid Items	59,368	66,457	125,825
<i>Total Current Assets</i>	<u>6,096,423</u>	<u>4,248,913</u>	<u>10,345,336</u>
<b>Noncurrent:</b>			
Non-Depreciable Capital Assets	16,235,811	3,188,532	19,424,343
Depreciable Capital Assets, Net	5,240,301	3,557,726	8,798,027
<i>Total Noncurrent Assets</i>	<u>21,476,112</u>	<u>6,746,258</u>	<u>28,222,370</u>
<i>Total Assets</i>	<u>27,572,535</u>	<u>10,995,171</u>	<u>38,567,706</u>
<b>Deferred Outflows of Resources</b>			
Pension	503,475	487,293	990,768
<b>Liabilities</b>			
<b>Current:</b>			
Accounts Payable	62,700	69,591	132,291
Contracts Payable	123,334	69,917	193,251
Accrued Wages Payable	17,080	20,708	37,788
Retainage Payable	15,413	35,800	51,213
Intergovernmental Payable	23,076	20,408	43,484
Vacation and Compensatory Benefits Payable	100,581	134,758	235,339
Accrued Interest Payable	12,528	58,177	70,705
Notes Payable	992,315	5,122,500	6,114,815
Refunding Bonds Payable	0	350,000	350,000
General Obligation Bonds Payable	47,000	92,000	139,000
Issue II Loans Payable	12,711	22,342	35,053
OWDA Loans Payable	275,701	0	275,701
Customer Deposits Payable from Restricted Assets	102,400	106,580	208,980
<i>Total Current Liabilities</i>	<u>1,784,839</u>	<u>6,102,781</u>	<u>7,887,620</u>
<b>Long-Term:</b>			
Compensated Absences Payable	35,814	181,391	217,205
Notes Payable	81,855	0	81,855
Refunding Bonds Payable	0	1,513,048	1,513,048
General Obligation Bonds Payable	819,147	1,766,408	2,585,555
Issue II Loans Payable	592,274	225,127	817,401
OWDA Loans Payable	11,565,033	0	11,565,033
Net Pension Liability	1,276,231	1,276,229	2,552,460
<i>Total Long-Term Liabilities</i>	<u>14,370,354</u>	<u>4,962,203</u>	<u>19,332,557</u>
<i>Total Liabilities</i>	<u>16,155,193</u>	<u>11,064,984</u>	<u>27,220,177</u>
<b>Deferred Inflows of Resources</b>			
Pension	24,659	44,111	68,770
<b>Net Position</b>			
Net Investment in Capital Assets	8,223,818	114,725	8,338,543
Unrestricted	3,672,340	258,644	3,930,984
<i>Total Net Position</i>	<u>\$11,896,158</u>	<u>\$373,369</u>	<u>\$12,269,527</u>

See accompanying notes to the basic financial statements

**City of Marietta, Ohio**  
*Statement of Revenues, Expenses  
and Changes in Fund Net Position  
Enterprise Funds  
For the Year Ended December 31, 2016*

	Sewer	Water	Total Enterprise Funds
<b>Operating Revenues</b>			
Charges for Services	\$4,225,309	\$4,044,339	\$8,269,648
Other Operating Revenues	32,368	29,458	61,826
<i>Total Operating Revenues</i>	<u>4,257,677</u>	<u>4,073,797</u>	<u>8,331,474</u>
<b>Operating Expenses</b>			
Salaries and Wages	954,830	995,699	1,950,529
Fringe Benefits	603,643	618,101	1,221,744
Contractual Services	1,048,569	1,699,644	2,748,213
Materials and Supplies	822,690	1,019,334	1,842,024
Other Operating Expenses	47,180	28,988	76,168
Depreciation	269,699	476,842	746,541
<i>Total Operating Expenses</i>	<u>3,746,611</u>	<u>4,838,608</u>	<u>8,585,219</u>
<i>Operating Income (Loss)</i>	<u>511,066</u>	<u>(764,811)</u>	<u>(253,745)</u>
<b>Non-Operating Revenues (Expenses)</b>			
Investment Earnings	5,641	22,234	27,875
Capital Grants	172,541	0	172,541
Gain on Sale of Capital Assets	2,521	0	2,521
Other Non-Operating Revenues	65,600	0	65,600
Interest and Fiscal Charges	(364,349)	(173,842)	(538,191)
Note Issuance Costs	(3,929)	(18,737)	(22,666)
<i>Total Non-Operating Revenues (Expenses)</i>	<u>(121,975)</u>	<u>(170,345)</u>	<u>(292,320)</u>
<i>Change in Net Position</i>	389,091	(935,156)	(546,065)
<i>Net Position Beginning of Year</i>	<u>11,507,067</u>	<u>1,308,525</u>	<u>12,815,592</u>
<i>Net Position End of Year</i>	<u>\$11,896,158</u>	<u>\$373,369</u>	<u>\$12,269,527</u>

See accompanying notes to the basic financial statements

**City of Marietta, Ohio**  
*Statement of Cash Flows*  
*Enterprise Funds*  
For the Year Ended December 31, 2016

	Sewer	Water	Total Enterprise Funds
<b>Increase (Decrease) in Cash and Cash Equivalents</b>			
<b>Cash Flows from Operating Activities</b>			
Cash Received from Customers	\$4,199,868	\$4,019,211	\$8,219,079
Cash Payments for Employee Services and Benefits	(1,532,348)	(1,568,962)	(3,101,310)
Cash Payments to Suppliers for Goods and Services	(1,864,641)	(2,627,911)	(4,492,552)
Other Operating Revenues	33,988	29,006	62,994
Other Operating Expenses	(45,026)	(34,523)	(79,549)
Other Non-Operating Revenues	65,600	0	65,600
Customer Deposits Returned	(1,183)	(1,231)	(2,414)
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u>856,258</u>	<u>(184,410)</u>	<u>671,848</u>
<b>Cash Flows from Capital and Related Financing Activities</b>			
Acquisition of Capital Assets	(2,286,390)	(1,059,712)	(3,346,102)
Grants	172,541	0	172,541
Proceeds from Sale of Capital Assets	2,521	0	2,521
Notes Issuance Costs	(3,929)	(18,737)	(22,666)
Proceeds from Sale of Bond Anticipation Notes	1,074,170	5,122,500	6,196,670
Loan Proceeds	1,933,201	0	1,933,201
Principal Paid on Debt	(2,919,372)	(5,327,319)	(8,246,691)
Interest Paid on Debt	(366,588)	(165,088)	(531,676)
<i>Net Cash Used for Capital and Related Financing Activities</i>	<u>(2,393,846)</u>	<u>(1,448,356)</u>	<u>(3,842,202)</u>
<b>Cash Flows from Investing Activities</b>			
Investment Earnings	4,662	22,234	26,896
<i>Net Decrease in Cash and Cash Equivalents</i>	(1,532,926)	(1,610,532)	(3,143,458)
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>6,670,917</u>	<u>4,902,629</u>	<u>11,573,546</u>
<i>Cash and Cash Equivalents End of Year</i>	<u><u>\$5,137,991</u></u>	<u><u>\$3,292,097</u></u>	<u><u>\$8,430,088</u></u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities</b>			
<i>Operating Income (Loss)</i>	\$511,066	(\$764,811)	(\$253,745)
Adjustments:			
Depreciation	269,699	476,842	746,541
Other Non-Operating Revenues	65,600	0	65,600
(Increase)/Decrease in Assets:			
Accounts Receivable	(23,405)	(25,128)	(48,533)
Intergovernmental Receivable	(416)	(452)	(868)
Materials and Supplies Inventory	(16,566)	52,039	35,473
Prepaid Items	(21,649)	(23,454)	(45,103)
Decrease in Deferred Outflows - Pension	101,750	101,139	202,889
Increase/(Decrease) in Liabilities:			
Accounts Payable	(3,426)	3,235	(191)
Contract Payable	15,256	21,444	36,700
Retainage Payable	15,413	9,020	24,433
Accrued Wages Payable	(31,457)	(27,217)	(58,674)
Intergovernmental Payable	(10,939)	(8,942)	(19,881)
Vacation and Compensatory Benefits Payable	11,126	14,166	25,292
Customer Deposits Payable	(1,183)	(1,231)	(2,414)
Compensated Absences Payable	3,237	25,764	29,001
Net Pension Liability	(13,147)	(13,148)	(26,295)
Decrease in Deferred Inflows - Pension	(14,701)	(23,676)	(38,377)
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u><u>\$856,258</u></u>	<u><u>(\$184,410)</u></u>	<u><u>\$671,848</u></u>

See accompanying notes to the basic financial statements

**City of Marietta, Ohio**  
*Statement of Fiduciary Assets and Liabilities*  
*Agency Funds*  
*December 31, 2016*

**Assets**

Cash and Cash Equivalents in Segregated Accounts	\$88,044
Hotel Taxes Receivable	12,332
Accounts Receivable	<u>1,572,405</u>

*Total Assets* \$1,672,781

**Liabilities**

Intergovernmental Payable	\$84,134
Due to Others	<u>1,588,647</u>

*Total Liabilities* \$1,672,781

See accompanying notes to the basic financial statements



**City of Marietta, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2016*

---

**NOTE 1 - DESCRIPTION OF THE CITY AND REPORTING ENTITY**

The City of Marietta (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 Washington County in southern Ohio at the confluence of the Muskingum and Ohio Rivers, Marietta was the first village incorporated in the Northwest Territory. Marietta became a city in 1825. The City serves as the county seat.

The Mayor, Auditor, Treasurer, and Law Director, all with four year terms, the Municipal Court Judge with a six year term and a seven member Council, with two year terms, are elected. Department directors and public members of various boards and commissions are appointed by the Mayor.

