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Certified Public Accountants, A.C.

**CITY OF MARIETTA  
WASHINGTON COUNTY  
Single Audit  
For the Year Ended December 31, 2015**

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# Dave Yost • Auditor of State

City Council  
City of Marietta  
301 Putnam Street  
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, 2015 through December 31, 2015. 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 25, 2016

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City of Marietta, Ohio

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## INDEPENDENT AUDITOR'S REPORT

August 10, 2016

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, 2015, 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.

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**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Marietta, Washington County, Ohio, as of December 31, 2015, and the respective changes in 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.

**Emphasis of Matter**

As discussed in Note 3 to the financial statements, during the year ended December 31, 2015, the City adopted Governmental Accounting Standard Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. We did not modify our opinion regarding this matter.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, 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 August 10, 2016, 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.

A handwritten signature in cursive script that reads "Perry & Associates CPAs A.C.".

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

**City of Marietta, Ohio**  
*Management's Discussion and Analysis*  
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*Unaudited*

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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, 2015. 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 2015 are as follows:

- In total, net position increased \$2,005,668. Net position of governmental activities increased \$405,454. The business-type activities also increased \$1,600,214.
- General governmental revenues accounted for \$12,367,281 in revenue or 40% of all revenues in governmental activities. Program specific revenues in the form of charges for services, grants, contributions, and interest accounted for \$8,322,868 or 60% of total revenues of \$20,690,149.

### **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 2015?" 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*  
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*Unaudited*

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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 18. 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.

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*Management's Discussion and Analysis*  
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**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 2015 compared to 2014.

(Table 1)  
Net Position

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
<b>Assets</b>						
Current and Other Assets	\$10,633,735	\$10,135,576	\$13,429,763	\$9,813,598	\$24,063,498	\$19,949,174
Capital Assets, Net	36,895,685	36,072,417	25,692,596	23,990,397	62,588,281	60,062,814
<i>Total Assets</i>	<u>47,529,420</u>	<u>46,207,993</u>	<u>39,122,359</u>	<u>33,803,995</u>	<u>86,651,779</u>	<u>80,011,988</u>
<b>Deferred Outflows of Resources</b>						
Pension	1,983,708	1,286,619	321,347	217,402	2,305,055	1,504,021
<b>Liabilities</b>						
Current and Other Liabilities	2,087,442	2,891,756	2,828,153	852,164	4,915,595	3,743,920
Long-term Liabilities						
Due Within One Year	365,338	258,531	899,941	869,970	1,265,279	1,128,501
Due in More Than One Year:						
Net Pension Liability	14,081,405	13,373,360	1,782,281	1,742,024	15,863,686	15,115,384
Other Amounts	8,170,043	6,617,688	21,086,428	19,341,861	29,256,471	25,959,549
<i>Total Liabilities</i>	<u>24,704,228</u>	<u>23,141,335</u>	<u>26,596,803</u>	<u>22,806,019</u>	<u>51,301,031</u>	<u>45,947,354</u>
<b>Deferred Inflows of Resources</b>						
Property Taxes	484,727	498,129	0	0	484,727	498,129
Pension	63,571	0	31,311	0	94,882	0
<i>Total Deferred Inflows of Resources</i>	<u>548,298</u>	<u>498,129</u>	<u>31,311</u>	<u>0</u>	<u>579,609</u>	<u>498,129</u>
<b>Net Position</b>						
Net Investment in Capital Assets	30,303,234	29,080,648	10,386,604	5,488,923	40,689,838	34,569,571
Restricted	5,224,599	5,805,231	0	0	5,224,599	5,805,231
Unrestricted	(11,267,231)	(11,030,731)	2,428,988	5,726,455	(8,838,243)	(5,304,276)
<i>Total Net Position</i>	<u>\$24,260,602</u>	<u>\$23,855,148</u>	<u>\$12,815,592</u>	<u>\$11,215,378</u>	<u>\$37,076,194</u>	<u>\$35,070,526</u>

During 2015, the City adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions— an Amendment of GASB Statement 27," which significantly revises accounting for pension costs and liabilities. 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.

**City of Marietta, Ohio**  
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Under the new standards required by GASB 68, the net pension liability equals the City's proportionate share of each plan's collective:

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

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

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

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

As a result of implementing GASB 68, the City is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating the net position at December 31, 2014, from \$35,941,889 to \$23,855,148 for governmental activities and from \$12,740,000 to \$11,215,378 for business-type activities.

**City of Marietta, Ohio**  
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Total assets increased \$6,639,791. Governmental activities increased \$1,321,427, as well as the business-type activities by \$5,318,364. Total liabilities increased \$5,353,677. Governmental activities increased \$1,562,893 along with the business-type activities of \$3,790,784.

For governmental activities, equity in pooled cash increased \$1,085,819 along with the municipal income tax receivable of \$89,291. Capital assets also increased \$823,268 due mainly to construction in progress additions for the Armory Square and various street projects. Offsetting these, intergovernmental receivables decreased \$658,917. The City recorded a \$438,604 receivable in the previous year for ARC grants that it did not record for the current year. Current liabilities decreased \$804,314 mainly in contracts payable of \$673,597 and in intergovernmental payables. Long-term liabilities increased \$2,367,207 due mainly from the net pension liability, the new Armory loan of \$500,000, and additional long-term notes of \$1,304,900.

For business-type activities, equity in pooled cash increased \$3,296,631, accounts receivables increased \$346,772, and capital assets also increased \$1,702,199. Current liabilities increased \$1,975,989 mainly in notes payable of \$1,751,000. Long-term liabilities increased \$1,814,795 due mainly from additional long-term notes of \$2,839,185.

Table 2 shows the changes in net position for the year ended December 31, 2015, and comparisons to 2014.

**City of Marietta, Ohio**  
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(Table 2)  
Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
<b>Revenues</b>						
<b>Program Revenues</b>						
Charges for Services	\$3,538,594	\$3,403,933	\$8,097,991	\$7,435,791	\$11,636,585	\$10,839,724
Operating Grants, Contributions and Interest	3,790,993	3,302,856	0	0	3,790,993	3,302,856
Capital Grants and Contributions	993,281	4,954,745	81,812	271,487	1,075,093	5,226,232
<b>Total Program Revenues</b>	<b>8,322,868</b>	<b>11,661,534</b>	<b>8,179,803</b>	<b>7,707,278</b>	<b>16,502,671</b>	<b>19,368,812</b>
<b>General Revenues</b>						
Property Taxes	516,588	549,330	0	0	516,588	549,330
Income Taxes	10,299,247	10,009,031	0	0	10,299,247	10,009,031
Payments in Lieu of Taxes	106,994	104,174	0	0	106,994	104,174
Hotel Tax	544,949	574,879	0	0	544,949	574,879
Franchise Taxes	209,835	211,639	0	0	209,835	211,639
Grants and Entitlements	329,114	338,900	0	0	329,114	338,900
Gain on Sale of Capital Assets	4,698	12,355	5,144	4,602	9,842	16,957
Investment Earnings	54,609	40,696	0	0	54,609	40,696
Other	301,247	670,300	105,353	118,022	406,600	788,322
<b>Total General Revenues</b>	<b>12,367,281</b>	<b>12,511,304</b>	<b>110,497</b>	<b>122,624</b>	<b>12,477,778</b>	<b>12,633,928</b>
<b>Total Revenues</b>	<b>20,690,149</b>	<b>24,172,838</b>	<b>8,290,300</b>	<b>7,829,902</b>	<b>28,980,449</b>	<b>32,002,740</b>
<b>Program Expenses</b>						
<b>General Government:</b>						
Legislative and Executive	4,070,862	4,174,428	0	0	4,070,862	4,174,428
Court	1,559,392	1,365,622	0	0	1,559,392	1,365,622
<b>Security of Persons and Property:</b>						
Police	3,849,379	3,595,906	0	0	3,849,379	3,595,906
Fire	4,025,761	3,736,109	0	0	4,025,761	3,736,109
Public Health Services	920,425	939,461	0	0	920,425	939,461
Community Environment	584,575	361,020	0	0	584,575	361,020
Intergovernmental	1,844,718	1,878,174	0	0	1,844,718	1,878,174
Street	2,694,441	3,140,710	0	0	2,694,441	3,140,710
Transportation	22,921	13,931	0	0	22,921	13,931
Leisure Time Activities	559,056	616,711	0	0	559,056	616,711
Interest and Fiscal Charges	153,165	112,151	0	0	153,165	112,151
Sewer	0	0	3,332,236	3,041,877	3,332,236	3,041,877
Water	0	0	3,357,850	3,513,591	3,357,850	3,513,591
<b>Total Program Expenses</b>	<b>20,284,695</b>	<b>19,934,223</b>	<b>6,690,086</b>	<b>6,555,468</b>	<b>26,974,781</b>	<b>26,489,691</b>
<b>Increase in Net Position</b>	<b>405,454</b>	<b>4,238,615</b>	<b>1,600,214</b>	<b>1,274,434</b>	<b>2,005,668</b>	<b>5,513,049</b>
<b>Net Position Beginning of Year</b>	<b>23,855,148</b>	<b>N/A</b>	<b>11,215,378</b>	<b>N/A</b>	<b>35,070,526</b>	<b>N/A</b>
<b>Net Position End of Year</b>	<b>\$24,260,602</b>	<b>\$23,855,148</b>	<b>\$12,815,592</b>	<b>\$11,215,378</b>	<b>\$37,076,194</b>	<b>\$35,070,526</b>

**City of Marietta, Ohio**  
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The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, 2014 functional expenses still include pension expense of \$1,504,021 computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the 2015 statements report pension expense of \$1,608,093. Consequently, in order to compare 2015 total program expenses to 2014, the following adjustments are needed:

	Governmental Activities	Business-Type Activities	Total
Total 2015 program expenses under GASB 68	\$20,284,695	\$6,690,086	\$26,974,781
Pension expense under GASB 68	(1,414,220)	(193,873)	(1,608,093)
2015 contractually required contribution	1,339,693	226,250	1,565,943
Adjusted 2015 program expenses	20,210,168	6,722,463	26,932,631
Total 2014 program expenses under GASB 27	19,934,223	6,555,468	26,489,691
Increase in program expenses not related to pension	<u>\$275,945</u>	<u>\$166,995</u>	<u>\$442,940</u>

***Governmental Activities***

Several revenue sources fund our governmental activities, with the City income tax being the biggest contributor. Incomes taxes reported an increase of \$290,216 for 2015. 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 57 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.

