



Certified Public Accountants, A.C.

**CITY OF MARIETTA
WASHINGTON COUNTY
Single Audit
For the Year Ended December 31, 2018**

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KEITH FABER



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Members of City Council
City of Marietta
301 Putnam Street
Marietta, Ohio 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, 2018 through December 31, 2018. 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 "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

August 12, 2019

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City of Marietta, Ohio

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INDEPENDENT AUDITOR'S REPORT

June 28, 2019

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, 2018, 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 such 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, business-type activities, each major fund and the aggregate remaining fund information of the City of Marietta, Washington County, Ohio as of December 31, 2018, and the respective changes in its financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General, Street and Community Development Funds thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 3 to the financial statements, during 2018, the City adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis* and the schedules of net pension and other postemployment benefits liabilities and pension and other postemployment benefits 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 June 28, 2019, 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 black ink that reads "Perry & Associates CPAs A.C." in a cursive script.

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

City of Marietta, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2018
Unaudited

The discussion and analysis of the City of Marietta's financial performance provides an overall review of the City's financial activities for the year ended December 31, 2018. 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 2018 are as follows:

- In total, net position decreased \$1,125,051. Net position of governmental activities decreased \$1,801,374 while the business-type activities increased \$676,323.
- General governmental revenues accounted for \$12,770,135 in revenue or 58% of all revenues in governmental activities. Program specific revenues in the form of charges for services, grants, contributions, and interest accounted for \$9,112,065 or 42% of total revenues of \$21,882,200.

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 2018?" 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
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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.

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 2018 compared to 2017.

City of Marietta, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2018
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(Table 1)
 Net Position

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Assets						
Current and Other Assets	\$9,649,013	\$9,192,518	\$11,545,123	\$10,226,117	\$21,194,136	\$19,418,635
Capital Assets, Net	38,600,368	38,178,831	41,952,865	35,023,699	80,553,233	73,202,530
<i>Total Assets</i>	<u>48,249,381</u>	<u>47,371,349</u>	<u>53,497,988</u>	<u>45,249,816</u>	<u>101,747,369</u>	<u>92,621,165</u>
Deferred Outflows of Resources						
Pension	2,747,528	4,836,773	527,078	1,252,030	3,274,352	6,087,041
OPEB	1,311,138	63,295	109,294	20,080	1,420,432	83,375
	<u>4,058,666</u>	<u>4,900,068</u>	<u>636,372</u>	<u>1,272,110</u>	<u>4,694,784</u>	<u>6,170,416</u>
Liabilities						
Current and Other Liabilities	2,591,715	1,853,789	709,954	731,441	3,301,669	2,585,230
Long-term Liabilities						
Due Within One Year	469,877	210,721	1,129,004	1,044,917	1,598,881	1,255,638
Due in More Than One Year:						
Net Pension Liability	16,409,980	19,234,313	2,195,774	3,274,862	18,605,754	22,509,175
Net OPEB Liability	13,965,860	12,198,701	1,470,260	1,411,462	15,436,120	13,610,163
Other Amounts	7,270,628	7,459,338	34,947,797	27,718,628	42,218,425	35,177,966
<i>Total Liabilities</i>	<u>40,708,060</u>	<u>40,956,862</u>	<u>40,452,789</u>	<u>34,181,310</u>	<u>81,160,849</u>	<u>75,138,172</u>
Deferred Inflows of Resources						
Property Taxes	566,218	571,348	0	0	566,218	571,348
Pension	2,099,904	545,100	573,336	47,966	2,672,986	591,304
OPEB	537,132	0	139,262	0	676,394	0
<i>Total Deferred Inflows of Resources</i>	<u>3,203,254</u>	<u>1,116,448</u>	<u>712,598</u>	<u>47,966</u>	<u>3,915,598</u>	<u>1,162,652</u>
Net Position						
Net Investment in Capital Assets	30,858,726	31,029,038	9,004,746	8,142,787	39,863,472	39,171,825
Restricted	5,099,108	5,150,458	0	0	5,099,108	5,150,458
Unrestricted (Deficits)	(27,561,101)	(25,981,389)	3,964,227	4,149,863	(23,596,874)	(21,831,526)
<i>Total Net Position</i>	<u>\$8,396,733</u>	<u>\$10,198,107</u>	<u>\$12,968,973</u>	<u>\$12,292,650</u>	<u>\$21,365,706</u>	<u>\$22,490,757</u>

The net pension liability (NPL) is the largest single liability reported by the City at December 31, 2018, and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." For 2018, the City adopted GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). 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 OPEB, the net pension liability, and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB 27) and postemployment benefits (GASB 45) focused on a funding approach. This

City of Marietta, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2018
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approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability* or *net OPEB liability*. GASB 68 and GASB 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB 68 and GASB 75 require the net pension liability and the net OPEB liability to equal the City's proportionate share of each plan's collective:

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

GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the City is not responsible for certain key factors affecting the balance of these liabilities. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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 retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan *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 retirement system is responsible for the administration of the pension and OPEB plans.