**Report Entity**

The financial reporting entity consists of the primary government, component units, and other governmental organizations included to ensure the financial statements of the City are not misleading. 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 may also include organizations that are fiscally dependent on 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 benefits to, or impose specific financial burdens on, the primary government. No separate government units meet the criteria for inclusion as a component unit.

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

The City participates in the Buckeye Hills Regional Council, the Community Action Program Corporation of Washington-Morgan Counties, Ohio, and the Wood, Washington, and Wirt Planning Commission, which are defined as jointly governed organizations. Additional information concerning the jointly governed organizations is presented in Note 20.

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

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

**City of Marietta, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2016*

---

A. Basis of Presentation

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

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

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

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

B. Fund Accounting

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

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

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

**City of Marietta, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2016*

---

***Street Fund*** The Street Fund is used to account for that portion of the State gasoline tax and motor vehicle registration fees designated for maintenance of streets within the City.

***Community Development Fund*** The Community Development Fund is used to account for federal grant monies for projects to improve the community within the City and to be passed thru to the Community Action Program Corporation of Washington-Morgan Counties.

***Capital Improvement Fund*** The Capital Improvement Fund is used to account for income tax revenues and other various sources used for general capital improvements in the City.

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. The City's proprietary funds are all classified as enterprise funds. Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. All of the City's enterprise funds are major funds.

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

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

***Fiduciary Funds*** Fiduciary fund reporting focuses on net position and changes in net position. There are four categories of fiduciary funds; pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the City's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City's only fiduciary funds are agency funds. The City's agency funds account for bed taxes collected for the Tourist and Convention Bureau and municipal court collections that are distributed to the State and various local governments.

C. Measurement Focus

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

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

**City of Marietta, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2016*

---

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

**D. Basis of Accounting**

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

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

Nonexchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements, and donations. On an accrual basis, revenue from income taxes is recognized in the period in which the income is earned. Revenue from property taxes is recognized in the year for which the taxes are levied (See Note 8). Revenue from grants, entitlements, and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the City must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from a nonexchange transaction must also be available before it can be recognized.

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

***Deferred Outflows/Inflows of Resources*** In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent 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 pension. The deferred outflows of resources related to pension are explained in Note 13.

**City of Marietta, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2016*

---

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 until that time. For the City, deferred inflows of resources include property taxes, pension, and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2016, but which were levied to finance fiscal year 2017 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the City, unavailable revenue includes delinquent property taxes, investment earnings, income taxes, payments in lieu of taxes, charges for services, and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The details of these unavailable revenues are identified on the Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities found on page 17. Deferred inflows of resources related to pension are reported on the government-wide statement of net position. (See Note 13)

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

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

**E. Budget Process**

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

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

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.

**City of Marietta, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2016*

---

**F. Cash and Cash Equivalents**

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

During 2016, investments were limited to certificates of deposit, which are reported at cost.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Investment earnings credited to the General Fund during 2016 amounted to \$73,810, of which \$68,500 was assigned from other funds.

Investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the City are presented on the financial statements as cash equivalents.

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

Cash and cash equivalents that are held separately for the City by fiscal agents and not held with the City Treasurer are recorded as "Cash and Cash Equivalents with Fiscal Agents".

**G. Restricted Assets**

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

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

**H. Inventory**

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

**I. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond December 31, 2016, 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.



**City of Marietta, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2016*

---

**J. Capital Assets**

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The City was able to estimate the historical cost for the initial reporting of infrastructure by back trending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). Donated capital assets are recorded at their acquisition values 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 - 50 years	40 - 50 years
Machinery and Equipment	5 - 15 years	10 - 15 years
Vehicles	5 - 10 years	5 - 8 years
Infrastructure	10 - 25 years	10 - 50 years

The City's infrastructure consists of City streets, street signs, decorative lights, traffic signals, and water and sewer systems and includes infrastructure acquired prior to December 31, 1980.

**K. Compensated Absences**

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. The liability for vacation benefits is recorded as "vacation and compensatory benefits payable". The balances are to be used by employees in the year following the year in which the benefit was earned.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those that the City has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employee wage rates at year end taking into consideration any limits specified in the City's termination policy. The City records a liability for accumulated, unused sick leave with the following criteria by department: after twelve years of service for the Fire Department, after fifteen years of service for the Water, Sewer, Street, Engineer, Maintenance, Cemetery, Recreation, Parks, and Income Tax Departments, after twenty years of service for the Police, Health, Community Development Clerk, Court,

**City of Marietta, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2016*

---

and Information Systems Department, and after twenty five years for Law Director's office, Clerk of Council, Mayor's Office, Community Development, Auditor's Office, and Clerk of Courts and Bailiff.

L. Accrued Liabilities and Long-Term Obligations

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

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

M. Fund Balance

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

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

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

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.



**City of Marietta, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2016*

---

**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 ordinance or by State Statute.

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

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

N. Net Position

Net Position represents the difference between all other elements of the statement of net position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes include resources restricted for the law director's office.

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

O. Operating Revenues and Expenses

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

P. Interfund 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.

**City of Marietta, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2016*

---

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

**Q. Interfund Assets and Liabilities**

On the fund financial statements, outstanding interfund loans and unpaid amounts for internal services are reported as “Interfund Receivables/Payables”. Interfund balances are eliminated on the statement of net position, except for any net residual amounts due between governmental and business-type activities, which are presented as internal balances.

**R. Bond Premiums and Discounts**

Bond discounts and premiums are amortized over the term of the bonds using the straight-line method, which approximates the effective interest method. Bond discounts are presented as a reduction of the face amount of bonds payable. Bond premiums are presented as an addition to the face amount of the bonds. On the government fund financial statements, bond premiums and bond discounts are recognized in the period in which bonds are issued. 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.

**S. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of management and that are either unusual in nature or infrequent in occurrence. The City did not have any extraordinary or special items in 2016.

**T. Estimates**

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

**U. Pensions**

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

**NOTE 3 - CHANGES IN ACCOUNTING PRINCIPLES**

For 2016, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 72, "Fair Value Measurement and Application;" GASB Statement No 73, "Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68;" GASB Statement No. 76, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments;" GASB Statement No. 77, "Tax Abatement Disclosures;" and GASB Statement No. 82, "Pension Issues an Amendment of GASB Statements No. 67, No. 68 and No. 73."

GASB Statement No. 72 addresses accounting and financial reporting issues related to fair value measurements. This Statement provides guidance for determining a fair value measurement for financial reporting purposes for applying fair value to certain investments and disclosures related to all fair value measurements. These changes were incorporated in the City's 2016 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 73 establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement 68. The implementation of this GASB pronouncement did not result in any changes to the City's financial statements.

GASB Statement No. 76 identifies-in the context of the current governmental financial reporting environment-the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with generally accepted accounting principles (GAAP) and the framework for selecting those principles. The implementation of this GASB pronouncement did not result in any changes to the City's financial statements.

GASB Statement No. 77 requires disclosure of information about the nature and magnitude of tax abatements. These changes were incorporated in the City's 2016 financial statements; however, there was no effect on beginning net position/fund balance. There were no abatements that met the GASB 77 definition.

GASB Statement No. 82 improves consistency in the application of pension accounting. These changes were incorporated in the City's 2016 financial statements; however, there was no effect on beginning net position/fund balance.

**NOTE 4 - BUDGETARY BASIS OF ACCOUNTING**

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

**City of Marietta, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2016*

---

2. Expenditures are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Outstanding year end encumbrances are treated as expenditures (budget) rather than restricted, committed, or assigned fund balance (GAAP).
4. Unrecorded cash and interest, segregated accounts, and prepaid items are reported on the balance sheet (GAAP) but not on the budgetary basis.

The following table summarizes the adjustments necessary to reconcile the GAAP basis statement to the budgetary basis statement for the General Fund and the major special revenue funds.

Net Change in Fund Balance

	General	Street	Community Development
GAAP Basis	\$43,340	(\$178,588)	(\$30,531)
Net Adjustment for Revenue Accruals	(109,515)	(247,765)	(12,918)
Beginning of Year:			
Unrecorded Cash	19,745	0	0
Unrecorded Interest	4,626	155	0
Prepaid Items	76,179	9,362	341
Segregated Accounts	39,636	0	0
End of Year:			
Unrecorded Cash	(24,794)	0	80
Unrecorded Interest	(7,392)	(213)	0
Prepaid Items	(213,246)	(19,571)	(296)
Segregated Accounts	(42,761)	0	0
Net Adjustment for Expenditure Accruals	(294,820)	192,877	2,669
Encumbrances	(119,426)	(206,909)	(8,000)
Budget Basis	(\$628,428)	(\$450,652)	(\$48,655)