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 another major activity of the City, generating 39% of the governmental expenses. During 2015, expenses for police and fire operations amounted to \$3,849,379 and \$4,025,761, respectively. Expenses in these programs increased \$543,125 from 2014. 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 13% of the governmental expenses. Street paving, patching, depreciation, and street lighting expenses during 2015 amounted to \$2,694,441, a decrease of \$446,269 from 2014.



**City of Marietta, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2015*  
*Unaudited*

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***Business-Type Activities***

The City's business-type activities consist of the sewer and water departments. During 2015, the City collected \$662,200 more in charges for services over the previous year and only spent \$134,618 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 \$20,461,282 and expenditures of \$21,217,587.

The fund balance of the General Fund decreased \$93,389. The General Fund's Unassigned Fund Balance of \$1,722,542 represented 15% 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 \$44,891. The Street Fund's Restricted Fund Balance of \$808,082 represented 30% of current year expenditures.

The fund balance of the Community Development Fund decreased \$34,895. The Fund's Restricted Fund Balance of \$263,591 represented 11% of current year expenditures.

The fund balance of the Capital Improvement Fund increased \$960,051. The Fund has a restricted fund balance of \$1,991,291.

During 2015, the Sewer Fund had operating revenues of \$4,165,676 and operating expenses of \$2,942,757. The Water Fund had operating revenues of \$4,013,186 and operating expenses of \$3,187,019. The major operating expenses for these funds are salaries and wages, contractual services, and depreciation on capital assets.

***General Fund Budgeting Highlights***

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

During the course of 2015, 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 \$78,538. Rent revenue was decreased \$183,208 and other revenues were increased \$261,746. The original appropriations were increased \$519,949. All current programs were increased except public health services.

**City of Marietta, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2015*  
*Unaudited*

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 2015. Table 3 shows year 2015 balances compared to 2014.

(Table 3)  
 Capital Assets at December 31, 2015

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land	\$1,231,784	\$1,231,784	\$597,771	\$447,100	\$1,829,555	\$1,678,884
Buildings and Improvements	19,279,434	14,987,301	235,074	218,614	19,514,508	15,205,915
Machinery and Equipment	1,336,391	1,263,463	520,538	549,550	1,856,929	1,813,013
Vehicles	1,649,495	1,255,892	158,142	180,361	1,807,637	1,436,253
Infrastructure	7,239,864	4,661,693	8,019,130	8,566,804	15,258,994	13,228,497
Construction in Progress	6,158,717	12,672,284	16,161,941	14,027,968	22,320,658	26,700,252
<b>Totals</b>	<b>\$36,895,685</b>	<b>\$36,072,417</b>	<b>\$25,692,596</b>	<b>\$23,990,397</b>	<b>\$62,588,281</b>	<b>\$60,062,814</b>

*Debt*

The City's overall debt limit at December 31, 2015, is \$19,456,771. 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:

**City of Marietta, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2015*  
*Unaudited*

(Table 4)  
 Outstanding Debt, at Year End

	Governmental Activities		Business-Type Activities	
	2015	2014	2015	2014
2000 Parking Lot Bonds	\$69,000	\$80,500	\$0	\$0
2014 Municipal Court Bonds	2,605,000	2,720,000	0	0
2014 Municipal Software Bonds	174,000	195,000	116,000	130,000
Armory Loan	500,000	0	0	0
Capital Facilities Bond				
Anticipation Notes:				
Short-term	95,100	95,000	0	0
Long-term	4,201,500	2,896,600	0	0
Water Bond Anticipation Notes:				
Short-term	0	0	913,500	10,000
Long-term	0	0	3,932,500	1,576,000
Sewer Bond Anticipation Notes:				
Short-term	0	0	892,315	44,815
Long-term	0	0	1,074,170	591,485
Energy Conservation Loan	125,100	185,200	0	0
2013 Water Refunding Bonds	0	0	2,175,000	2,510,000
2014 Water Bonds	0	0	1,860,000	1,940,000
2014 Sewer Bonds	0	0	840,000	875,000
Sewer OWDA Loans	0	0	11,260,375	11,792,916
Water OPWC Loans	0	0	291,788	357,371
Sewer OPWC Loan	0	0	158,030	194,676
Totals	<u>\$7,769,700</u>	<u>\$6,172,300</u>	<u>\$23,513,678</u>	<u>\$20,022,263</u>

**Current Financial Issues**

The City is facing financial pressures like many other forms of government. Our costs are mostly personnel and will comprise over 84.8% of the General Fund expenditures. 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 2015, as they have for the past four years. Income tax revenues comprise over 65% of the total revenue for the General Fund and over 50% of governmental activities revenues.

**City of Marietta, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2015*  
*Unaudited*

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**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, 2015

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$6,208,809	\$11,369,410	\$17,578,219
Cash and Cash Equivalents in Segregated Accounts	78,324	203,726	282,050
Cash and Cash Equivalents with Fiscal Agents	0	410	410
Investments	315,434	100,000	415,434
Hotel Taxes Receivable	30,406	0	30,406
Permissive Motor Vehicle License Receivable	2,714	0	2,714
Accounts Receivable	132,731	1,558,539	1,691,270
Payments in Lieu of Taxes Receivable	106,994	0	106,994
Accrued Interest Receivable	3,060	0	3,060
Intergovernmental Receivable	1,708,579	0	1,708,579
Municipal Income Tax Receivable	1,351,694	0	1,351,694
Loans Receivable	5,437	0	5,437
Materials and Supplies Inventory	90,332	116,956	207,288
Prepaid Items	97,311	80,722	178,033
Property Taxes Receivable	501,910	0	501,910
Non-Depreciable Capital Assets	7,390,501	16,759,712	24,150,213
Depreciable Capital Assets, Net	<u>29,505,184</u>	<u>8,932,884</u>	<u>38,438,068</u>
<i>Total Assets</i>	<u>47,529,420</u>	<u>39,122,359</u>	<u>86,651,779</u>
<b>Deferred Outflows of Resources</b>			
Pension	<u>1,983,708</u>	<u>321,347</u>	<u>2,305,055</u>
<b>Liabilities</b>			
Accounts Payable	165,539	132,482	298,021
Contracts Payable	223,789	187,731	411,520
Accrued Wages Payable	326,998	96,462	423,460
Retainage Payable	2,431	65,387	67,818
Accrued Interest Payable	36,978	55,470	92,448
Intergovernmental Payable	290,954	63,365	354,319
Vacation and Compensatory Benefits Payable	945,653	210,047	1,155,700
Customer Deposits Payable	0	211,394	211,394
Notes Payable	95,100	1,805,815	1,900,915
Long-Term Liabilities:			
Due Within One Year	365,338	899,941	1,265,279
Due In More Than One Year:			
Net Pension Liability (See Note 13)	14,081,405	1,782,281	15,863,686
Other Amounts Due In More Than One Year	<u>8,170,043</u>	<u>21,086,428</u>	<u>29,256,471</u>
<i>Total Liabilities</i>	<u>24,704,228</u>	<u>26,596,803</u>	<u>51,301,031</u>
<b>Deferred Inflows of Resources</b>			
Property Taxes	484,727	0	484,727
Pension	<u>63,571</u>	<u>31,311</u>	<u>94,882</u>
<i>Total Deferred Inflows of Resources</i>	<u>548,298</u>	<u>31,311</u>	<u>579,609</u>
<b>Net Position</b>			
Net Investment in Capital Assets	30,303,234	10,386,604	40,689,838
Restricted for:			
Street	1,141,323	0	1,141,323
Cemetery	14,126	0	14,126
Community Development	884,955	0	884,955
Fire Operations	331,164	0	331,164
Police Operations	206,317	0	206,317
Court Operations	535,417	0	535,417
Recreation	92,942	0	92,942
Health	130,190	0	130,190
Capital Projects	1,346,566	0	1,346,566
Perpetual Care:			
Expendable	2,589	0	2,589
Non-expendable	461,528	0	461,528
Park - Non-expendable	750	0	750
Unclaimed Monies	14,904	0	14,904
Other Purposes	61,828	0	61,828
Unrestricted (Deficit)	<u>(11,267,231)</u>	<u>2,428,988</u>	<u>(8,838,243)</u>
<i>Total Net Position</i>	<u>\$24,260,602</u>	<u>\$12,815,592</u>	<u>\$37,076,194</u>

See accompanying notes to the basic financial statements

**City of Marietta, Ohio**  
*Statement of Activities*  
For the Year Ended December 31, 2015

	Program Revenues			
	Expenses	Charges for Services	Operating Grants, Contributions and Interest	
<b>Governmental Activities</b>				
General Government:				
Legislative and Executive	\$4,070,862	\$1,031,540	\$130,538	\$0
Court	1,559,392	1,036,730	403,631	0
Security of Persons and Property:				
Police	3,849,379	138,741	12,952	0
Fire	4,025,761	518,784	2,543	0
Public Health Services	920,425	322,684	93,264	0
Community Environment	584,575	0	536,980	0
Intergovernmental	1,844,718	0	1,844,718	0
Street	2,694,441	73,764	765,367	619,721
Transportation	22,921	83,357	0	0
Leisure Time Activities	559,056	332,994	1,000	373,560
Interest and Fiscal Charges	153,165	0	0	0
<i>Total Governmental Activities</i>	<u>20,284,695</u>	<u>3,538,594</u>	<u>3,790,993</u>	<u>993,281</u>
<b>Business-Type Activities</b>				
Sewer	3,332,236	4,096,683	0	81,812
Water	3,357,850	4,001,308	0	0
<i>Total Business-Type Activities</i>	<u>6,690,086</u>	<u>8,097,991</u>	<u>0</u>	<u>81,812</u>
<i>Total</i>	<u>\$26,974,781</u>	<u>\$11,636,585</u>	<u>\$3,790,993</u>	<u>\$1,075,093</u>

**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 - Restated (See Note 3)*

*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
(\$2,908,784)	\$0	(\$2,908,784)
(119,031)	0	(119,031)
(3,697,686)	0	(3,697,686)
(3,504,434)	0	(3,504,434)
(504,477)	0	(504,477)
(47,595)	0	(47,595)
0	0	0
(1,235,589)	0	(1,235,589)
60,436	0	60,436
148,498	0	148,498
(153,165)	0	(153,165)
(11,961,827)	0	(11,961,827)
0	846,259	846,259
0	643,458	643,458
0	1,489,717	1,489,717
(11,961,827)	1,489,717	(10,472,110)
500,476	0	500,476
16,112	0	16,112
7,411,056	0	7,411,056
1,155,290	0	1,155,290
1,155,289	0	1,155,289
577,612	0	577,612
106,994	0	106,994
544,949	0	544,949
209,835	0	209,835
329,114	0	329,114
4,698	5,144	9,842
54,609	24,482	79,091
14,823	0	14,823
54,179	0	54,179
100	0	100
232,145	80,871	313,016
12,367,281	110,497	12,477,778
405,454	1,600,214	2,005,668
23,855,148	11,215,378	35,070,526
<u>\$24,260,602</u>	<u>\$12,815,592</u>	<u>\$37,076,194</u>