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

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

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As a result of implementing GASB 75, the City is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting. This implementation had the effect of restating net position at December 31, 2017, from \$22,333,513 to \$10,198,107 for governmental activities and from \$13,684,032 to \$12,292,650 for business-type activities.

Total assets increased \$9,126,204. Governmental activities increased \$878,032, as well as the business-type activities by \$8,248,172, mainly in the capital asset category. Total liabilities increased \$6,022,677. Governmental activities decreased \$248,821, while with the business-type activities increased \$6,271,479, mainly for OWDA loan liabilities.

Notable changes in governmental activity assets are an increase in intergovernmental receivables of \$228,671, an increase in cash and cash equivalents of \$358,447, and a net increase in capital assets of \$811,511. The significant decrease in total deferred outflow of resources in 2018 was due to a decrease in the difference between projected and actual earnings on investments related to the City's net pension liability for OPERS. Although the majority of the City's governmental activity liabilities experience small changes, contracts payable increased \$601,110. This reflects the City's increased construction activity in 2018. The net pension liability increase represents the City's proportionate share of the OPERS traditional plan's unfunded benefits. As indicated above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability. The net pension liability alone decreased \$2,824,333. Most of this was offset by an increase in the OPEB liability of \$1,767,159.

For business-type activities, equity in pooled cash increased \$1,219,134. The largest increase was in capital assets of \$6,929,166 mainly associated with construction in progress of the sewer treatment and water plant upgrades. Current liabilities experienced little changes. The largest increases in liabilities can be attributed to the issuance of \$9,004,752 in OWDA loans.

Table 2 shows the changes in net position for the year ended December 31, 2018, and comparisons to 2017.

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(Table 2)
Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues						
Program Revenues						
Charges for Services	\$3,858,452	\$3,822,876	\$8,851,172	\$8,244,014	\$12,709,624	\$12,066,890
Operating Grants, Contributions and Interest	3,890,512	4,140,052	0	0	3,890,512	4,140,052
Capital Grants and Contributions	1,363,101	2,262,515	0	177,984	1,363,101	2,440,499
Total Program Revenues	9,112,065	10,225,443	8,851,172	8,421,998	17,963,237	18,647,441
General Revenues						
Property Taxes	591,481	587,159	0	0	591,481	587,159
Income Taxes	10,576,860	10,410,046	0	0	10,576,860	10,410,046
Payments in Lieu of Taxes	161,874	118,781	0	0	161,874	118,781
Hotel Tax	489,869	414,363	0	0	489,869	414,363
Franchise Taxes	191,895	197,823	0	0	191,895	197,823
Grants and Entitlements	325,016	334,235	0	0	325,016	334,235
Gain on Sale of Capital Assets	0	0	750	10,892	750	10,892
Investment Earnings	171,185	93,499	1,540	1,563	172,725	95,062
Other	261,955	277,999	108,392	64,291	370,347	342,290
Total General Revenues	12,770,135	12,433,905	110,682	76,746	12,880,817	12,510,651
Total Revenues	21,882,200	22,659,348	8,961,854	8,498,744	30,844,054	31,158,092
Program Expenses						
General Government:						
Legislative and Executive	5,137,657	5,189,611	0	0	5,137,657	5,189,611
Court	1,884,743	1,790,963	0	0	1,884,743	1,790,963
Security of Persons and Property:						
Police	4,214,326	3,910,304	0	0	4,214,326	3,910,304
Fire	4,953,651	4,550,069	0	0	4,953,651	4,550,069
Public Health Services	876,073	891,575	0	0	876,073	891,575
Community Environment	391,972	769,988	0	0	391,972	769,988
Intergovernmental	2,252,084	1,995,094	0	0	2,252,084	1,995,094
Street	2,857,265	2,751,414	0	0	2,857,265	2,751,414
Transportation	20,219	38,140	0	0	20,219	38,140
Leisure Time Activities	899,045	794,668	0	0	899,045	794,668
Interest and Fiscal Charges	196,539	182,316	0	0	196,539	182,316
Sewer	0	0	3,743,025	3,727,784	3,743,025	3,727,784
Water	0	0	4,542,506	3,356,455	4,542,506	3,356,455
Total Program Expenses	23,683,574	22,864,142	8,285,531	7,084,239	31,969,105	29,948,381
Changes in Net Position	(1,801,374)	(204,794)	676,323	1,414,505	(1,125,051)	1,209,711
Net Position Beginning of Year - Restated	10,198,107	N/A	12,292,650	N/A	22,490,757	N/A
Net Position End of Year	\$8,396,733	\$10,198,107	\$12,968,973	\$12,292,650	\$21,365,706	\$22,490,757