**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:

**City of Marietta, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2016*

Fund Balances	General	Street	Community Development	Capital Improvement	Nonmajor Governmental Funds	Total
<b><u>Nonspendable:</u></b>						
Prepays	\$213,246	\$19,571	\$296	\$0	\$36,996	\$270,109
Park Endowments	0	0	0	0	711	711
Cemetery Endowments	0	0	0	0	464,153	464,153
Unclaimed Monies	16,619	0	0	0	0	16,619
Inventory	23,728	41,850	0	0	0	65,578
<i>Total Nonspendable</i>	<u>253,593</u>	<u>61,421</u>	<u>296</u>	<u>0</u>	<u>501,860</u>	<u>817,170</u>
<b><u>Restricted for:</u></b>						
Street Improvements	0	638,635	0	0	3,639	642,274
Community Development	0	0	233,105	0	14,491	247,596
Cemetery	0	0	0	0	24,181	24,181
Debt Service	0	0	0	0	33,181	33,181
Fire Protection	0	0	0	0	375,367	375,367
Health	0	0	0	0	159,453	159,453
Law Enforcement	0	0	0	0	197,840	197,840
Court Operations	0	0	0	0	456,125	456,125
Law Director Operations	0	0	0	0	47,698	47,698
Energy Conservation	0	0	0	0	8,236	8,236
Court Improvements	0	0	0	0	300,800	300,800
Capital Improvements	0	0	0	950,982	7,571	958,553
<i>Total Restricted</i>	<u>0</u>	<u>638,635</u>	<u>233,105</u>	<u>950,982</u>	<u>1,628,582</u>	<u>3,451,304</u>
<b><u>Committed to:</u></b>						
Community Development	0	0	0	0	26,877	26,877
Emergency Rescue	0	0	0	0	3,234	3,234
Veterans	0	0	0	0	911	911
Cemetery Trust	0	0	0	0	6,426	6,426
Parking	0	0	0	0	119,658	119,658
Recreation	0	0	0	0	23,197	23,197
<i>Total Committed</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>180,303</u>	<u>180,303</u>
<b><u>Assigned to:</u></b>						
2017 Appropriations	93,161	0	0	0	0	93,161
Purchases on Order	146,483	0	0	0	0	146,483
<i>Total Assigned</i>	<u>239,644</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>239,644</u>
<b><u>Unassigned:</u></b>						
	1,517,155	0	0	0	(87,425)	1,429,730
<b>Total Fund Balances</b>	<u><u>\$2,010,392</u></u>	<u><u>\$700,056</u></u>	<u><u>\$233,401</u></u>	<u><u>\$950,982</u></u>	<u><u>\$2,223,320</u></u>	<u><u>\$6,118,151</u></u>

**NOTE 6 - FUND DEFICITS**

The Marietta Harbor Capital Projects Fund and the Armory Donation Special Revenue Fund have deficit fund balances of \$6,152 and \$81,273, respectively, as of December 31, 2016. The deficits are the result of the recognition of an interfund payable to the General Fund from the Marietta Harbor Fund and the result of contracts payable in the Armory Donation Fund. Once grant reimbursements are received, the deficits will be eliminated.

**NOTE 7 - DEPOSITS AND INVESTMENTS**

State statutes classify monies held by the City 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.

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.

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

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

**City of Marietta, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2016*

---

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.

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

### **Deposits**

Custodial credit risk for deposits is the risk that, in the event of bank failure, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$12,404,922 of the City's bank balance of \$13,828,860 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

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

### **NOTE 8 - PROPERTY TAXES**

Property taxes include amounts levied against all real and public utility property located in the City. Property tax revenue received during 2016 for real and public utility property taxes represents collections of 2015 taxes.

2016 real property taxes were levied after October 1, 2016, on the assessed value as of January 1, 2016, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2016 real property taxes are collected in and intended to finance 2017.

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. 2016 public utility property taxes which became a lien December 31, 2015, are levied after October 1, 2016, and are collected in 2017 with real property taxes.



**City of Marietta, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2016*

---

The full tax rate for all City operations for the year ended December 31, 2016, was \$2.40 per \$1,000 of assessed value. The assessed values of real property and public utility tangible property upon which 2016 property tax receipts were based are as follows:

Real Property	\$250,887,770
Public Utility Property	<u>8,337,780</u>
Total	<u><u>\$259,225,550</u></u>

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the City. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real and public utility property taxes and outstanding delinquencies which were measurable as of December 31, 2016, and for which there was an enforceable legal claim. In governmental funds, the portion of the receivable not levied to finance 2016 operations is offset to deferred inflows of resources – property taxes. On the accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on the modified accrual basis the revenue has been reported as deferred inflows of resources – unavailable revenue.

**NOTE 9 - RECEIVABLES**

Receivables at December 31, 2016, consisted of taxes, accounts (billings for user charged services including unbilled utility services and third party billings), payments in lieu of taxes, interfund, accrued interest, loans, and intergovernmental receivables arising from grants, entitlements, and shared revenues. All receivables are considered collectible in full. Delinquent sewer accounts receivable (billings for user charged services) are certified and collected as a special assessment, subject to foreclosure for nonpayment. The financial statements reflect loans receivable of \$4,575. 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 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 \$3,717.

As provided by State law, the City entered into Tax Increment Financing Agreement in 2012 with First Colony Center, LLC for the purpose of construction of a hotel and a public access road. To encourage these improvements, the company was granted an exemption from paying 75% of their property taxes on the new construction; however, payments in lieu of taxes are made 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 infrastructure improvements that will directly benefit the parcels of the First Colony Center and will continue for ten years. A receivable has been recorded in the amount of \$117,015, which represents amounts to be received by the City in 2017.

A summary of the principal items of intergovernmental receivables follows:



**City of Marietta, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2016*

---

<b>Governmental Activities:</b>	<b>Amount</b>
Gasoline Tax and Motor Vehicle License	\$313,116
OPWC Paving Grant	300,000
Community Housing Improvement Program	245,236
Housing and Urban Development Grant	196,812
Armory Elevator Grant	196,768
Housing Voucher Program	179,320
Local Government	110,609
Community Based Corrections Grant	109,953
Victims of Crime Act Grant	44,916
Probation Improvement and Incentive Grant	34,809
Homestead and Rollback	31,381
Utilities Income Tax	22,485
Medicare/Medicaid Reimbursements	20,219
Bureau of Workers Comp. Payments	18,077
MAC Time Study Reimbursement	15,032
Indigent Alcohol	9,978
Other	8,803
Stop Violence Against Women Grant	8,143
DARE Grant	7,171
BCMh	6,520
Ohio Department of Transportation Grant	4,467
Ohio Department of Natural Resources Grant	3,381
Health Subsidy	2,640
Continuum Of Care	2,316
Excess IRP	2,116
Personal Property Tax Loss Reimbursements	1,089
Police Training Grant	220
Immobilization Fees	200
Total Governmental Activities	1,895,777
<b>Business-Type Activities:</b>	
Bureau of Workers' Compensation	868
Total	\$1,896,645

**NOTE 10 - INCOME TAX**

The City levies a municipal income tax of 1.7 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. The City allows a credit of 100 percent for the income tax paid to another municipality, not to exceed 1.7 percent of taxable income, to a maximum of the total amount assessed.

**City of Marietta, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2016*

Employers within the City are required to withhold income tax on employee compensation and remit the tax to the City either monthly or quarterly, as required. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually. Income tax proceeds were distributed to funds in the following manner: 72% to the General Fund, 11% to the Street Special Revenue Fund, 11% to the Fire Levy Special Revenue Fund, and 6% to the Capital Improvement Capital Projects Fund.

**NOTE 11 - CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2016, was as follows:

	Balance 12/31/2015	Increases	Decreases	Balance 12/31/2016
<b>Governmental Activities:</b>				
Capital Assets not being Depreciated:				
Land	\$1,231,784	\$213,671	(\$47,830)	\$1,397,625
Construction in Progress	6,158,717	1,635,850	(3,362,126)	4,432,441
Total Capital Assets not being Depreciated	<u>7,390,501</u>	<u>1,849,521</u>	<u>(3,409,956)</u>	<u>5,830,066</u>
Capital Assets being Depreciated:				
Buildings and Improvements	29,692,655	231,486	0	29,924,141
Machinery and Equipment	6,019,703	221,528	(19,755)	6,221,476
Vehicles	4,687,602	0	(148,008)	4,539,594
Infrastructure	31,569,787	3,607,540	0	35,177,327
Total Capital Assets being Depreciated	<u>71,969,747</u>	<u>4,060,554</u>	<u>(167,763)</u>	<u>75,862,538</u>
Less Accumulated Depreciation:				
Buildings and Improvements	(10,413,221)	(1,068,515)	0	(11,481,736)
Machinery and Equipment	(4,683,312)	(193,911)	19,755	(4,857,468)
Vehicles	(3,038,107)	(293,970)	148,008	(3,184,069)
Infrastructure	(24,329,923)	(472,088)	0	(24,802,011)
Total Accumulated Depreciation	<u>(42,464,563)</u>	<u>(2,028,484) *</u>	<u>167,763</u>	<u>(44,325,284)</u>
Total Capital Assets being Depreciated, Net	<u>29,505,184</u>	<u>2,032,070</u>	<u>0</u>	<u>31,537,254</u>
Governmental Activities Capital Assets, Net	<u>\$36,895,685</u>	<u>\$3,881,591</u>	<u>(\$3,409,956)</u>	<u>\$37,367,320</u>

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

General Government - Legislative and Executive	\$109,051
General Government - Court	332,160
Security of Persons and Property:	
Police	127,035
Fire	143,294
Public Health Services	20,156
Community Environment	89,119
Street	931,504
Transportation	3,088
Leisure Time Activities	273,077
Total Depreciation Expense	<u>\$2,028,484</u>

**City of Marietta, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2016*

	Balance 12/31/2015	Increases	Decreases	Balance 12/31/2016
<b>Business-Type Activities:</b>				
Capital Assets not being Depreciated:				
Land	\$597,771	\$0	\$0	\$597,771
Construction in Progress	16,161,941	3,107,858	(443,227)	18,826,572
Total Capital Assets not being Depreciated	<u>16,759,712</u>	<u>3,107,858</u>	<u>(443,227)</u>	<u>19,424,343</u>
Capital Assets being Depreciated:				
Buildings and Improvements	945,450	0	0	945,450
Machinery and Equipment	2,583,290	57,787	0	2,641,077
Vehicles	869,378	66,253	(23,084)	912,547
Infrastructure	56,507,250	487,644	0	56,994,894
Total Capital Assets being Depreciated	<u>60,905,368</u>	<u>611,684</u>	<u>(23,084)</u>	<u>61,493,968</u>
Less Accumulated Depreciation:				
Buildings and Improvements	(710,376)	(21,248)	0	(731,624)
Machinery and Equipment	(2,062,752)	(28,916)	0	(2,091,668)
Vehicles	(711,236)	(46,704)	23,084	(734,856)
Infrastructure	(48,488,120)	(649,673)	0	(49,137,793)
Total Accumulated Depreciation	<u>(51,972,484)</u>	<u>(746,541)</u>	<u>23,084</u>	<u>(52,695,941)</u>
Total Capital Assets being Depreciated, Net	<u>8,932,884</u>	<u>(134,857)</u>	<u>0</u>	<u>8,798,027</u>
Business-Type Activities Capital Assets, Net	<u>\$25,692,596</u>	<u>\$2,973,001</u>	<u>(\$443,227)</u>	<u>\$28,222,370</u>