**City of Marietta, Ohio**

*Balance Sheet*

*Governmental Funds*

*December 31, 2015*

	<u>General</u>	<u>Street</u>	<u>Community Development</u>	<u>Capital Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>						
Equity in Pooled Cash and						
Cash Equivalents	\$1,422,362	\$713,893	\$103,302	\$2,033,258	\$1,921,090	\$6,193,905
Cash and Cash Equivalents in						
Segregated Accounts	39,636	0	0	0	38,688	78,324
Restricted Cash	14,904	0	0	0	0	14,904
Investments	0	0	0	0	315,434	315,434
Receivables:						
Hotel Taxes	30,406	0	0	0	0	30,406
Permissive Motor Vehicle License	0	2,714	0	0	0	2,714
Accounts	85,505	2,373	0	2,978	41,875	132,731
Payments in Lieu of Taxes	0	0	0	0	106,994	106,994
Accrued Interest	2,544	78	0	0	438	3,060
Interfund	6,890	0	0	0	0	6,890
Municipal Income Tax	977,450	149,710	0	74,824	149,710	1,351,694
Loans	0	0	0	0	5,437	5,437
Property Taxes	485,456	0	0	0	16,454	501,910
Intergovernmental	182,410	400,717	781,940	7,218	336,294	1,708,579
Materials and Supplies Inventory	29,132	61,200	0	0	0	90,332
Prepaid Items	76,179	9,362	341	0	11,429	97,311
<i>Total Assets</i>	<u>\$3,352,874</u>	<u>\$1,340,047</u>	<u>\$885,583</u>	<u>\$2,118,278</u>	<u>\$2,943,843</u>	<u>\$10,640,625</u>
<b>Liabilities and Fund Balances</b>						
<b>Liabilities</b>						
Accounts Payable	\$141,426	\$7,572	\$4,825	\$2,233	\$9,483	\$165,539
Contracts Payable	0	142,007	0	13,547	68,235	223,789
Accrued Wages Payable	259,954	27,678	1,842	0	37,524	326,998
Retainage Payable	0	2,175	0	256	0	2,431
Accrued Interest Payable	0	0	0	608	0	608
Intergovernmental Payable	244,045	16,719	2,259	0	27,931	290,954
Interfund Payable	0	0	0	0	6,890	6,890
Notes Payable	0	0	0	95,100	0	95,100
<i>Total Liabilities</i>	<u>645,425</u>	<u>196,151</u>	<u>8,926</u>	<u>111,744</u>	<u>150,063</u>	<u>1,112,309</u>
<b>Deferred Inflows of Resources</b>						
Property Taxes	468,273	0	0	0	16,454	484,727
Unavailable Revenue	272,124	265,252	612,725	15,243	386,097	1,551,441
<i>Total Deferred Inflows of Resources</i>	<u>740,397</u>	<u>265,252</u>	<u>612,725</u>	<u>15,243</u>	<u>402,551</u>	<u>2,036,168</u>
<b>Fund Balances</b>						
Nonspendable	120,215	70,562	341	0	473,707	664,825
Restricted	0	808,082	263,591	1,991,291	1,780,645	4,843,609
Committed	0	0	0	0	143,029	143,029
Assigned	124,295	0	0	0	0	124,295
Unassigned	1,722,542	0	0	0	(6,152)	1,716,390
<i>Total Fund Balances</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>Total Liabilities and Fund Balances</i>	<u>\$3,352,874</u>	<u>\$1,340,047</u>	<u>\$885,583</u>	<u>\$2,118,278</u>	<u>\$2,943,843</u>	<u>\$10,640,625</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, 2015*

**Total Governmental Fund Balances** \$7,492,148

*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. 36,895,685

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

Investment Earnings	225	
Delinquent Property Taxes	17,183	
Charges for Services	23,815	
Municipal Income Tax	166,379	
Payments in Lieu of Taxes	106,994	
Other Revenues	2,188	
Intergovernmental Revenues	<u>1,234,657</u>	
<b>Total</b>		<b>1,551,441</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	1,983,708	
Deferred Inflows - Pension	(63,571)	
<b>Net Pension Liability</b>	<u>(14,081,405)</u>	<b>(12,161,268)</b>

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

Bonds Payable	(2,898,240)	
Accrued Interest Payable	(36,370)	
Loans Payable	(625,100)	
Notes Payable	(4,201,500)	
Intergovernmental Payable	(31,174)	
Compensated Absences Payable - Sick Leave	(779,367)	
Vacation and Compensatory Benefits Payable	<u>(945,653)</u>	
<b>Total</b>		<b><u>(9,517,404)</u></b>

***Net Position of Governmental Activities*** **\$24,260,602**

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, 2015*

	General	Street	Community Development	Capital Improvement	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>						
Property Taxes	\$521,437	\$0	\$0	\$0	\$16,112	\$537,549
Hotel Tax	544,949	0	0	0	0	544,949
Permissive Motor Vehicle License	0	73,764	0	0	0	73,764
Municipal Income Tax	7,392,309	1,152,152	0	576,051	1,152,151	10,272,663
Payments in Lieu of Taxes	0	0	0	0	106,338	106,338
Charges for Services	1,332,168	0	0	0	854,778	2,186,946
Fines, Licenses and Permits	612,949	0	0	0	642,942	1,255,891
Franchise Taxes	209,835	0	0	0	0	209,835
Intergovernmental	360,753	1,395,778	2,330,697	10,009	671,109	4,768,346
Investment Earnings	54,609	1,833	0	0	6,500	62,942
Donations	20,100	0	0	0	102,094	122,194
Rent	22,731	0	0	0	0	22,731
Other	263,428	16,918	4,090	0	12,698	297,134
<i>Total Revenues</i>	<u>11,335,268</u>	<u>2,640,445</u>	<u>2,334,787</u>	<u>586,060</u>	<u>3,564,722</u>	<u>20,461,282</u>
<b>Expenditures</b>						
Current:						
General Government:						
Legislative and Executive	3,739,974	0	0	0	68,834	3,808,808
Court	863,397	0	0	0	476,251	1,339,648
Security of Persons and Property:						
Police	3,682,616	0	0	0	40,831	3,723,447
Fire	2,435,600	0	0	0	1,398,020	3,833,620
Public Health Services	460,334	0	0	0	451,611	911,945
Community Environment	0	0	524,964	0	4,151	529,115
Street	0	2,707,832	0	0	0	2,707,832
Transportation	0	0	0	0	20,359	20,359
Leisure Time Activities	0	0	0	0	1,108,614	1,108,614
Capital Outlay	0	0	0	837,213	84,073	921,286
Intergovernmental	0	0	1,844,718	0	0	1,844,718
Debt Service:						
Principal Retirement	60,100	0	0	0	147,500	207,600
Current Refunding	0	0	0	95,100	0	95,100
Issuance Costs	0	0	0	14,823	0	14,823
Interest and Fiscal Charges	18,307	0	0	37,143	95,222	150,672
<i>Total Expenditures</i>	<u>11,260,328</u>	<u>2,707,832</u>	<u>2,369,682</u>	<u>984,279</u>	<u>3,895,466</u>	<u>21,217,587</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>74,940</u>	<u>(67,387)</u>	<u>(34,895)</u>	<u>(398,219)</u>	<u>(330,744)</u>	<u>(756,305)</u>
<b>Other Financing Sources (Uses)</b>						
Premium on Notes Issued	0	0	0	0	14,823	14,823
Loan Proceeds	0	0	0	0	500,000	500,000
Notes Issued	0	0	0	4,201,500	0	4,201,500
Proceeds from Sale of Capital Assets	0	0	0	19,640	0	19,640
Current Refunding	0	0	0	(2,801,500)	0	(2,801,500)
Insurance Recoveries	4,465	22,496	0	27,218	0	54,179
Transfers In	0	0	0	0	402,560	402,560
Transfers Out	(172,794)	0	0	(88,588)	(141,178)	(402,560)
<i>Total Other Financing Sources (Uses)</i>	<u>(168,329)</u>	<u>22,496</u>	<u>0</u>	<u>1,358,270</u>	<u>776,205</u>	<u>1,988,642</u>
<i>Net Change in Fund Balances</i>	<u>(93,389)</u>	<u>(44,891)</u>	<u>(34,895)</u>	<u>960,051</u>	<u>445,461</u>	<u>1,232,337</u>
<i>Fund Balances Beginning of Year</i>	<u>2,060,441</u>	<u>923,535</u>	<u>298,827</u>	<u>1,031,240</u>	<u>1,945,768</u>	<u>6,259,811</u>
<i>Fund Balances End 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>

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, 2015*

**Net Change in Fund Balances - Total Governmental Funds** \$1,232,337

*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	2,529,311	
Depreciation	(1,691,101)	
Excess of Capital Outlay over Depreciation Expense		838,210

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

Proceeds from Sale of Capital Assets	(19,640)	
Gain on Sale of Capital Assets	4,698	(14,942)

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

Investment Earnings	(18)	
Delinquent Property Taxes	(20,961)	
Charges for Services	(738)	
Municipal Income Tax	26,584	
Payments in Lieu of Taxes	656	
Other Revenues	(64,989)	
Intergovernmental Revenues	214,633	
Total		155,167

Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows. 1,339,693

Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities. (1,414,220)

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	(5,534)	
Total		(2,493)

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	(500,000)	
Notes	(4,201,500)	
Total		(4,701,500)

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	147,500	
Notes	2,896,600	
Loans	60,100	
Total		3,104,200

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	20,307	
Vacation and Compensatory Benefits Payable	(66,095)	
Compensated Absences Payable - Sick Leave	(85,210)	
Total		(130,998)