The information necessary to restate the 2017 beginning balances and the 2017 OPEB expense amounts for the effects of the initial implementation of GASB 75 is not available. Therefore, 2017 functional expenses still include OPEB expense of \$83,375 computed under GASB 45. GASB 45 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 75, OPEB expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of OPEB expense. Under GASB 75, the 2018 statements report

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OPEB expense of \$1,189,709. Consequently, in order to compare 2018 total program expenses to 2017, the following adjustments are needed:

	Governmental Activities	Business-type Activities	Total
Total 2018 program expenses under GASB 75	\$23,683,574	\$8,285,531	\$31,969,105
OPEB expense under GASB 75	(1,079,765)	(109,944)	(1,189,709)
2018 contractually required contribution	23,317	1,098	24,415
Adjusted 2018 program expenses	22,627,126	8,176,685	30,803,811
Total 2017 program expenses under GASB 45	22,864,142	7,084,239	29,948,381
Change in program expenses not related to OPEB	(\$237,016)	\$1,092,446	\$855,430

Governmental Activities

Several revenue sources fund our governmental activities, with the City income tax being the biggest contributor. Incomes taxes reported an increase of \$166,814 for 2018. The income tax rate is 1.7 percent. The City monitors this revenue source very closely for fluctuations because it represents 48 percent of all revenues in the governmental activities.

Intergovernmental revenues (operating and capital grants) and contributions accounted for 58 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.

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

Security of persons and property is the largest activity of the City, generating 39% of the governmental expenses. During 2018, expenses for police and fire operations amounted to \$4,214,326 and \$4,953,651, respectively. These activities are, for the most part, funded by the municipal income tax. The City attempts to supplement the income and activities of the police department with grants to enable the police department to widen the scope of its activities. The operations of the fire department are also being supplemented by the third-party billings.

Street activities of the City accounted for over 12% of the governmental expenses. Street paving, patching, depreciation, and street lighting expenses during 2018 amounted to \$2,857,265, an increase of \$105,851 from 2017.

Business-Type Activities

The City's business-type activities consist of the sewer and water departments. During 2018, the City collected \$607,158 more in charges for services over the previous year yet also spent \$1,201,292 more.

City of Marietta, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2018
Unaudited

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 \$22,056,136 and expenditures of \$22,491,676.

The fund balance of the General Fund increased \$277,147. The General Fund's Unassigned Fund Balance of \$1,870,104 represented 16% of current year expenditures. Most of this balance remains in the City's treasury and is invested.

The fund balance of the Street Fund increased \$49,259. The Street Fund's Restricted Fund Balance of \$853,469 represented 25% of current year expenditures.

The fund balance of the Community Development Fund increased \$52,570. The Fund's Restricted Fund Balance of \$286,827 represented 11% of current year expenditures.

The fund balance of the Capital Improvement Fund decreased \$533,444. The Fund has a restricted fund balance of \$321,840. The City spent \$598,578 more in 2018 on capital projects than in 2017.

During 2018, the Sewer Fund had operating revenues of \$4,788,188 and operating expenses of \$3,266,850. The Water Fund had operating revenues of \$4,171,376 and operating expenses of \$4,277,008. The major operating expenses for these funds are salaries and wages, fringe benefits, and contractual services.

General Fund Budgeting Highlights

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

During the course of 2018, 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 \$108,100 in 2018, mainly in the intergovernmental revenue line. Actual revenues were \$143,948 over final estimates. The original appropriations were increased \$507,774. All expenditure lines were increased due to higher anticipated spending. Actual expenditures were \$388,380 under final appropriations.

City of Marietta, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2018
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 2018. Table 3 shows year 2018 balances compared to 2017.