**NOTE 12 - RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City contracts with Peoples Insurance Agency who, on behalf of the City, negotiates property and casualty insurance coverage with U.S. Specialty. U.S. Specialty provides commercial general liability insurance, which has a \$1,000,000 per occurrence limit with an additional \$6,000,000 in umbrella liability coverage. The following lists the coverage limits and deductibles:

<u>Property</u>	<u>Limit</u>	<u>Deductible</u>	
Real and Personal Property	\$117,169,550	\$5,000	
Boiler and Machinery	100,400,000	5,000	
	Limit (Per		
<u>Liability</u>	<u>Occurrence)</u>	<u>Aggregate</u>	<u>Deductible</u>
Commercial General	\$1,000,000	\$3,000,000	\$1,000
Employee Benefits	1,000,000	3,000,000	1,000
Employer Liability	1,000,000	1,000,000	1,000
Public Officials Wrongful Acts	1,000,000	1,000,000	5,000
Law Enforcement	1,000,000	1,000,000	5,000

Vehicles are covered by U.S. Specialty and have a \$500 deductible for comprehensive and \$1,000 for collision. Automobile liability has a \$1,000,000 combined single limit for bodily injury and liability for property damage. The Assistant Safety-Service Director reviews all claims.

**City of Marietta, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2016*

---

There were no significant reductions in coverage from prior years. Settlements have not exceeded coverage in any of the last three years.

The City participates in the Workers' Compensation Program provided by the State of Ohio. The City belongs to a group with other Ohio cities through the Ohio Rural Water Association for a workers' compensation group rating program, which utilized Comp Management as a third-party administrator.

**NOTE 13 - DEFINED BENEFIT PENSION PLANS**

***Net Pension Liability***

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

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

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

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

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

**City of Marietta, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2016*

---

**Plan Description – Ohio Public Employees Retirement System (OPERS)**

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

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

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

<b>Group A</b>	<b>Group B</b>	<b>Group C</b>
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
<b>State and Local</b>	<b>State and Local</b>	<b>State and Local</b>
<b>Age and Service Requirements:</b> Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	<b>Age and Service Requirements:</b> Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	<b>Age and Service Requirements:</b> Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
<b>Formula:</b> 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	<b>Formula:</b> 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	<b>Formula:</b> 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35

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

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

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

**City of Marietta, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2016*

---

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

	State and Local
<b>2016 Statutory Maximum Contribution Rates</b>	
Employer	14.0 %
Employee	10.0 %
 <b>2016 Actual Contribution Rates</b>	
Employer:	
Pension	12.0 %
Post-employment Health Care Benefits	2.0
Total Employer	14.0 %
 Employee	 10.0 %

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City’s contractually required contribution was \$701,005 for 2016. Of this amount, \$79,527 is reported as an intergovernmental payable.

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

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

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

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

The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.5 percent for each of the first 20 years of service credit, 2.0 percent for each of the next five years of service credit and 1.5 percent for each year of service credit in excess of 25 years. The maximum pension of 72 percent of the allowable average annual salary is paid after 33 years of service credit.

**City of Marietta, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2016*

---

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

Members retiring under normal service retirement, with less than 15 years of service credit on July 1, 2013, will receive a COLA equal to either three percent or the percent increase, if any, in the consumer price index (CPI) over the 12 month period ending on September 30 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 three 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
<b>2016 Statutory Maximum Contribution Rates</b>		
Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %
 <b>2016 Actual Contribution Rates</b>		
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 \$878,981 for 2016. Of this amount, \$84,505 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, 2015, 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, 2015, and was determined by rolling forward the total pension liability as of January 1, 2015, to December 31, 2015. 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:



**City of Marietta, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2016*

	<u>OPERS</u>	<u>OP&amp;F</u>	
Proportion of the Net Pension Liability:			
Current Measurement Date	0.046050%	0.2030680%	
Prior Measurement Date	<u>0.044779%</u>	<u>0.2019690%</u>	
Change in Proportionate Share	<u>0.0012710%</u>	<u>0.0010990%</u>	
			<u>Total</u>
Proportionate Share of the Net Pension Liability	\$7,976,440	\$13,063,507	\$21,039,947
Pension Expense	\$1,162,891	\$1,796,711	\$2,959,602

At December 31, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>OPERS</u>	<u>OP&amp;F</u>	<u>Total</u>
<b>Deferred Outflows of Resources</b>			
Net difference between projected and actual earnings on pension plan investments	\$2,344,575	\$2,126,238	\$4,470,813
Changes in proportion and differences between City contributions and proportionate share of contributions	120,594	45,679	166,273
City contributions subsequent to the measurement date	<u>701,005</u>	<u>878,981</u>	<u>1,579,986</u>
Total Deferred Outflows of Resources	<u>\$3,166,174</u>	<u>\$3,050,898</u>	<u>\$6,217,072</u>
<b>Deferred Inflows of Resources</b>			
Differences between expected and actual experience	\$154,120	\$36,682	\$190,802
Changes in proportion and differences between City contributions and proportionate share of contributions	<u>19,452</u>	<u>0</u>	<u>19,452</u>
Total Deferred Inflows of Resources	<u>\$173,572</u>	<u>\$36,682</u>	<u>\$210,254</u>

\$1,579,986 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2017. 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 Marietta, Ohio**  
*Notes to the Basic Financial Statements*  
For the Year Ended December 31, 2016

---

Year Ending December 31:	OPERS	OP&F	Total
2017	\$559,451	\$561,630	\$1,121,081
2018	596,939	561,630	1,158,569
2019	604,632	561,630	1,166,262
2020	530,575	439,870	970,445
2021	0	8,801	8,801
Thereafter	0	1,674	1,674
Total	<u>\$2,291,597</u>	<u>\$2,135,235</u>	<u>\$4,426,832</u>

***Actuarial Assumptions - OPERS***

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability was determined by an actuarial valuation as of December 31, 2015, 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 valuations are presented below.

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

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

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

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

**City of Marietta, Ohio**  
*Notes to the Basic Financial Statements*  
For the Year Ended December 31, 2016

OPERS manages investments in four investment portfolios: the Defined Benefits portfolio, the Health Care portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan and the VEBA Trust. 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 money weighted rate of return, net of investments expense, for the Defined Benefit portfolio is 0.4 percent for 2015.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2015 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	23.00 %	2.31 %
Domestic Equities	20.70	5.84
Real Estate	10.00	4.25
Private Equity	10.00	9.25
International Equities	18.30	7.40
Other investments	18.00	4.59
Total	100.00 %	5.27 %

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

**Sensitivity of the City’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** The following table presents the City’s proportionate share of the net pension liability calculated using the current period discount rate assumption of 8 percent, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (7 percent) or one-percentage-point higher (9 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	\$12,708,419	\$7,976,440	\$3,985,167

**City of Marietta, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2016*

---

***Changes between Measurement Date and Report Date***

In October 2016, the OPERS Board adopted certain assumption changes which will impact their annual actuarial valuation prepared as of December 31, 2016. The most significant change is a reduction in the discount rate from 8.0 percent to 7.5 percent. Although the exact amount of these changes is not known, the impact to the City's net pension liability is expected to be significant.

***Actuarial Assumptions – OP&F***

OP&F's total pension liability as of December 31, 2015, is based on the results of an actuarial valuation date of January 1, 2015, and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OP&F's actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of January 1, 2015, are presented below:

Valuation Date	January 1, 2015
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8.25 percent
Projected Salary Increases	4.25 percent to 11 percent
Payroll Increases	3.75 percent
Inflation Assumptions	3.25 percent
Cost of Living Adjustments	2.60 percent and 3.00 percent, simple

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

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

The long-term expected rate of return on pension plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes. Best estimates of the long-term expected geometric real rates of return for each major asset class included in OP&F's target asset allocation as of December 31, 2015, are summarized below:

**City of Marietta, Ohio**  
*Notes to the Basic Financial Statements*  
For the Year Ended December 31, 2016

Asset Class	Target Allocation	10 Year Expected Real Rate of Return**	30 Year Expected Real Rate of Return**
Cash and Cash Equivalents	- %	0.00 %	0.00 %
Domestic Equity	16.00	6.50	7.80
Non-US Equity	16.00	6.70	8.00
Core Fixed Income *	20.00	3.50	5.35
Global Inflation Protected Securities*	20.00	3.50	4.73
High Yield	15.00	6.35	7.21
Real Estate	12.00	5.80	7.43
Private Markets	8.00	9.50	10.73
Timber	5.00	6.55	7.35
Master Limited Partnerships	8.00	9.65	10.75
Total	<u>120.00 %</u>		

Note: Assumptions are geometric.

\* levered 2x

\*\* Numbers are net of expected inflation

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.

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

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

	1% Decrease (7.25%)	Current Discount Rate (8.25%)	1% Increase (9.25%)
City's proportionate share of the net pension liability	\$17,229,016	\$13,063,507	\$9,534,911

**NOTE 14 - POSTEMPLOYMENT BENEFITS**

A. Ohio Public Employees Retirement System

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

OPERS maintained two cost-sharing, multiple-employer defined benefit postemployment health care trusts, which funded multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients of both the traditional pension and the combined plans. Members of the member-directed plan do not qualify for ancillary benefits, including OPERS sponsored health care coverage.

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

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

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

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

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2016, 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.