***Change in Net Position of Governmental Activities*** \$405,454

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, 2015*

	Budgeted Amounts			Variance with Final Budget Over (Under)
	Original	Final	Actual	
<b>Revenues</b>				
Property Taxes	\$513,000	\$513,000	\$521,437	\$8,437
Hotel Tax	704,335	704,335	550,686	(153,649)
Municipal Income Tax	7,187,405	7,187,405	7,338,804	151,399
Payments in Lieu of Taxes	24,470	24,470	0	(24,470)
Charges for Services	1,351,038	1,351,038	1,320,646	(30,392)
Fines, Licenses and Permits	612,000	612,000	619,110	7,110
Franchise Tax	218,142	218,142	210,361	(7,781)
Intergovernmental	318,179	318,179	357,747	39,568
Investment Earnings	30,000	30,000	52,120	22,120
Donations	0	0	20,100	20,100
Rent	247,460	64,252	22,731	(41,521)
Other	203,200	464,946	265,939	(199,007)
<i>Total Revenues</i>	<u>11,409,229</u>	<u>11,487,767</u>	<u>11,279,681</u>	<u>(208,086)</u>
<b>Expenditures</b>				
Current:				
General Government:				
Legislative and Executive	3,937,489	4,189,352	3,861,505	327,847
Court	893,422	945,365	868,270	77,095
Security of Persons and Property:				
Police	3,784,708	3,816,774	3,770,422	46,352
Fire	2,297,206	2,482,109	2,468,711	13,398
Public Health Services	479,095	478,269	464,020	14,249
Debt Service:				
Principal	60,100	60,100	60,100	0
Interest and Fiscal Charges	18,308	18,308	18,307	1
<i>Total Expenditures</i>	<u>11,470,328</u>	<u>11,990,277</u>	<u>11,511,335</u>	<u>478,942</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(61,099)</u>	<u>(502,510)</u>	<u>(231,654)</u>	<u>270,856</u>
<b>Other Financing Sources (Uses)</b>				
Insurance Recoveries	0	0	4,465	4,465
Transfers Out	(263,155)	(263,155)	(172,794)	90,361
<i>Total Other Financing Sources (Uses)</i>	<u>(263,155)</u>	<u>(263,155)</u>	<u>(168,329)</u>	<u>94,826</u>
<i>Net Change in Fund Balance</i>	(324,254)	(765,665)	(399,983)	365,682
<i>Fund Balance Beginning of Year</i>	1,600,284	1,600,284	1,600,284	0
Prior Year Encumbrances Appropriated	88,299	88,299	88,299	0
<i>Fund Balance End of Year</i>	<u>\$1,364,329</u>	<u>\$922,918</u>	<u>\$1,288,600</u>	<u>\$365,682</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, 2015*

	<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	\$60,000	\$86,200	\$73,787	(\$12,413)
Municipal Income Tax	1,124,349	1,124,349	1,146,420	22,071
Intergovernmental	2,083,807	2,108,910	2,208,942	100,032
Investment Earnings	1,100	1,100	1,811	711
Other	33,335	42,045	18,876	(23,169)
<i>Total Revenues</i>	3,302,591	3,362,604	3,449,836	87,232
<b>Expenditures</b>				
Current:				
Street	3,922,248	3,852,676	3,666,130	186,546
<i>Excess of Revenues Under Expenditures</i>	(619,657)	(490,072)	(216,294)	273,778
<b>Other Financing Sources</b>				
Insurance Recoveries	39,511	49,834	22,373	(27,461)
<i>Net Change in Fund Balance</i>	(580,146)	(440,238)	(193,921)	246,317
<i>Fund Balance Beginning of Year</i>	537,503	537,503	537,503	0
Prior Year Encumbrances Appropriated	157,466	157,466	157,466	0
<i>Fund Balance End of Year</i>	<u>\$114,823</u>	<u>\$254,731</u>	<u>\$501,048</u>	<u>\$246,317</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, 2015*

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
<b>Revenues</b>				
Intergovernmental	\$121,049	\$2,628,590	\$2,355,235	(\$273,355)
Other	0	4,000	4,090	90
<i>Total Revenues</i>	121,049	2,632,590	2,359,325	(273,265)
<b>Expenditures</b>				
Current:				
Community Environment	181,918	572,469	525,977	46,492
Intergovernmental	0	1,844,718	1,844,718	0
<i>Total Expenditures</i>	181,918	2,417,187	2,370,695	46,492
<i>Net Change in Fund Balance</i>	(60,869)	215,403	(11,370)	(226,773)
<i>Fund Balance Beginning of Year</i>	99,393	99,393	99,393	0
Prior Year Encumbrances Appropriated	10,388	10,388	10,388	0
<i>Fund Balance End of Year</i>	\$48,912	\$325,184	\$98,411	(\$226,773)

See accompanying notes to the basic financial statements

**City of Marietta, Ohio**  
*Statement of Fund Net Position*  
*Enterprise Funds*  
*December 31, 2015*

	Sewer	Water	Total Enterprise Funds
<b>Assets</b>			
Current:			
Equity in Pooled Cash and Cash Equivalents	\$6,519,095	\$4,739,961	\$11,259,056
Cash and Cash Equivalents in Segregated Accounts	97,239	105,447	202,686
Cash and Cash Equivalents with Fiscal Agents	0	410	410
Accounts Receivable	795,698	762,841	1,558,539
Materials and Supplies Inventory	13,979	102,977	116,956
Restricted Assets:			
Customer Deposits:			
Equity in Pooled Cash and Cash Equivalents	54,073	56,281	110,354
Cash and Cash Equivalents in Segregated Accounts	510	530	1,040
Investments	49,000	51,000	100,000
Prepaid Items	37,719	43,003	80,722
<i>Total Current Assets</i>	<u>7,567,313</u>	<u>5,862,450</u>	<u>13,429,763</u>
Noncurrent:			
Non-Depreciable Capital Assets	14,487,470	2,272,242	16,759,712
Depreciable Capital Assets, Net	4,986,578	3,946,306	8,932,884
<i>Total Noncurrent Assets</i>	<u>19,474,048</u>	<u>6,218,548</u>	<u>25,692,596</u>
<i>Total Assets</i>	<u>27,041,361</u>	<u>12,080,998</u>	<u>39,122,359</u>
<b>Deferred Outflows of Resources</b>			
Pension	155,805	165,542	321,347
<b>Liabilities</b>			
Current:			
Accounts Payable	66,126	66,356	132,482
Contracts Payable	122,705	65,026	187,731
Accrued Wages Payable	48,537	47,925	96,462
Retainage Payable	0	65,387	65,387
Intergovernmental Payable	34,015	29,350	63,365
Vacation and Compensatory Benefits Payable	89,455	120,592	210,047
Accrued Interest Payable	14,767	40,703	55,470
Notes Payable	892,315	913,500	1,805,815
Compensated Absences Payable	484	484	968
Refunding Bonds Payable	0	345,000	345,000
General Obligation Bonds Payable	47,000	92,000	139,000
Issue II Loans Payable	12,460	22,099	34,559
OWDA Loans Payable	380,414	0	380,414
Customer Deposits Payable from Restricted Assets	103,583	107,811	211,394
<i>Total Current Liabilities</i>	<u>1,811,861</u>	<u>1,916,233</u>	<u>3,728,094</u>
Long-Term:			
Compensated Absences Payable	32,093	155,143	187,236
Notes Payable	1,074,170	3,932,500	5,006,670
Refunding Bonds Payable	0	1,869,769	1,869,769
General Obligation Bonds Payable	867,126	1,860,407	2,727,533
Issue II Loans Payable	145,570	269,689	415,259
OWDA Loans Payable	10,879,961	0	10,879,961
Net Pension Liability	864,137	918,144	1,782,281
<i>Total Long-Term Liabilities</i>	<u>13,863,057</u>	<u>9,005,652</u>	<u>22,868,709</u>
<i>Total Liabilities</i>	<u>15,674,918</u>	<u>10,921,885</u>	<u>26,596,803</u>
<b>Deferred Inflows of Resources</b>			
Pension	15,181	16,130	31,311
<b>Net Position</b>			
Net Investment in Capital Assets	8,916,938	1,469,666	10,386,604
Unrestricted	2,590,129	(161,141)	2,428,988
<i>Total Net Position</i>	<u>\$11,507,067</u>	<u>\$1,308,525</u>	<u>\$12,815,592</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, 2015*

	Sewer	Water	Total Enterprise Funds
<b>Operating Revenues</b>			
Charges for Services	\$4,096,683	\$4,001,308	\$8,097,991
Other Operating Revenues	68,993	11,878	80,871
<i>Total Operating Revenues</i>	<u>4,165,676</u>	<u>4,013,186</u>	<u>8,178,862</u>
<b>Operating Expenses</b>			
Salaries and Wages	1,039,176	1,068,078	2,107,254
Fringe Benefits	474,752	468,189	942,941
Contractual Services	851,632	816,086	1,667,718
Materials and Supplies	221,653	330,212	551,865
Other Operating Expenses	28,417	26,526	54,943
Depreciation	327,127	477,928	805,055
<i>Total Operating Expenses</i>	<u>2,942,757</u>	<u>3,187,019</u>	<u>6,129,776</u>
<i>Operating Income</i>	<u>1,222,919</u>	<u>826,167</u>	<u>2,049,086</u>
<b>Non-Operating Revenues (Expenses)</b>			
Investment Earnings	7,763	16,719	24,482
Capital Grants	81,812	0	81,812
Gain on Sale of Capital Assets	0	5,144	5,144
Interest and Fiscal Charges	(382,695)	(154,112)	(536,807)
Note Issuance Costs	(6,784)	(16,719)	(23,503)
<i>Total Non-Operating Revenues (Expenses)</i>	<u>(299,904)</u>	<u>(148,968)</u>	<u>(448,872)</u>
<i>Change in Net Position</i>	923,015	677,199	1,600,214
<i>Net Position Beginning of Year - Restated (See Note 3)</i>	<u>10,584,052</u>	<u>631,326</u>	<u>11,215,378</u>
<i>Net Position End of Year</i>	<u>\$11,507,067</u>	<u>\$1,308,525</u>	<u>\$12,815,592</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, 2015

	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	\$3,892,057	\$3,852,953	\$7,745,010
Cash Payments for Employee Services and Benefits	(1,509,545)	(1,522,080)	(3,031,625)
Cash Payments to Suppliers for Goods and Services	(1,044,801)	(1,118,087)	(2,162,888)
Other Operating Revenues	76,400	28,644	105,044
Other Operating Expenses	(21,442)	(26,605)	(48,047)
Customer Deposits Received	18,483	19,237	37,720
Customer Deposits Returned	(17,731)	(18,455)	(36,186)
<i>Net Cash Provided by Operating Activities</i>	<u>1,393,421</u>	<u>1,215,607</u>	<u>2,609,028</u>
<b>Cash Flows from Capital and Related Financing Activities</b>			
Acquisition of Capital Assets	(574,405)	(1,811,552)	(2,385,957)
Grants	81,812	0	81,812
Proceeds from Sale of Capital Assets	0	5,144	5,144
Notes Issuance Costs	(6,784)	(16,719)	(23,503)
Proceeds from Sale of Bond Anticipation Notes	1,966,485	4,846,000	6,812,485
Loan Proceeds	222,833	0	222,833
Principal Paid on Debt	(1,470,320)	(2,073,583)	(3,543,903)
Interest Paid on Debt	(377,190)	(148,025)	(525,215)
<i>Net Cash Provided by (Used for) Capital and Related Financing Activities</i>	<u>(157,569)</u>	<u>801,265</u>	<u>643,696</u>
<b>Cash Flows from Investing Activities</b>			
Investment Earnings	6,784	16,719	23,503
<i>Net Increase in Cash and Cash Equivalents</i>	1,242,636	2,033,591	3,276,227
<i>Cash and Cash Equivalents Beginning of Year</i>	5,428,281	2,869,038	8,297,319
<i>Cash and Cash Equivalents End of Year</i>	<u>\$6,670,917</u>	<u>\$4,902,629</u>	<u>\$11,573,546</u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>			
<i>Operating Income</i>	\$1,222,919	\$826,167	\$2,049,086
Adjustments:			
Depreciation	327,127	477,928	805,055
(Increase)/Decrease in Assets:			
Accounts Receivable	(206,227)	(140,545)	(346,772)
Intergovernmental Receivable	9,008	8,956	17,964
Materials and Supplies Inventory	(6,344)	(3,989)	(10,333)
Prepaid Items	(298)	(499)	(797)
Deferred Outflows - Pension	7,238	7,689	14,927
Increase/(Decrease) in Liabilities:			
Accounts Payable	29,216	20,783	49,999
Contract Payable	6,188	11,393	17,581
Accrued Wages Payable	4,996	3,901	8,897
Intergovernmental Payable	(3,056)	(9,435)	(12,491)
Vacation and Compensatory Benefits Payable	9,471	8,387	17,858
Customer Deposits Payable	752	782	1,534
Deferred Inflows - Pension	(7,005)	(7,443)	(14,448)
Net Pension Liability	(15,931)	(16,925)	(32,856)
Compensated Absences Payable	15,367	28,457	43,824
<i>Net Cash Provided by Operating Activities</i>	<u>\$1,393,421</u>	<u>\$1,215,607</u>	<u>\$2,609,028</u>

See accompanying notes to the basic financial statements

**City of Marietta, Ohio**  
*Statement of Assets and Liabilities*  
*Agency Funds*  
*December 31, 2015*

**Assets**

Cash and Cash Equivalents in Segregated Accounts	\$82,480
Hotel Taxes Receivable	15,201
Accounts Receivable	<u>1,383,266</u>
<i>Total Assets</i>	<u><u>\$1,480,947</u></u>

**Liabilities**

Intergovernmental Payable	\$79,217
Due to Others	<u>1,401,730</u>
<i>Total Liabilities</i>	<u><u>\$1,480,947</u></u>

See accompanying notes to the basic financial statements

**City of Marietta, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2015*

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**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, 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-Hocking Valley Regional Development District, 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, 2015*

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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.

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***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**  
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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.

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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, 2015, but which were levied to finance fiscal year 2016 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, miscellaneous revenues, and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The details of these unavailable revenues are identified on the Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities found on page 19. 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.

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*Notes to the Basic Financial Statements*  
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**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 2015, 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 2015 amounted to \$54,609, of which \$50,120 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, 2015, 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.



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**J. Capital Assets**

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

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

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 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,

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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.

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**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 assets and liabilities. 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.

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*Notes to the Basic Financial Statements*  
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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.

**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 2015.

**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.

**City of Marietta, Ohio**  
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**NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF NET POSITION**

For 2015, the City implemented the Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68." GASB 68 established standards for measuring and recognizing pension liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditure. The implementation of this pronouncement had the following effect on net position as reported December 31, 2014:

	Governmental Activities	Business -Type Activities
Net position December 31, 2014	\$35,941,889	\$12,740,000
Adjustments:		
Net Pension Liability	(13,373,360)	(1,742,024)
Deferred Outflow - Payments Subsequent to Measurement Date	1,286,619	217,402
Restated Net Position December 31, 2014	\$23,855,148	\$11,215,378

	Sewer Fund	Water Fund	Total Enterprise
Net position December 31, 2014	\$11,323,263	\$1,416,737	\$12,740,000
Adjustments:			
Net Pension Liability	(844,618)	(897,406)	(1,742,024)
Deferred Outflow - Payments Subsequent to Measurement Date	105,407	111,995	217,402
Restated Net Position December 31, 2014	\$10,584,052	\$631,326	\$11,215,378

Other than employer contributions subsequent to the measurement date, the City made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

**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 fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are as follows:

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).

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*Notes to the Basic Financial Statements*  
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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

	<u>General</u>	<u>Street</u>	<u>Community Development</u>
GAAP Basis	(\$93,389)	(\$44,891)	(\$34,895)
Net Adjustment for Revenue Accruals	(61,559)	809,093	24,618
Beginning of Year:			
Unrecorded Cash	20,620	191	0
Unrecorded Interest	3,030	139	0
Prepaid Items	71,174	7,216	458
Segregated Accounts	46,329	0	0
End of Year:			
Unrecorded Cash	(19,745)	0	(80)
Unrecorded Interest	(4,626)	(155)	0
Prepaid Items	(76,179)	(9,362)	(341)
Segregated Accounts	(39,636)	0	0
Net Adjustment for Expenditure Accruals	(121,707)	(743,462)	3,681
Encumbrances	(124,295)	(212,690)	(4,811)
Budget Basis	<u>(\$399,983)</u>	<u>(\$193,921)</u>	<u>(\$11,370)</u>

**NOTE 5 - FUND BALANCES**

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

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Fund Balances	General	Street	Community Development	Capital Improvement	Nonmajor Governmental Funds	Total
<u>Nonspendable:</u>						
Prepays	\$76,179	\$9,362	\$341	\$0	\$11,429	\$97,311
Park Endowments	0	0	0	0	750	750
Cemetery Endowments	0	0	0	0	461,528	461,528
Unclaimed Monies	14,904	0	0	0	0	14,904
Inventory	29,132	61,200	0	0	0	90,332
<i>Total Nonspendable</i>	<u>120,215</u>	<u>70,562</u>	<u>341</u>	<u>0</u>	<u>473,707</u>	<u>664,825</u>
<u>Restricted for:</u>						
Street Improvements	0	808,082	0	0	192,934	1,001,016
Community Development	0	0	263,591	0	17,629	281,220
Cemetery	0	0	0	0	11,130	11,130
Debt Service	0	0	0	0	14,823	14,823
Armory	0	0	0	0	92,942	92,942
Fire Protection	0	0	0	0	470,794	470,794
Health	0	0	0	0	118,108	118,108
Law Enforcement	0	0	0	0	201,084	201,084
Court Operations	0	0	0	0	341,294	341,294
Law Director Operations	0	0	0	0	28,323	28,323
Energy Conservation	0	0	0	0	14,254	14,254
Pool Improvements	0	0	0	0	675	675
Court Improvements	0	0	0	0	269,084	269,084
Capital Improvements	0	0	0	1,991,291	7,571	1,998,862
<i>Total Restricted</i>	<u>0</u>	<u>808,082</u>	<u>263,591</u>	<u>1,991,291</u>	<u>1,780,645</u>	<u>4,843,609</u>
<u>Committed to:</u>						
Community Development	0	0	0	0	7,575	7,575
Emergency Rescue	0	0	0	0	2,947	2,947
Veterans	0	0	0	0	911	911
Cemetery Trust	0	0	0	0	2,589	2,589
Parking	0	0	0	0	118,726	118,726
Recreation	0	0	0	0	10,281	10,281
<i>Total Committed</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>143,029</u>	<u>143,029</u>
<u>Assigned to:</u>						
Purchases on Order	124,295	0	0	0	0	124,295
<u>Unassigned:</u>	<u>1,722,542</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(6,152)</u>	<u>1,716,390</u>
<b>Total Fund Balances</b>	<b><u>\$1,967,052</u></b>	<b><u>\$878,644</u></b>	<b><u>\$263,932</u></b>	<b><u>\$1,991,291</u></b>	<b><u>\$2,391,229</u></b>	<b><u>\$7,492,148</u></b>

**NOTE 6 - FUND DEFICITS**

The Marietta Harbor Capital Projects Fund has a deficit fund balance of \$6,152, as of December 31, 2015. The deficit is the result of the recognition of interfund payables to the General Fund. Once grant reimbursements are received, the deficit 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*  
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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, \$17,714,516 of the City's bank balance of \$19,086,053 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 2015 for real and public utility property taxes represents collections of 2014 taxes.

2015 real property taxes were levied after October 1, 2015, on the assessed value as of January 1, 2015, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2015 real property taxes are collected in and intended to finance 2016.

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. 2015 public utility property taxes which became a lien December 31, 2014, are levied after October 1, 2015, and are collected in 2016 with real property taxes.

**City of Marietta, Ohio**  
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The full tax rate for all City operations for the year ended December 31, 2015, was \$2.40 per \$1,000 of assessed value. The assessed values of real property and public utility tangible property upon which 2015 property tax receipts were based are as follows:

Real Property	\$249,409,660
Public Utility Property	<u>8,557,460</u>
Total	<u><u>\$257,967,120</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, 2015, and for which there was an enforceable legal claim. In governmental funds, the portion of the receivable not levied to finance 2015 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, 2015, 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 \$5,437. 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 \$3,986.

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 \$106,994, which represents amounts to be received by the City in 2016.

A summary of the principal items of intergovernmental receivables follows:

**City of Marietta, Ohio**  
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*For the Year Ended December 31, 2015*

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<b>Governmental Activities:</b>	<b>Amount</b>
Gasoline Tax and Motor Vehicle License	\$365,574
Housing and Urban Development Grant	329,983
Community Housing Improvement Program	300,000
Probation Improvement and Incentive Grant	155,809
Housing Voucher Program	149,567
Local Government	124,052
Community Based Corrections Grant	99,253
Victims of Crime Act Grant	40,710
Homestead and Rollback	29,788
Ohio Department of Transportation Grant	25,843
Utilities Income Tax	21,778
MAC Time Study Reimbursement	17,558
Medicare/Medicaid Reimbursements	11,762
Ohio Department of Natural Resources Grant	8,327
Stop Violence Against Women Grant	6,079
DARE Grant	5,233
Federal Emergency Management Agency Reimbursements	4,684
BCMH	3,250
Health Subsidy	2,639
Excess IRP	2,244
Police Training Grant	2,160
Personal Property Tax Loss Reimbursements	1,089
Indigent Alcohol	697
Immobilization Fees	500
	\$1,708,579
Total	\$1,708,579

**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.

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.