At the beginning of 2016, OPERS maintained three health care trusts. The two cost-sharing, multiple employer trusts, the 401(h) Health Care Trust (401(h) Trust) and the 115 Health Care Trust (115 Trust), worked together to provide health care funding to eligible retirees of the Traditional Pension and Combined plans. Each year, the OPERS Board of Trustees determines the portion of the employer contributions rate that will be set aside to fund health care plans. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2016 remained at 2.0 percent for both the Traditional Pension and Combined plans. The Board is also authorized to establish

**City of Marietta, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2016*

---

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 third trust is a Voluntary Employee's Beneficiary Association (VEBA) Trust that provides funding for a Retiree Medical Account (RMA) for Member-Directed Plan members. The employer contribution as a percentage of covered payroll deposited to the RMAs for 2016 was 4.0 percent.

In March 2016, OPERS received two favorable rulings from the IRS allowing OPERS to consolidate all health care assets into the 115 Trust. Transition to the new health care trust structure occurred during 2016. OPERS Combining Statements of Changes in Fiduciary Net Position for the year ended December 31, 2016, will reflect a partial year of activity in the 401(h) Trust and VEBA Trust prior to the termination of these trusts as of end of business day June 30, 2016, and the assets and liabilities, or net position, of these trusts being consolidated into the 115 Trust on July 1, 2016.

Substantially all of the City's contribution allocated to fund postemployment health care benefits relates to the cost-sharing, multiple employer trusts. The corresponding contribution for the years ended December 31, 2016, 2015, and 2014 was \$116,834, \$114,268, and \$112,728, respectively. For 2016, 88.66 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2015 and 2014.

**B. Police and Fire Pension Fund**

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

OPF provides access to postretirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or statutory survivor benefit, or is a spouse or eligible dependent child of such person. The health care coverage provided by OPF meets the definition of an Other Post Employment Benefit (OPEB) as described in Government Accounting Standards Board (GASB) Statement No. 45.

The Ohio Revised Code allows, but does not mandate, OPF to provide OPEB benefits. Authority for the OPF 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.

OPF 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 OPF website at [www.op-f.org](http://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 OPF defined benefit pension plan. Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently 19.5 percent and 24 percent of covered payroll for police and fire employer units. Active members do not make contributions to the OPEB Plan.



**City of Marietta, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2016*

---

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For 2016, the portion of employer contributions allocated to health care was 0.5 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

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

The City's contribution to OPF for the years ended December 31, 2016, 2015, and 2014 were \$899,467, \$900,888, and \$845,227, respectively, of which \$12,086, \$20,551, and \$79,950, respectively, was allocated to the healthcare plan. For 2016, 90.71 and 90.17 percent, respectively, has been contributed for both police and firefighters with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2015 and 2014.

**NOTE 15 - OTHER EMPLOYEE BENEFITS**

A. Deferred Compensation Plans

City employees and elected officials participate in a statewide deferred compensation plan created in accordance with Internal Revenue Code Section 457. Participation is on a voluntary payroll deduction basis. The plan permits deferral of compensation until future years. According to the plan, the deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

B. Employee Health Benefits

The City provides \$20,000 in accidental death and dismemberment insurance to its full-time employees, part-time employees hired before July 1, 1992, and working a minimum of twenty hours per week, part-time employees hired after July 1, 1992, and working a minimum of thirty hours per week, and all elected public officials through Hartford Life Insurance.

The City provides comprehensive major medical, vision, and dental insurance under the Michigan Conference of Teamsters Welfare Fund through Blue Cross and Blue Shield. Premiums are based on a per week, per employee (no family or single rates) basis and are paid 85% by the City. Rates are \$318.80 per week per employee. Premiums are paid from the same funds that pay the employees' salaries.

**City of Marietta, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2016*

---

C. Compensated Absences

The criteria for determining vested vacation and sick leave benefits are derived from negotiated agreements and State laws. Upon retirement, all employees hired prior to January 1, 1988, except Firemen and Teamsters, are paid 100% of their sick leave up to a maximum of 120 days. All employees hired after January 1, 1988, except Firemen and Teamsters, are paid fifty percent of their sick leave at the time of retirement up to a maximum of 120 days accumulation. If hired before January 1, 1991, firemen whose employment with the City is terminated either by retirement or after twelve years of consecutive employment by the City, are paid for accumulated sick leave up to a maximum of 120 days accumulation. If hired after January 1, 1991, firemen whose employment with the City is terminated either by retirement or after twelve years of consecutive employment by the City, are paid fifty percent of their accumulated sick leave up to a maximum 120 days accumulation. Teamsters hired prior to January 1, 1992, are paid 100% of their sick leave at the time of retirement up to a maximum of 120 days accumulation. Teamsters hired after January 1, 1992, are paid fifty percent of their sick leave at the time of retirement up to a maximum of 120 days accumulation. Upon voluntary termination, death, or retirement, all employees will receive 100% of vacation earned and not previously taken.

**NOTE 16 - SIGNIFICANT COMMITMENTS**

A. Contractual Commitments

As of December 31, 2016, the City had contractual purchase commitments for projects in various funds. The amount for each project is as follows:



**City of Marietta, Ohio**  
*Notes to the Basic Financial Statements*  
For the Year Ended December 31, 2016

<b>Capital Projects:</b>	Purchase Commitments	Amount Expended	Amount Remaining on Contracts
<b><i>Armory Square</i></b>			
Armory Funds	\$3,075,146	\$2,978,671	\$96,475
General Fund	2,450	2,450	0
Community Development	19,625	19,625	0
Capital Improvement Fund	55,793	55,793	0
	<u>3,153,014</u>	<u>3,056,539</u>	<u>96,475</u>
<b><i>Administration Building Renovations</i></b>			
Capital Improvement Fund	1,089,615	1,082,803	6,812
Energy Conservation Fund	55,518	55,518	0
Water Fund	20,585	20,585	0
Sewer Fund	20,399	20,399	0
	<u>1,186,117</u>	<u>1,179,305</u>	<u>6,812</u>
<b><i>Riverfront Trail Phase V</i></b>			
Capital Improvement Fund	10,070	10,070	0
Street Fund	205,459	179,044	26,415
	<u>215,529</u>	<u>189,114</u>	<u>26,415</u>
<b><i>State Route 26 Resurfacing</i></b>			
Street Fund	299,592	8,720	290,872
<b><i>State Route 676 Lancaster Street Improvements</i></b>			
Street Fund	52,118	39,747	12,371
<b><i>2016 Alley Repairs **</i></b>			
Street Fund	111,013	100,458	10,555
Capital Improvements Fund	615	615	0
	<u>111,628</u>	<u>101,073</u>	<u>10,555</u>
<b><i>Waste Water Treatment Plant Upgrade</i></b>			
Sewer Fund	15,177,380	14,864,430	312,950
<b><i>Harmar Lift Station Upgrade</i></b>			
Sewer Fund	1,320,922	1,290,002	30,920
<b><i>Water Meter Replacement Project **</i></b>			
Sewer Fund	906,364	855,770	50,594
Water Fund	906,364	855,770	50,594
	<u>1,812,728</u>	<u>1,711,540</u>	<u>101,188</u>
<b><i>Greene Street and Colegate Drive Waterlines</i></b>			
Water Fund	1,937,556	1,901,826	35,730
<b><i>Hadley Lane/Sherry Drive Waterline</i></b>			
Water Fund	823,010	716,760	106,250
<b><i>Water Treatment Plant Needs Review</i></b>			
Water Fund	250,000	12,570	237,430
Total All Projects	<u>\$26,339,594</u>	<u>\$25,071,626</u>	<u>\$1,267,968</u>

\*\* contractual services

**City of Marietta, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2016*

---

**B. Encumbrances**

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

<b>Governmental Funds:</b>	
General	\$119,426
Street	206,909
Community Development	8,000
Capital Improvement	280,310
Nonmajor Governmental Funds	<u>108,284</u>
<i>Total Governmental Funds</i>	<u>722,929</u>
<b>Enterprise Funds:</b>	
Water Fund	654,130
Sewer Fund	<u>253,328</u>
<i>Total Enterprise Funds</i>	<u>907,458</u>
Total	<u><u>\$1,630,387</u></u>

**NOTE 17 - LONG-TERM OBLIGATIONS**

Changes in long-term obligations of the City for the year ended December 31, 2016, were as follows:

**City of Marietta, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2016*

	Principal Outstanding 12/31/2015	Additions	Deletions	Principal Outstanding 12/31/2016	Amounts Due in One Year
<b>Governmental Activities:</b>					
<u>General Obligation Bonds:</u>					
Parking Lot Bonds					
2000 - \$190,000 - 5.73%	\$69,000	\$0	\$12,500	\$56,500	\$13,000
Municipal Court Bonds					
2014 - \$2,865,000 - 1.5 - 4.0%	2,605,000	0	115,000	2,490,000	120,000
Premium on Bonds	46,876	0	2,616	44,260	0
Municipal Software Bonds					
2014 - \$216,000 - 1.5 - 3.0%	174,000	0	21,000	153,000	21,000
Premium on Bonds	3,364	0	425	2,939	0
Total Bonds	<u>2,898,240</u>	<u>0</u>	<u>151,541</u>	<u>2,746,699</u>	<u>154,000</u>
<u>Notes:</u>					
Street Garage Roof:					
2015 - 1%	146,500	0	146,500	0	0
2016 - 1.5%	0	166,250	0	166,250	0
City Hall Renovations:					
2015 - 1%	2,655,000	0	2,655,000	0	0
2016 - 1.5%	0	2,560,000	0	2,560,000	0
Administration Building					
2015 - 1%	1,400,000	0	1,400,000	0	0
2016 - 1.5%	0	1,253,000	0	1,253,000	0
Total Notes	<u>4,201,500</u>	<u>3,979,250</u>	<u>4,201,500</u>	<u>3,979,250</u>	<u>0</u>
Net Pension Liability:					
OPERS	3,618,569	1,805,411	0	5,423,980	0
OPF	10,462,836	2,600,671	0	13,063,507	0
Total Net Pension Liability	<u>14,081,405</u>	<u>4,406,082</u>	<u>0</u>	<u>18,487,487</u>	<u>0</u>
Armory Loan - 4.99%	500,000	0	50,000	450,000	50,000
Energy Conservation Loan - 2.7%	125,100	0	61,700	63,400	63,400
OPWC Paving Loan - 0%	0	31,517	0	31,517	0
Intergovernmental Payable	31,174	0	20,306	10,868	2,717
Compensated Absences	779,367	21,877	100,893	700,351	10,646
Total Governmental Activities	<u>\$22,616,786</u>	<u>\$8,438,726</u>	<u>\$4,585,940</u>	<u>\$26,469,572</u>	<u>\$280,763</u>