**City of Marietta, Ohio**  
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**NOTE 11 - CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2015, was as follows:

	Balance 12/31/2014	Increases	Decreases	Balance 12/31/2015
<b>Governmental Activities:</b>				
Capital Assets not being Depreciated:				
Land	\$1,231,784	\$0	\$0	\$1,231,784
Construction in Progress	12,672,284	1,357,885	(7,871,452)	6,158,717
Total Capital Assets not being Depreciated	<u>13,904,068</u>	<u>1,357,885</u>	<u>(7,871,452)</u>	<u>7,390,501</u>
Capital Assets being Depreciated:				
Buildings and Improvements	24,340,744	5,351,911	0	29,692,655
Machinery and Equipment	5,809,545	231,653	(21,495)	6,019,703
Vehicles	4,226,305	575,403	(114,106)	4,687,602
Infrastructure	28,685,876	2,883,911	0	31,569,787
Total Capital Assets being Depreciated	<u>63,062,470</u>	<u>9,042,878</u>	<u>(135,601)</u>	<u>71,969,747</u>
Less Accumulated Depreciation:				
Buildings and Improvements	(9,353,443)	(1,059,778)	0	(10,413,221)
Machinery and Equipment	(4,546,082)	(158,725)	21,495	(4,683,312)
Vehicles	(2,970,413)	(166,858)	99,164	(3,038,107)
Infrastructure	(24,024,183)	(305,740)	0	(24,329,923)
Total Accumulated Depreciation	<u>(40,894,121)</u>	<u>(1,691,101) *</u>	<u>120,659</u>	<u>(42,464,563)</u>
Total Capital Assets being Depreciated, Net	<u>22,168,349</u>	<u>7,351,777</u>	<u>(14,942)</u>	<u>29,505,184</u>
Governmental Activities Capital Assets, Net	<u>\$36,072,417</u>	<u>\$8,709,662</u>	<u>(\$7,886,394)</u>	<u>\$36,895,685</u>

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

General Government - Legislative and Executive	\$90,488
General Government - Court	275,619
Security of Persons and Property:	
Police	105,411
Fire	118,902
Public Health Services	16,725
Community Environment	73,949
Street	780,852
Transportation	2,562
Leisure Time Activities	226,593
Total Depreciation Expense	<u>\$1,691,101</u>

**City of Marietta, Ohio**  
*Notes to the Basic Financial Statements*  
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	Balance 12/31/2014	Increases	Decreases	Balance 12/31/2015
<b>Business-Type Activities:</b>				
Capital Assets not being Depreciated:				
Land	\$447,100	\$150,671	\$0	\$597,771
Construction in Progress	14,027,968	2,133,973	0	16,161,941
Total Capital Assets not being Depreciated	<u>14,475,068</u>	<u>2,284,644</u>	<u>0</u>	<u>16,759,712</u>
Capital Assets being Depreciated:				
Buildings and Improvements	899,550	45,900	0	945,450
Machinery and Equipment	2,550,006	33,284	0	2,583,290
Vehicles	872,450	27,776	(30,848)	869,378
Infrastructure	56,391,600	115,650	0	56,507,250
Total Capital Assets being Depreciated	<u>60,713,606</u>	<u>222,610</u>	<u>(30,848)</u>	<u>60,905,368</u>
Less Accumulated Depreciation:				
Buildings and Improvements	(680,936)	(29,440)	0	(710,376)
Machinery and Equipment	(2,000,456)	(62,296)	0	(2,062,752)
Vehicles	(692,089)	(49,995)	30,848	(711,236)
Infrastructure	(47,824,796)	(663,324)	0	(48,488,120)
Total Accumulated Depreciation	<u>(51,198,277)</u>	<u>(805,055)</u>	<u>30,848</u>	<u>(51,972,484)</u>
Total Capital Assets being Depreciated, Net	<u>9,515,329</u>	<u>(582,445)</u>	<u>0</u>	<u>8,932,884</u>
Business-Type Activities Capital Assets, Net	<u><u>\$23,990,397</u></u>	<u><u>\$1,702,199</u></u>	<u><u>\$0</u></u>	<u><u>\$25,692,596</u></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	\$115,357,815	\$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.

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

**City of Marietta, Ohio**  
*Notes to the Basic Financial Statements*  
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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.

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

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

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

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

<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.

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

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	State and Local
<b>2015 Statutory Maximum Contribution Rates</b>	
Employer	14.0 %
Employee	10.0 %
 <b>2015 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 \$685,607 for 2015. Of this amount, \$60,065 is reported as an intergovernmental payable.

***Plan Description – Ohio Police & Fire Pension Fund (O&PF)***

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.



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

Members retiring under normal service retirement, with less than 15 years of service credit on July 1, 2013, 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>2015 Statutory Maximum Contribution Rates</b>		
Employer	19.50 %	24.00 %
Employee:		
January 1, 2015 through July 1, 2015	11.50 %	11.50 %
July 2, 2015 through December 31, 2015	12.25 %	12.25 %
 <b>2015 Actual Contribution Rates</b>		
Employer:		
Pension	19.00 %	23.50 %
Post-employment Health Care Benefits	0.50	0.50
<b>Total Employer</b>	<b>19.50 %</b>	<b>24.00 %</b>
 Employee:		
January 1, 2015 through July 1, 2015	11.50 %	11.50 %
July 2, 2015 through December 31, 2015	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 \$880,336 for 2015. Of this amount \$77,160 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, 2014, 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, 2014, and was determined by rolling forward the total pension liability as of January 1, 2014, to December 31, 2014. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

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	<u>OPERS</u>	<u>OP&amp;F</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$5,400,850	\$10,462,836	\$15,863,686
Proportion of the Net Pension Liability	0.044779%	0.2019690%	
Pension Expense	\$587,492	\$1,020,601	\$1,608,093

At December 31, 2015, 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	\$288,173	\$450,939	\$739,112
City contributions subsequent to the measurement date	<u>685,607</u>	<u>880,336</u>	<u>1,565,943</u>
Total Deferred Outflows of Resources	<u><u>\$973,780</u></u>	<u><u>\$1,331,275</u></u>	<u><u>\$2,305,055</u></u>
<b>Deferred Inflows of Resources</b>			
Differences between expected and actual experience	<u>\$94,882</u>	<u>\$0</u>	<u>\$94,882</u>

\$1,565,943 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, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ending December 31:	<u>OPERS</u>	<u>OP&amp;F</u>	<u>Total</u>
2016	\$28,265	\$112,735	\$141,000
2017	28,264	112,735	140,999
2018	64,719	112,735	177,454
2019	<u>72,043</u>	<u>112,734</u>	<u>184,777</u>
Total	<u><u>\$193,291</u></u>	<u><u>\$450,939</u></u>	<u><u>\$644,230</u></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.

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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 in the December 31, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Wage Inflation	3.75 percent
Future Salary Increases, including inflation	4.25 to 10.05 percent including wage inflation
COLA or Ad Hoc COLA	3 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.

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 6.95 percent for 2014.

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 2014 and the long-term expected real rates of return:

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Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	23.00 %	2.31 %
Domestic Equities	19.90	5.84
Real Estate	10.00	4.25
Private Equity	10.00	9.25
International Equities	19.10	7.40
Other investments	18.00	4.59
Total	100.00 %	5.28 %

**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 statutorily required rates. 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	\$9,936,012	\$5,400,850	\$1,581,146

**Actuarial Assumptions – OP&F**

OP&F's total pension liability as of December 31, 2014, is based on the results of an actuarial valuation date of January 1, 2014, 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.

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Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of January 1, 2014, are presented below:

Valuation Date	January 1, 2014
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

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, 2014, are summarized below:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Cash and Cash Equivalents	- %	(0.25) %
Domestic Equity	16.00	4.47
Non-US Equity	16.00	4.47
Core Fixed Income *	20.00	1.62
Global Inflation Protected *	20.00	1.33
High Yield	15.00	3.39
Real Estate	12.00	3.93
Private Markets	8.00	6.98
Timber	5.00	4.92
Master Limited Partnerships	8.00	7.03
 Total	 <u>120.00 %</u>	

\* levered 2x

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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 pension liability would be if it were calculated using a discount rate that is one percentage point lower (7.25 percent), or one percentage point higher (9.25 percent) than the current rate.

	1% Decrease (7.25%)	Current Discount Rate (8.25%)	1% Increase (9.25%)
City's proportionate share of the net pension liability	\$14,471,685	\$10,462,836	\$7,068,560

**NOTE 14 - POSTEMPLOYMENT BENEFITS**

A. Ohio Public Employees Retirement System

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

OPERS maintains two cost-sharing multiple-employer defined benefit post-employment health care trusts, which fund multiple health care plans including medical coverage, prescription drug coverage, deposits in 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 post-employment health care coverage.

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 20 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available.

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

Disclosures for the health care plan are presented separately in the OPERS financial report which may be obtained by visiting <https://www.opers.org/investments/cafr.shtml>, 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 post-retirement health care through 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 covered payroll of active members. In 2015, state and local employers contributed at a rate of 14.0 percent of covered payroll. This is the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. The portion of employer contribution allocated to health care for members in both the Traditional and Combined Plans was 2.0 percent for 2015.

The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected

The City’s contributions allocated to fund post-employment health care benefits for the years ended December 31, 2015, 2014, and 2013, were \$114,268, \$112,728, and \$53,921, respectively. For 2015, 91.24 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2014 and 2013.

**B. Ohio Police and Fire Pension Fund**

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

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

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

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OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164. That report is also available of OP&F's website at [www.op-f.org](http://www.op-f.org).

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

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For 2015, the employer contribution allocated to the health care plan was .5 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

The OP&F Board of Trustees also is 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 contributions to OP&F which were allocated to fund post-employment health care benefits for police and firefighters were \$9,503 and \$11,048 for the year ended December 31, 2015, \$38,597 and \$41,353 for the year ended December 31, 2014, and \$46,021 and \$48,525 for the year ended December 31, 2013. For 2015, 92 percent has been contributed for police and 91.40 percent has been contributed for firefighters with the balance for both police and firefighters being report as an intergovernmental payable. The full amount has been contributed for 2014 and 2013.

**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.



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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 \$323.20 per week per employee. Premiums are paid from the same funds that pay the employees' salaries.