(continued)

**City of Marietta, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2016*

	Principal Outstanding 12/31/2015	Additions	Deletions	Principal Outstanding 12/31/2016	Amounts Due in One Year
<b>Business-Type Activities:</b>					
<u>General Obligation Bonds:</u>					
Water Refunding Bonds					
2013 - \$2,840,000 - 2.0 - 3.0%	\$2,175,000	\$0	\$345,000	\$1,830,000	\$350,000
Bond Premium	39,769	0	6,721	33,048	0
Water Bonds					
2014 - \$2,045,000 - 1.5 - 3.75%	1,860,000	0	85,000	1,775,000	85,000
Bond Premium	33,286	0	1,858	31,428	0
Water Software Bonds					
2014 - \$72,000 - 1.5 - 3.0%	58,000	0	7,000	51,000	7,000
Bond Premium	1,121	0	141	980	0
Sewer Bonds					
2014 - \$920,000 - 1.5 - 4.0%	840,000	0	40,000	800,000	40,000
Bond Premium	15,005	0	838	14,167	0
Sewer Software Bonds					
2014 - \$72,000 - 1.5 - 3.0%	58,000	0	7,000	51,000	7,000
Bond Premium	1,121	0	141	980	0
Total Bonds	<u>5,081,302</u>	<u>0</u>	<u>493,699</u>	<u>4,587,603</u>	<u>489,000</u>
<u>Notes:</u>					
Water 2015 - 1%	3,932,500	0	3,932,500	0	0
Sewer 2015 - 1%	1,074,170	0	1,074,170	0	0
Sewer 2016 - 1.5%	0	81,855	0	81,855	0
Total Notes	<u>5,006,670</u>	<u>81,855</u>	<u>5,006,670</u>	<u>81,855</u>	<u>0</u>
<u>Loans:</u>					
<u>OWDA Loans:</u>					
Sewer Grit					
2002 - \$458,437 - 3.89%	214,143	0	25,106	189,037	12,921
Sewer Treatment Plant:					
2011 Phase 1 - \$5,684,046 - 3.0%	4,967,675	0	227,363	4,740,312	116,246
2013 Phase 2 - \$6,991,940 - 2.38%	5,837,208	39,762	287,130	5,589,840	146,127
Design Phase 3:					
2012 - \$690,000 - 2.45%	215,890	0	215,890	0	0
2014 - \$57,500 - 3.33%	25,459	0	25,459	0	0
2016 - \$99,894 - 1.85%	0	99,894	99,894	0	0
Construction Phase 3:					
2016 Scope - \$6,806,803 - 0.57%	0	308,663	0	308,663	0
2016 Harmar Lift - \$407 - 3.04%	0	407	0	407	407
2016 Muskingum River Forcemain - \$1,306,169 - 2.27%	0	943,418	0	943,418	0
2016 Harmar Lift - \$1,220,557 - 2.05%	0	69,057	0	69,057	0
<u>OPWC Loans:</u>					
1996 Water - \$400,000 - 0%	40,000	0	20,000	20,000	10,000
Water Glendale Tank					
2004 - \$479,936 - 2%	251,788	0	24,319	227,469	12,342
Sewer Sludge Belt Press					
2000 - \$461,023 - 2%	158,030	0	25,045	132,985	12,711
Sewer Treatment Plant:					
2016 - \$556,115 - 0%	0	472,000	0	472,000	0
Total Loans	<u>11,710,193</u>	<u>1,933,201</u>	<u>950,206</u>	<u>12,693,188</u>	<u>310,754</u>
<u>Net Pension Liability - OPERS:</u>					
Sewer	864,137	412,094	0	1,276,231	0
Water	918,144	358,085	0	1,276,229	0
Total Net Pension Liability	<u>1,782,281</u>	<u>770,179</u>	<u>0</u>	<u>2,552,460</u>	<u>0</u>
Compensated Absences	188,204	29,918	917	217,205	0
Total Business-Type Activities	<u>\$23,768,650</u>	<u>\$2,815,153</u>	<u>\$6,451,492</u>	<u>\$20,132,311</u>	<u>\$799,754</u>

**City of Marietta, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2016*

---

Compensated absences reported in the “compensated absences payable” account will be paid from the fund which the employees’ salaries are paid, which are the General Fund; the Street, Fire Levy, and Community Development Special Revenue Funds; and the Water and Sewer Enterprise Funds. There is no repayment schedule for the net pension liability. However, employer pension contributions are made from the following funds: the General Fund; the Street, Fire Levy, Court, and Community Development Special Revenue Funds; and the Water and Sewer Enterprise Funds. For additional information related to the net pension liability, see Note 13.

On April 15, 2014, the City issued \$6,190,000 of Various Purpose General Obligation Bonds for purposes listed as follows:

<u>Purpose</u>	<u>Amount</u>
Municipal Court	\$2,865,000
Municipal Software	216,000
Water	2,045,000
Water Software	72,000
Sewer	920,000
Sewer Software	72,000
	<u>\$6,190,000</u>

The bonds maturing on or after December 1, 2024, are subject to prior optional redemption, by and at the sole option of the City, in whole or in part as selected by the City (in whole multiples of \$5,000) on any date on or after December 1, 2023, at a redemption price equal to 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption.

The parking lot bonds, software bonds, Armory Loan, and part of the municipal court bonds will be paid from general property tax revenues. The remaining amounts of the municipal court bonds will be paid from court costs. The energy conservation loan will be paid from energy savings.

The Various Purpose Bond Anticipation Notes were issued to finance renovations of City Hall and the administration building, and for street garage roof repairs. The notes were retired and refinanced during May of 2016.

During 2016, the City entered into a loan with the Ohio Public Works Commission (OPWC) in the amount of \$100,000 at zero percent interest for the purpose of paving certain City streets. Principal payments are due July 1 of each year through 2026. Since the full amount of the loan has not been received, an amortization schedule has not been established.

The intergovernmental payable consists of amounts owed to the Ohio Department of Transportation (ODOT) and Marietta Township. The City owed ODOT \$87,947 for overages on the Phase II of the Bike Path project. The City agreed to pay ODOT five annual installments of \$17,589.36 starting in 2012. The final payment was made in 2016. The amount owed to Marietta Township is for a Cooperative agreement between the City and the Township for a joint paving project thru the Ohio Public Works Commission. The loan from OPWC is in the name of the Township. The City agreed to pay 49.60% of the ten year 0% interest \$54,779.11 loan. The total biannual payments are \$2,738.96. All payments are being made from the Street Special Revenue Fund.

**City of Marietta, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2016*

---

Enterprise fund obligations will be paid from user fees in the respective enterprise funds. The Ohio Public Works Commission (OPWC) loans in the Water Enterprise Fund, which are all general obligations, were obtained to help finance the water treatment plant phase III improvements and the Glendale tank storage replacement. The OPWC loans in the Sewer Enterprise Fund, also general obligations, were obtained to help finance the sludge belt press project and the sewer treatment plant upgrade. An Ohio Water Development Authority (OWDA) loan for design was obtained to help finance the sewer treatment plant upgrade in 2007. This design loan was rolled into the construction 2011 loan. Since the final draw on the 2011 loan has not been received, an amortization schedule has not been established. The 2012, 2014, and 2016 Ohio Water Development Authority (OWDA) design loans were also obtained to help finance the sewer treatment plant upgrades. These loans were rolled into construction loans in 2016. As of December 31, 2016, these phase 3 construction loans have not been fully drawn down and no amortization schedule exists along with the Phase 2 construction loan. The 2002 Ohio Water Development Authority (OWDA) loan was obtained to help finance the sewer grit removal project.

The Bond Anticipation Notes were issued to finance the Cisler Drive Water Line project and various other projects of the water and wastewater departments. The notes were retired and refinanced during May of 2016.

The City has pledged future sewer customer revenues to repay the seven OWDA loans. The loans are payable solely from net revenues and are payable through 2048. 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 \$11,867,463. Principal and interest payments for the current year were \$1,176,410, net revenues were \$1,027,068, and total revenues were \$4,503,980.

On November 27, 2013, the City issued general obligation refunding bonds, in the amount of \$2,840,000, to currently refund bonds previously issued in 2003 for \$5,650,000 for water construction projects. The current refunding was undertaken to take advantage of lower interest rates. The bonds were issued with interest rates from 2 to 3 percent and were issued for an eight year period with final maturity on December 1, 2021. The bonds were sold at a premium of \$53,772. The proceeds of the refunding bonds were deposited in an irrevocable trust with an escrow agent to provide for the redemption. The refunded bonds were called on December 27, 2013. The refunding bonds are not subject to redemption prior to maturity.

Principal and interest requirements to retire the governmental activities bonds outstanding at December 31, 2016, are as follows:

**City of Marietta, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2016*

Year	Parking Lot Bonds		Municipal Court Bonds		Software Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$13,000	\$3,238	\$120,000	\$76,738	\$21,000	\$3,382
2018	13,500	2,492	120,000	74,938	21,000	3,068
2019	14,500	1,720	125,000	73,138	21,000	2,752
2020	15,500	888	125,000	70,638	21,000	2,332
2021	0	0	125,000	68,137	21,000	1,912
2022-2026	0	0	690,000	286,275	48,000	2,160
2027-2031	0	0	815,000	163,525	0	0
2032-2033	0	0	370,000	20,775	0	0
	<u>\$56,500</u>	<u>\$8,338</u>	<u>\$2,490,000</u>	<u>\$834,164</u>	<u>\$153,000</u>	<u>\$15,606</u>

Principal and interest requirements to retire the Energy Conservation and Armory Loan liabilities at December 31, 2016, are as follows:

Year	Energy Conservation		Armory	
	Principal	Interest	Principal	Interest
2017	\$63,400	\$1,712	\$50,000	\$22,455
2018	0	0	50,000	19,960
2019	0	0	50,000	17,465
2020	0	0	50,000	14,970
2021	0	0	50,000	12,476
2022-2025	0	0	200,000	24,950
	<u>\$63,400</u>	<u>\$1,712</u>	<u>\$450,000</u>	<u>\$112,276</u>

Principal and interest requirements to retire the Water Fund bonds outstanding at December 31, 2016, are as follows:

Year	Water Refunding Bonds		Water Bonds		Water Software Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$350,000	\$47,850	\$85,000	\$54,725	\$7,000	\$1,128
2018	355,000	40,850	85,000	53,450	7,000	1,022
2019	365,000	33,750	85,000	52,175	7,000	918
2020	375,000	22,800	90,000	50,475	7,000	778
2021	385,000	11,550	90,000	48,675	7,000	638
2022-2026	0	0	495,000	204,300	16,000	720
2027-2031	0	0	580,000	116,400	0	0
2032-2033	0	0	265,000	14,837	0	0
	<u>\$1,830,000</u>	<u>\$156,800</u>	<u>\$1,775,000</u>	<u>\$595,037</u>	<u>\$51,000</u>	<u>\$5,204</u>

Principal and interest requirements to retire the Sewer Fund bonds outstanding at December 31, 2016, are as follows:

**City of Marietta, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2016*

Year	Sewer Bonds		Sewer Software Bonds	
	Principal	Interest	Principal	Interest
2017	\$40,000	\$24,600	\$7,000	\$1,128
2018	40,000	24,000	7,000	1,022
2019	40,000	23,400	7,000	918
2020	40,000	22,600	7,000	778
2021	40,000	21,800	7,000	638
2022-2026	220,000	180,250	16,000	720
2027-2031	260,000	52,300	0	0
2032-2033	120,000	6,675	0	0
	<u>\$800,000</u>	<u>\$355,625</u>	<u>\$51,000</u>	<u>\$5,204</u>

Principal and interest requirements to retire the business-type activities loan liabilities at December 31, 2016, are as follows:

Year	OPWC Loans					Sewer Grit OWDA Loan	
	Sewer		Water			Sewer	
	Principal	Interest	Treatment Principal	Water Glendale Tank Principal	Water Glendale Tank Interest	Principal	Interest
2017	\$12,711	\$1,330	\$10,000	\$12,342	\$2,275	\$12,921	\$3,677
2018	25,805	2,277	10,000	25,056	4,178	26,600	6,595
2019	26,323	1,759	0	25,559	3,675	27,644	5,550
2020	26,852	1,229	0	26,073	3,160	28,730	4,464
2021	27,392	690	0	26,597	433	29,859	3,336
2022-2025	13,902	139	0	111,842	7,295	63,283	3,107
	<u>\$132,985</u>	<u>\$7,424</u>	<u>\$20,000</u>	<u>\$227,469</u>	<u>\$21,016</u>	<u>\$189,037</u>	<u>\$26,729</u>

As of December 31, 2016, the City's overall legal debt margin (the ability to issue additional amounts of general obligation bonded debt) was \$19,840,847.

**NOTE 18 - NOTES PAYABLE**

Changes in short-term obligations, all bond anticipation notes, of the City for the year ended December 31, 2016 were as follows:

	Principal Outstanding 12/31/15	Additions	Deletions	Principal Outstanding 12/31/16
<b>Governmental Activities:</b>				
2015 City Hall Renovations Note - 1%	\$95,100	\$0	\$95,100	\$0
2016 City Hall Renovations Note - 1.5%	0	95,000	0	95,000
2016 Street Garage Roof - 1.5%	0	8,750	0	8,750
2016 Admin Building Renovations - 1.5%	0	147,000	0	147,000
<b>Business-Type Activities:</b>				
2015 Water Note - 1%	913,500	0	913,500	0
2016 Water Note - 1.5%	0	5,122,500	0	5,122,500
2015 Sewer Note - 1%	892,315	0	892,315	0
2016 Sewer Note - 1.5%	0	992,315	0	992,315
Total Notes Payable	<u>\$1,900,915</u>	<u>\$6,365,565</u>	<u>\$1,900,915</u>	<u>\$6,365,565</u>

The notes were issued to finance the renovations of the City Hall, the street garage roof, the administration building, and various water and sewer projects. The notes will mature on May 12, 2017.



**City of Marietta, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2016*

---

**NOTE 19 - INTERFUND TRANSFERS AND BALANCES**

A. Balances

At year end, the Marietta Harbor Capital Projects Fund owed the General Fund \$6,890 for advanced grant monies. The Community Development Special Revenue Fund owed the General Fund \$8,000 for services rendered. The Fire Levy Special Revenue Fund also owed the General Fund \$190,857 for expenditures paid by the General Fund that should have been paid for by the Levy Fund.

B. Transfers

Interfund transfers for the year ended December 31, 2016, consisted of the following:

	Transfer In
	Other Nonmajor Governmental Funds
Transfer Out	Funds
Major Funds:	
General	\$74,950
Capital Improvements	65,905
Other Nonmajor Governmental Funds	152,255
	\$293,110

Transfers were made for the payment of debt and to use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**NOTE 20 - JOINTLY GOVERNED ORGANIZATIONS**

A. The Buckeye Hills Regional Council

The Buckeye Hills Regional Council serves Washington, Athens, Hocking, Meigs, Monroe, Morgan, Noble, and Perry Counties. The Council was created to foster a cooperative effort in regional planning, programming, and the implementing of regional plans and programs. The Council is governed by a fifteen member board of directors. The board is composed of one County Commissioner from each county, one member from the City of Athens Council, one member from the City of Marietta Council, four at-large members appointed from the ten government members, and one member from the minority sector. The board has total control over budgeting, personnel, and all other financial matters. The Council receives Title III monies directly. Currently, a portion of the Title III monies are distributed to the O'Neill Senior Citizens Center Corporation, a private not-for-profit corporation. The City contributed \$1,409 to the Council during 2016. The continued existence of the Council is not dependent on the City's continued participation and no equity interest exists.

**City of Marietta, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2016*

---

**B. Washington-Morgan Community Action Corporation**

The Community Action Program Corporation of Washington-Morgan Counties, Ohio is operated as a non-profit organization formed to provide various programs in Washington and Morgan Counties. Currently, the Corporation administers the Family Service and Outreach Program, the Community Action Bus Line (CABL), the Child Development Program, the Senior Nutrition Program, Women, Infants and Children's' Supplemental Nutrition Program, the Home Weatherization Assistance and Energy Program, the Job Training and Partnership Act Program, Housing and Urban Development Section 8 Existing Housing Voucher Program, and various other State and federal programs. The Corporation is the direct recipient of the federal and State monies, except for monies passed thru to it from the City for the Housing and Urban Development Section 8 Existing Housing Voucher and Comprehensive Housing Improvement Programs. The Corporation is governed by a fifteen member council. The council is composed of the Mayor of the City of Marietta, the Mayor of the City of Belpre, two commissioners from Washington County, one Commissioner from Morgan County, five lower income representatives, and five private sector representatives from Washington and Morgan Counties selected by outreach workers. Currently, the Corporation, by contract with the City of Marietta and Washington and Morgan Counties, provides administrative services to these governments in specific programs. During 2016, the Corporation received no administrative fees from the City. The continued existence of the Corporation is not dependent on the City's continued participation and no equity interest exists.

**C. The Wood, Washington, and Wirt Planning Commission**

The Wood, Washington, and Wirt Planning Commission was created to fulfill the requirements governing urban transportation planning under the Federal Highway Administration and Urban Mass Transportation Administration program regulations in Wood, Washington, and Wirt Counties. The Commission was formed pursuant to West Virginia Code Sections and Ohio Revised Code Section 713.30 and serves as a form of a regional planning commission. The Commission is comprised of representatives from county and city governments and a cross section of members from the community appointed by the governmental units. Currently, the Commission has eight governmental representatives and the Mayor of the City of Marietta serves on the Commission. Revenues are derived from Federal Highway and Federal Transportation Administration Grants distributed by the States of Ohio and West Virginia. Local governments contribute a ten percent local match. During 2016, the City of Marietta contributed \$3,732. The continued existence of the Commission is not dependent on the City's continued participation and no equity interest exists.

**NOTE 21 - ENDOWMENTS**

The City's permanent funds include donor-restricted endowments. Net Position – Perpetual Care – Non-expendable of \$464,153 represents the principal portion of the Cemetery endowment. Net Position – Park – Non-expendable of \$711 represents the principal portion of the Park endowment. The amount of net appreciation in donor-restricted investments that is available for expenditures by the governing body, for purposes consistent with the endowment's intent, is \$6,426; and is included as Net Position – Perpetual Care – Expendable. State law permits the governing board to appropriate, for purposes consistent with the endowment's intent, net appreciation, realized and unrealized, unless the endowment terms specify otherwise. The endowment indicated that the interest should be used to maintain certain cemetery plots and the Cisler Park each year.