**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, 2015, the City had contractual purchase commitments for projects in various funds. The amount for each project is as follows:

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<b>Capital Projects:</b>	Purchase Commitments	Amount Expended	Amount Remaining on Contracts
<b><i>Armory Square</i></b>			
Armory Funds	\$2,803,292	\$2,789,485	\$13,807
General Fund	2,450	2,450	0
Capital Improvement Fund	55,247	55,247	0
	<u>2,860,989</u>	<u>2,847,182</u>	<u>13,807</u>
<b><i>Lookout Park Improvements</i></b>			
Capital Improvement Fund	34,786	5,937	28,849
<b><i>Street Garage Roof</i></b>			
Capital Improvement Fund	151,855	3,656	148,199
Street Fund	471	471	0
	<u>152,326</u>	<u>4,127</u>	<u>148,199</u>
<b><i>Administration Building Renovations</i></b>			
Capital Improvement Fund	198,757	33,655	165,102
Energy Conservation Fund	49,500	49,500	0
	<u>248,257</u>	<u>83,155</u>	<u>165,102</u>
<b><i>Riverfront Trail Phase V</i></b>			
Capital Improvement Fund	10,070	10,070	0
Street Fund	128,159	120,505	7,654
	<u>138,229</u>	<u>130,575</u>	<u>7,654</u>
<b><i>Safe Routes to School</i></b>			
Street Fund	481,930	349,452	132,478
<b><i>Pike, 7th, Greene Intersection Phase II</i></b>			
Street Fund	2,659,320	2,623,968	35,352
<b><i>Boersma Link Green Space and Park</i></b>			
General Fund	168,225	114,321	53,904
<b><i>Digest Aeration Upgrade</i></b>			
Sewer Fund	94,500	9,450	85,050
<b><i>Waste Water Treatment Plant Upgrade</i></b>			
Sewer Fund	14,472,290	13,954,836	517,454
<b><i>Harmar Lift Station Upgrade</i></b>			
Sewer Fund	185,000	148,000	37,000
<b><i>Gilman Avenue Lift Station Replacement</i></b>			
Sewer Fund	326,398	314,204	12,194
<b><i>Water Meter Replacement Project</i></b>			
Sewer Fund	901,209	0	901,209
Water Fund	901,209	0	901,209
	<u>1,802,418</u>	<u>0</u>	<u>1,802,418</u>
<b><i>Greene Street and Colegate Drive Waterlines</i></b>			
Water Fund	1,911,320	1,708,552	202,768
<b><i>Hadley Lane/Sherry Drive Waterline</i></b>			
Water Fund	25,999	14,149	11,850
<b><i>Storage Building*</i></b>			
Water Fund	12,750	12,750	0
<b><i>Water Treatment Plant Needs Review **</i></b>			
Water Fund	75,000	14,836	60,164
Total All Projects	<u>\$25,649,737</u>	<u>\$22,335,494</u>	<u>\$3,314,243</u>

\* design phase completed; construction to commence in 2016; \*\* contractual services

**City of Marietta, Ohio**  
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**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	\$124,295
Street	212,690
Community Development	4,811
Capital Improvement	387,412
Nonmajor Governmental Funds	<u>114,143</u>
<i>Total Governmental Funds</i>	<u>843,351</u>
<b>Enterprise Funds:</b>	
Water Fund	1,428,978
Sewer Fund	<u>1,240,735</u>
<i>Total Enterprise Funds</i>	<u>2,669,713</u>
Total	<u><u>\$3,513,064</u></u>

**NOTE 17 - LONG-TERM OBLIGATIONS**

Changes in long-term obligations of the City for the year ended December 31, 2015, were as follows:

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	Principal Outstanding 12/31/2014	Additions	Deletions	Principal Outstanding 12/31/2015	Amounts Due in One Year
<b>Governmental Activities:</b>					
<u>General Obligation Bonds:</u>					
Parking Lot Bonds					
2000 - \$190,000 - 5.73%	\$80,500	\$0	\$11,500	\$69,000	\$12,500
Municipal Court Bonds					
2014 - \$2,865,000 - 1.5 - 4.0%	2,720,000	0	115,000	2,605,000	115,000
Premium on Bonds	49,492	0	2,616	46,876	0
Municipal Software Bonds					
2014 - \$216,000 - 1.5 - 3.0%	195,000	0	21,000	174,000	21,000
Premium on Bonds	3,789	0	425	3,364	0
Total Bonds	<u>3,048,781</u>	<u>0</u>	<u>150,541</u>	<u>2,898,240</u>	<u>148,500</u>
<u>Notes:</u>					
Street Garage Roof:					
2014 - 1.25%	146,500	0	146,500	0	0
2015 - 1%	0	146,500	0	146,500	0
City Hall Renovations:					
2014 - 1.25%	2,750,100	0	2,750,100	0	0
2015 - 1%	0	2,655,000	0	2,655,000	0
Administration Building Renovations					
2015 - 1%	0	1,400,000	0	1,400,000	0
Total Notes	<u>2,896,600</u>	<u>4,201,500</u>	<u>2,896,600</u>	<u>4,201,500</u>	<u>0</u>
Net Pension Liability:					
OPERS	3,536,837	81,732	0	3,618,569	0
OPF	9,836,523	626,313	0	10,462,836	0
Total Net Pension Liability	<u>13,373,360</u>	<u>708,045</u>	<u>0</u>	<u>14,081,405</u>	<u>0</u>
Armory Loan - 4.99%	0	500,000	0	500,000	50,000
Energy Conservation Loan - 2.7%	185,200	0	60,100	125,100	61,700
Intergovernmental Payable	51,481	0	20,307	31,174	20,306
Compensated Absences	694,157	151,383	66,173	779,367	84,832
Total Governmental Activities	<u>\$20,249,579</u>	<u>\$5,560,928</u>	<u>\$3,193,721</u>	<u>\$22,616,786</u>	<u>\$365,338</u>

(continued)

**City of Marietta, Ohio**  
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	Principal Outstanding 12/31/2014	Additions	Deletions	Principal Outstanding 12/31/2015	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%	\$2,510,000	\$0	\$335,000	\$2,175,000	\$345,000
Bond Premium	46,491	0	6,722	39,769	0
Water Bonds					
2014 - \$2,045,000 - 1.5 - 3.75%	1,940,000	0	80,000	1,860,000	85,000
Bond Premium	35,144	0	1,858	33,286	0
Water Software Bonds					
2014 - \$72,000 - 1.5 - 3.0%	65,000	0	7,000	58,000	7,000
Bond Premium	1,263	0	142	1,121	0
Sewer Bonds					
2014 - \$920,000 - 1.5 - 4.0%	875,000	0	35,000	840,000	40,000
Bond Premium	15,842	0	837	15,005	0
Sewer Software Bonds					
2014 - \$72,000 - 1.5 - 3.0%	65,000	0	7,000	58,000	7,000
Bond Premium	1,263	0	142	1,121	0
Total Bonds	<u>5,555,003</u>	<u>0</u>	<u>473,701</u>	<u>5,081,302</u>	<u>484,000</u>
<u>Notes:</u>					
Water 2014 - 1.25%	1,576,000	0	1,576,000	0	0
Water 2015 - 1%	0	3,932,500	0	3,932,500	0
Sewer 2014 - 1.25%	591,485	0	591,485	0	0
Sewer 2015 - 1%	0	1,074,170	0	1,074,170	0
Total Notes	<u>2,167,485</u>	<u>5,006,670</u>	<u>2,167,485</u>	<u>5,006,670</u>	<u>0</u>
<u>Loans:</u>					
<u>OWDA Loans:</u>					
Sewer Grit					
2002 - \$458,437 - 3.89%	238,301	0	24,158	214,143	12,432
Sewer Treatment Plant:					
2011 - \$5,684,046 - 3.0%	5,188,368	0	220,693	4,967,675	112,835
2013 - \$6,991,940 - 2.38%	6,003,482	188,358	354,632	5,837,208	142,718
2012 - \$690,000 - 2.45%	329,415	26,082	139,607	215,890	100,660
2014 - \$57,500 - 3.33%	33,350	8,393	16,284	25,459	11,769
<u>OPWC Loans:</u>					
Water					
1996 - \$400,000 - 0%	70,000	0	30,000	40,000	10,000
Water Glendale Tank					
2004 - \$479,936 - 2%	287,371	0	35,583	251,788	12,099
Sewer					
2000 - \$461,023 - 2%	194,676	0	36,646	158,030	12,460
Total Loans	<u>12,344,963</u>	<u>222,833</u>	<u>857,603</u>	<u>11,710,193</u>	<u>414,973</u>
<u>Net Pension Liability - OPERS:</u>					
Sewer	844,618	19,519	0	864,137	0
Water	897,406	20,738	0	918,144	0
Total Net Pension Liability	<u>1,742,024</u>	<u>40,257</u>	<u>0</u>	<u>1,782,281</u>	<u>0</u>
Compensated Absences	153,107	36,255	1,158	188,204	968
Total Business-Type Activities	<u>\$21,962,582</u>	<u>\$5,306,015</u>	<u>\$3,499,947</u>	<u>\$23,768,650</u>	<u>\$899,941</u>

**City of Marietta, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2015*

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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. The City pays obligations related to employee compensation from the fund benefitting from their service.

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

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

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.

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 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.

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 loan in the Sewer Enterprise Fund, also a general obligation, was obtained to help finance the sludge belt press project. A 2007 Ohio Water Development Authority (OWDA) loan for design was obtained to help finance the sewer treatment plant upgrade. This design loan was rolled into the construction 2011 loan. Since the final draw on the new loan has not been received, an amortization schedule has not been established. The 2012, 2013, and 2014 Ohio Water Development Authority (OWDA) loans were also obtained to help finance the sewer treatment plant upgrade. As of December 31, 2015, these loans have not been fully drawn down and no amortization schedule exists. The 2002 Ohio Water Development Authority (OWDA) loan was obtained to help finance the sewer grit removal project.

**City of Marietta, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2015*

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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 five OWDA loans. The loans are payable solely from net revenues and are payable through 2033. Net revenues include all revenues received by the sewer utility less all operating expenses other than depreciation expense. Annual principal and interest payments on the loans as compared to net future revenues are not estimable but are expected to be less than net revenues in each year the loans are outstanding. The total principal and interest remaining to be paid on the loans is \$15,413,289. Principal and interest payments for the current year were \$1,066,915, net revenues were \$1,639,621, and total revenues were \$4,255,251.