**City of Marietta, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2016*

---

**NOTE 22 - CONTINGENCIES**

A. Grants

The City received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are 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, 2016.

B. Litigation

The City of Marietta is currently not party to pending litigation seeking damages and/or injunctive relief as confirmed by the City Law Director.

**NOTE 23 - SUBSEQUENT EVENT**

The City retired \$6,365,565 of the \$10,426,670 various purpose bond anticipation notes bearing an interest rate of 1.5% on May 12, 2017, and issued additional notes of \$100,000 for a total issuance of \$4,161,105.

The City placed a ½% municipal income tax levy on the ballot in the May 2, 2017, special election for general operations. The levy did not pass.

Required  
Supplementary  
Information

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

	2016	2015	2014
City's Proportion of the Net Pension Liability	0.0460500%	0.0447790%	0.0447790%
City's Proportionate Share of the Net Pension Liability	\$7,976,440	\$5,400,850	\$5,278,861
City's Covered Payroll	\$5,713,393	\$5,489,950	\$5,263,897
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	139.61%	98.38%	100.28%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	81.08%	86.45%	86.36%

(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.

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

	2016	2015	2014
City's Proportion of the Net Pension Liability	0.2030680%	0.2019690%	0.2019690%
City's Proportionate Share of the Net Pension Liability	\$13,063,507	\$10,462,836	\$9,836,523
City's Covered Payroll	\$4,110,039	\$3,959,279	\$3,459,395
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	317.84%	264.26%	284.34%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	66.77%	71.71%	73.00%

(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.

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contribution	\$701,005	\$685,607	\$658,794	\$684,307
Contributions in Relation to the Contractually Required Contribution	<u>(701,005)</u>	<u>(685,607)</u>	<u>(658,794)</u>	<u>(684,307)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered Payroll	\$5,841,708	\$5,713,393	\$5,489,950	\$5,263,897
Contributions as a Percentage of Covered Payroll	12.00%	12.00%	12.00%	13.00%

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

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contribution	\$878,981	\$880,336	\$845,227	\$628,970
Contributions in Relation to the Contractually Required Contribution	<u>(878,981)</u>	<u>(880,336)</u>	<u>(845,227)</u>	<u>(628,970)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered Payroll	\$4,097,169	\$4,110,039	\$3,959,279	\$3,459,395
Contributions as a Percentage of Covered Payroll:	21.45%	21.42%	21.35%	18.18%



<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$556,699	\$575,545	\$581,179	\$543,810	\$525,025	\$523,735
<u>(556,699)</u>	<u>(575,545)</u>	<u>(581,179)</u>	<u>(543,810)</u>	<u>(525,025)</u>	<u>(523,735)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$3,681,244	\$3,853,473	\$3,798,316	\$3,585,856	\$3,479,975	\$3,447,071
15.12%	14.94%	15.30%	15.17%	15.09%	15.19%

This page intentionally left blank

**City of Marietta, Ohio**  
*Schedule of Expenditures of Federal Awards*  
For the Year Ended December 31, 2016

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Number	Passed Through to Subrecipients	Disbursements
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>				
<i>Direct from Federal Government:</i>				
Community Development Block Grants/Entitlement Grants	14.218	B-14-MC-39-0018	\$ -	\$ 93,513
Community Development Block Grants/Entitlement Grants	14.218	B-15-MC-39-0018	-	131,945
Community Development Block Grants/Entitlement Grants	14.218	B-16-MC-39-0018	-	260,482
Total Community Development Block Grants/Entitlement Grants			-	485,940
Section 8 Housing Choice Vouchers	14.871	N/A	2,013,063	2,013,063
Shelter Plus Care	14.238	N/A	23,847	23,847
<i>Passed through the Ohio Department of Development:</i>				
Home Investment Partnerships Program	14.239	A-C-15-2HT-2	-	54,764
<b>Total U.S. Department of Housing and Urban Development</b>			<b>2,036,910</b>	<b>2,577,614</b>
<b>U.S. DEPARTMENT OF JUSTICE</b>				
<i>Passed through the Ohio Attorney General's Office:</i>				
Crime Victim Assistance	16.575	2017-VOCA-43560980	-	11,808
Crime Victim Assistance	16.575	2015-VOCA-19816374	-	25,741
Total Crime Victim Assistance			-	37,549
<i>Passed through the Governor's Office of Criminal Justice Services:</i>				
Violence Against Women Formula Grants	16.588	2013-WF-VA2-8424A	-	3,102
Violence Against Women Formula Grants	16.588	2015-WF-VA2-8424	-	45,329
Total Violence Against Women Formula Grants			-	48,431
<b>Total U.S. Department of Justice</b>			<b>-</b>	<b>85,980</b>
<b>U.S. DEPARTMENT OF TRANSPORTATION</b>				
<i>Passed through Ohio Department of Transportation</i>				
Highway Planning and Construction (Marietta River Trail Phase 5)	20.205	PID #95320	-	62,312
Highway Planning and Construction (Marietta Asset Management)	20.205	PID #97967	-	53,371
Highway Planning and Construction (Landslide Repair)	20.205	PID #99479	-	31,299
Total Highway Planning and Construction			-	146,982
<b>Total U.S. Department of Transportation</b>			<b>-</b>	<b>146,982</b>
<b>Total Federal Financial Assistance</b>			<b>\$ 2,036,910</b>	<b>\$ 2,810,576</b>

The accompanying Notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

**City of Marietta, Ohio**  
*Notes to the Schedule of Expenditures of Federal Awards*  
*For the Year Ended December 31, 2016*

---

**NOTE A – BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the City of Marietta (the City) under programs of the federal government for the year ended December 31, 2016. The information on this Schedule is prepared 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* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City.

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following 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 may or may not be allowable or may be limited as to reimbursement. The City has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**NOTE C - SUBRECIPIENTS**

The City passes certain federal awards received from the United States Department of Housing and Urban Development to other governments or not-for-profit agencies (subrecipients). As Note B describes, the City reports expenditures of Federal awards to subrecipients when paid in cash.

**NOTE D - MATCHING REQUIREMENTS**

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



313 Second St.  
Marietta, OH 45750  
740.373.0056

1907 Grand Central Ave.  
Vienna, WV 26105  
304.422.2203

104 South Sugar St.  
St. Clairsville, OH 43950  
740.695.1569

1310 Market St., Suite 300  
Wheeling, WV 26003  
304.232.1358

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

July 28, 2017

City of Marietta  
Washington County  
301 Putnam Street  
Marietta, OH 45750

To the City Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, business-type activities, each major fund and aggregate remaining fund information of the **City of Marietta**, Washington County, (the "City") as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated July 28, 2017.

***Internal Control over Financial Reporting***

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

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

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

[www.perrycpas.com](http://www.perrycpas.com)  
...*"bringing more to the table"*

Tax - Accounting - Audit - Review - Compilation - Agreed Upon Procedure - Consultation - Bookkeeping - Payroll - Litigation Support - Financial Investigations  
Members: American Institute of Certified Public Accountants  
\* Ohio Society of CPAs \* West Virginia Society of CPAs \* Association of Certified Fraud Examiners \* Association of Certified Anti-Money Laundering Specialists \*

***Compliance and Other Matters***

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

***Purpose of this Report***

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



**Perry and Associates**  
Certified Public Accountants, A.C.  
Marietta, Ohio



313 Second St.  
Marietta, OH 45750  
740.373.0056

1907 Grand Central Ave.  
Vienna, WV 26105  
304.422.2203

104 South Sugar St.  
St. Clairsville, OH 43950  
740.695.1569

1310 Market St., Suite 300  
Wheeling, WV 26003  
304.232.1358

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

July 28, 2017

City of Marietta  
Washington County  
301 Putnam Street  
Marietta, OH 45750

To the City Council:

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

We have audited the **City of Marietta's**, (the City) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect the City's major federal program for the year ended December 31, 2016. The *Summary of Auditor's Results* in the accompanying schedule of audit findings identifies the City's major federal program.

***Management's Responsibility***

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

***Auditor's Responsibility***

Our responsibility is to opine on the City's compliance for the City's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and 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's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

[www.perrycpas.com](http://www.perrycpas.com)  
... "bringing more to the table"

Tax - Accounting - Audit - Review - Compilation - Agreed Upon Procedure - Consultation - Bookkeeping - Payroll - Litigation Support - Financial Investigations  
Members: American Institute of Certified Public Accountants  
• Ohio Society of CPAs • West Virginia Society of CPAs • Association of Certified Fraud Examiners • Association of Certified Anti-Money Laundering Specialists •

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

In our opinion, the City complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended December 31, 2016.

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

The City's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the City's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with 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's internal control over compliance.

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

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

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



**Perry and Associates**  
Certified Public Accountants, A.C.  
Marietta, Ohio



City of Marietta, Ohio  
 Schedule of Audit Findings  
 2 CFR § 200.515  
 For the Year Ended December 31, 2016

**1. SUMMARY OF AUDIT RESULTS**

<i>(d)(I)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(I)(ii)</i>	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(I)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(I)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(I)(iv)</i>	Were there any material weaknesses in internal control reported for major federal programs?	No
<i>(d)(I)(iv)</i>	Were there any other significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(I)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(I)(vi)</i>	Are there any reportable findings under 2 CFR § 200.516(a)?	No
<i>(d)(I)(vii)</i>	Major Programs (list):	Section 8 Housing Choice Vouchers CFDA #14.871
<i>(d)(I)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 750,000 Type B: all others
<i>(d)(I)(ix)</i>	Low Risk Auditee under 2 CFR §200.520?	Yes

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

None

**3. FINDINGS FOR FEDERAL AWARDS**

None

**This page intentionally left blank.**



# Dave Yost • Auditor of State

CITY OF MARIETTA

WASHINGTON COUNTY

## CLERK'S CERTIFICATION

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
OCTOBER 17, 2017