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, 2015, are as follows:

Year	Parking Lot Bonds		Municipal Court Bonds		Software Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$12,500	\$3,954	\$115,000	\$78,462	\$21,000	\$3,698
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
2021-2025	0	0	670,000	305,437	69,000	4,072
2026-2030	0	0	785,000	192,725	0	0
2031-2033	0	0	545,000	40,550	0	0
	<u>\$69,000</u>	<u>\$12,292</u>	<u>\$2,605,000</u>	<u>\$912,626</u>	<u>\$174,000</u>	<u>\$19,304</u>

Principal and interest requirements to retire the Energy Conservation and Armory Loan liabilities at December 31, 2015, are as follows:

Year	Energy Conservation		Armory	
	Principal	Interest	Principal	Interest
2016	\$61,700	\$3,378	\$50,000	\$24,950
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
2021-2025	0	0	250,000	37,426
	<u>\$125,100</u>	<u>\$5,090</u>	<u>\$500,000</u>	<u>\$137,226</u>

**City of Marietta, Ohio**  
*Notes to the Basic Financial Statements*  
For the Year Ended December 31, 2015

Principal and interest requirements to retire the Water Fund bonds outstanding at December 31, 2015, are as follows:

Year	Water Refunding Bonds		Water Bonds		Water Software Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$345,000	\$54,750	\$85,000	\$56,000	\$7,000	\$1,232
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
2021-2025	385,000	11,550	480,000	218,025	23,000	1,358
2026-2030	0	0	560,000	137,200	0	0
2031-2033	0	0	390,000	28,987	0	0
	<u>\$2,175,000</u>	<u>\$211,550</u>	<u>\$1,860,000</u>	<u>\$651,037</u>	<u>\$58,000</u>	<u>\$6,436</u>

Principal and interest requirements to retire the Sewer Fund bonds outstanding at December 31, 2015, are as follows:

Year	Sewer Bonds		Sewer Software Bonds	
	Principal	Interest	Principal	Interest
2016	\$40,000	\$25,200	\$7,000	\$1,232
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
2021-2025	215,000	186,400	23,000	1,358
2026-2030	250,000	61,600	0	0
2031-2033	175,000	13,025	0	0
	<u>\$840,000</u>	<u>\$380,825</u>	<u>\$58,000</u>	<u>\$6,436</u>

Principal and interest requirements to retire the business-type activities loan liabilities at December 31, 2015, are as follows:

Year	OPWC Loans					Sewer Grit OWDA Loan	
	Sewer		Water Treatment	Water Glendale Tank		Sewer	
	Principal	Interest	Principal	Principal	Interest	Principal	Interest
2016	\$12,460	\$1,580	\$10,000	\$12,099	\$5,156	\$12,432	\$8,568
2017	25,296	2,786	20,000	24,562	4,672	25,595	7,600
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
2021-2025	41,294	829	0	138,439	7,728	93,142	6,443
	<u>\$158,030</u>	<u>\$10,460</u>	<u>\$40,000</u>	<u>\$251,788</u>	<u>\$28,569</u>	<u>\$214,143</u>	<u>\$39,220</u>

As of December 31, 2015, the City's overall legal debt margin (the ability to issue additional amounts of general obligation bonded debt) was \$19,456,771.



**City of Marietta, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2015*

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**NOTE 18 - NOTES PAYABLE**

Changes in short-term obligations, all bond anticipation notes, of the City for the year ended December 31, 2015 were as follows:

	Principal Outstanding 12/31/14	Additions	Deletions	Principal Outstanding 12/31/15
<b>Governmental Activities:</b>				
2014 City Hall Renovations Note - 1.25%	\$95,000	\$0	\$95,000	\$0
2015 City Hall Renovations Note - 1%	0	95,100	0	95,100
<b>Business-Type Activities:</b>				
2014 Water Note - 1.25%	10,000	0	10,000	0
2015 Water Note - 1%	0	913,500	0	913,500
2014 Sewer Note - 1.25%	44,815	0	44,815	0
2015 Sewer Note - 1%	0	892,315	0	892,315
Total Notes Payable	<u>\$149,815</u>	<u>\$1,900,915</u>	<u>\$149,815</u>	<u>\$1,900,915</u>

The notes were issued to finance the renovations of the City Hall and various water and sewer projects. The notes will mature on May 13, 2016.

**NOTE 19 - INTERFUND TRANSFERS AND BALANCES**

A. Balances

At year end, the Marietta Harbor Special Revenue Fund owed the General Fund \$6,890 for advanced grant monies.

B. Transfers

Interfund transfers for the year ended December 31, 2015, consisted of the following:

<u>Transfer Out</u>	<u>Transfer In</u>
Major Funds:	Other Nonmajor Governmental Funds
General	\$172,794
Capital Improvements	88,588
Other Nonmajor Governmental Funds	141,178
	<u>\$402,560</u>

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-Hocking Valley Regional Development District

The Buckeye Hills-Hocking Valley Regional Development District serves Washington, Athens, Hocking, Meigs, Monroe, Morgan, Noble, and Perry Counties. The District was created to foster a cooperative effort in regional planning, programming, and the implementing of regional plans and programs. The District is governed by a fifteen member board of directors. The District 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 District 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 District during 2015. The continued existence of the District is not dependent on the City's continued participation and no equity interest exists.

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 2015, 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.

**City of Marietta, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2015*

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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 2015, 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 - 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, 2015.

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 22 - SUBSEQUENT EVENT**

The City retired \$1,900,915 of the \$11,109,085 various purpose bond anticipation notes bearing an interest rate of 1% on May 13, 2016, and issued additional notes of \$1,218,500 for a total issuance of \$10,426,670.

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 Two Years (1)*

	2014	2013
City's Proportion of the Net Pension Liability	0.0447790%	0.0447790%
City's Proportionate Share of the Net Pension Liability	\$5,400,850	\$5,278,861
City's Covered-Employee Payroll	\$5,489,950	\$5,263,897
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	98.38%	100.28%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	86.45%	86.36%

(1) Information prior to 2013 is not available.

Amounts presented as of the City's measurement date which is the prior fiscal 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 Two Years (1)*

	2014	2013
City's Proportion of the Net Pension Liability	0.2019690%	0.2019690%
City's Proportionate Share of the Net Pension Liability	\$10,462,836	\$9,836,523
City's Covered-Employee Payroll	\$3,959,279	\$3,459,395
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	264.26%	284.34%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	72.20%	73.00%

(1) Information prior to 2013 is not available.

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

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

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

(1) Information prior to 2013 is not available.

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

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually Required Contribution	\$880,336	\$845,227	\$628,970	\$556,699
Contributions in Relation to the Contractually Required Contribution	<u>(880,336)</u>	<u>(845,227)</u>	<u>(628,970)</u>	<u>(556,699)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered-Employee Payroll	\$4,110,039	\$3,959,279	\$3,459,395	\$3,681,244
Contributions as a Percentage of Covered-Employee Payroll:	21.42%	21.35%	18.18%	15.12%



<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$575,545	\$581,179	\$543,810	\$525,025	\$523,735	\$545,535
<u>(575,545)</u>	<u>(581,179)</u>	<u>(543,810)</u>	<u>(525,025)</u>	<u>(523,735)</u>	<u>(545,535)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$3,853,473	\$3,798,316	\$3,585,856	\$3,479,975	\$3,447,071	\$3,749,643
14.94%	15.30%	15.17%	15.09%	15.19%	14.55%

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**City of Marietta, Ohio**  
*Schedule of Expenditures of Federal Awards*  
*For the Year Ended December 31, 2015*

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Number	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	\$ 123,468
Community Development Block Grants/Entitlement Grants	14.218	B-15-MC-39-0018	144,596
Total Community Development Block Grants/Entitlement Grants			<u>268,064</u>
Section 8 Housing Choice Vouchers	14.871	N/A	1,813,720
Shelter Plus Care	14.238	N/A	26,016
<i>Passed through the Ohio Department of Development:</i>			
Home Investment Partnerships Program	14.239	A-C-15-2HT-2	<u>230,632</u>
<b>Total U.S. Department of Housing and Urban Development</b>			<b><u>2,338,432</u></b>
<b>U.S. DEPARTMENT OF JUSTICE</b>			
<i>Passed through the Ohio Attorney General's Office:</i>			
Crime Victim Assistance	16.575	2015-VOCA-10205238	20,660
Crime Victim Assistance	16.575	2015-VOCA-19816374	<u>12,213</u>
Total Crime Victim Assistance			32,873
<i>Passed through the Governor's Office of Criminal Justice Services:</i>			
Violence Against Women Formula Grants	16.588	2012-WF-VA2-8424A	8,694
Violence Against Women Formula Grants	16.588	2014-WF-VA2-8424	<u>32,380</u>
Total Violence Against Women Formula Grants			<u>41,074</u>
<b>Total U.S. Department of Justice</b>			<b><u>73,947</u></b>
<b>U.S. DEPARTMENT OF TRANSPORTATION</b>			
<i>Passed through Ohio Department of Transportation</i>			
Highway Planning and Construction (Millcreek Road Improvements)	20.205	PID#85029	<u>252,397</u>
<b>Total U.S. Department of Transportation</b>			<b><u>252,397</u></b>
<b>Total Federal Financial Assistance</b>			<b><u>\$ 2,664,776</u></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, 2015*

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**Note A – Significant Accounting Policies**

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

**Note B – 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 A describes, the City reports expenditures of Federal awards to subrecipients when cash is paid.

As subrecipient, the government has certain compliance responsibilities, such as monitoring its subrecipients to help assure they use these subawards as authorized by laws, regulations, and the provisions of contracts or grant agreements, and that subrecipients achieve the award's performance goals.

**Note C – 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.



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1035 Murdoch Ave.  
Parkersburg, WV 26101  
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740.695.1569

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

August 10, 2016

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, the business-type activities, each major fund, and the aggregate remaining fund information of the **City of Marietta**, Washington County, (the City) as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated August 10, 2016, wherein we noted the City adopted Governmental Accounting Standard Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

***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 opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the City's internal control. Accordingly, we have not opined on it.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. *A material weakness* is a deficiency, or 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.



***...“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



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**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**

August 10, 2016

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 *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on the City's major federal program for the year ended December 31, 2015. The City's major federal program is identified in the *Summary of Audit Results* in the accompanying schedule of audit findings.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal program.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for the City's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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.



***...“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, 2015.

***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 Board'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, 2015

**1. SUMMARY OF AUDIT RESULTS**

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material weaknesses in internal control reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under 2 CFR § 200.516(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Section 8 Housing Choice Vouchers CFDA #14.871
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 750,000 Type B: all others
<i>(d)(1)(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

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# 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  
NOVEMBER 10, 2016