(Table 3)
 Capital Assets at December 31, 2018

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	\$1,416,115	\$1,397,625	\$606,027	\$606,027	\$2,022,142	\$2,003,652
Buildings and Improvements	20,989,171	21,791,100	215,318	235,767	21,204,489	22,026,867
Machinery and Equipment	1,328,028	1,245,647	808,024	534,613	2,136,052	1,780,260
Vehicles	1,128,182	1,263,783	150,467	173,229	1,278,649	1,437,012
Infrastructure	12,201,951	11,648,007	9,779,355	10,129,763	21,981,306	21,777,770
Construction in Progress	1,536,921	832,669	30,393,674	23,344,300	31,930,595	24,176,969
Totals	\$38,600,368	\$38,178,831	\$41,952,865	\$35,023,699	\$80,553,233	\$73,202,530

Debt

The City's overall debt limit at December 31, 2018, is \$28,587,300. Additional information on the City's debt can be found in Notes 17, 18, and 19 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, 2018
Unaudited

(Table 4)
 Outstanding Debt, at Year End

	Governmental Activities		Business-Type Activities	
	2018	2017	2018	2017
2000 Parking Lot Bonds	\$30,000	\$43,500	\$0	\$0
2014 Municipal Court Bonds	2,250,000	2,370,000	0	0
2014 Municipal Software Bonds	111,000	132,000	74,000	88,000
Armory Loan	350,000	400,000	0	0
SIB Loan	254,800	0	0	0
Capital Leases	136,818	0	299,819	0
Capital Facilities Bond				
Anticipation Notes:				
Short-term	155,750	183,750	0	0
Long-term	3,739,750	3,895,500	0	0
Sewer Bond Anticipation Notes:				
Short-term	0	0	5,000	4,855
Long-term	0	0	72,000	77,000
OPWC Paving Loan	33,678	36,173	0	0
2013 Water Refunding Bonds	0	0	1,125,000	1,480,000
2014 Water Bonds	0	0	1,605,000	1,690,000
2014 Sewer Bonds	0	0	720,000	760,000
Water OWDA Loans	0	0	5,662,680	4,590,229
Sewer OWDA Loans	0	0	25,533,433	19,041,810
Water OPWC Loans	0	0	177,356	202,662
Sewer OPWC Loan	0	0	545,092	587,426
Totals	\$7,061,796	\$7,060,923	\$35,819,380	\$28,521,982

Current Financial Issues

The City is facing financial pressures like many other forms of government. Our costs are mostly personnel and comprised 85% of the 2018 General Fund expenditures. Based upon recently ratified labor agreements, 2019 General Fund personnel costs will be subject to upward cost pressure in police, fire, and other union jurisdiction operational areas and, potentially, by a yet to be determined compensation policy that attaches to non-union employee ranks in the General Fund.

In 2018, an income tax levy was approved by the voters that begins January 1, 2019. It increased the City Income Tax rate by fifteen hundredth of one percent (0.15%) from the current rate of one and seven tenths percent (1.7%) to a rate of one and eighty-five hundredths percent (1.85%). The additional increase will go to the Street Fund for construction, reconstruction, resurfacing, maintenance, and repair of City streets (0.05%) and (0.1%) goes to the fire department for the maintenance of assets, acquisition of equipment, and capital improvements. This will help alleviate the burden on the General Fund.

City of Marietta, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2018
Unaudited

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, 2018

	Governmental Activities	Business-Type Activities	Total*
Assets			
Equity in Pooled Cash and Cash Equivalents	\$5,088,229	\$9,082,861	\$14,171,090
Cash and Cash Equivalents in Segregated Accounts	77,906	271,820	349,726
Investments	315,000	100,000	415,000
Hotel Taxes Receivable	45,764	0	45,764
Permissive Motor Vehicle License Receivable	2,346	0	2,346
Accounts Receivable	164,176	1,800,395	1,964,571
Payments in Lieu of Taxes Receivable	161,874	0	161,874
Accrued Interest Receivable	1,701	0	1,701
Intergovernmental Receivable	1,746,211	45,423	1,791,634
Municipal Income Tax Receivable	1,083,405	0	1,083,405
Materials and Supplies Inventory	39,317	101,313	140,630
Prepaid Items	329,193	143,311	472,504
Property Taxes Receivable	593,891	0	593,891
Non-Depreciable Capital Assets	2,953,036	30,999,701	33,952,737
Depreciable Capital Assets, Net	35,647,332	10,953,164	46,600,496
<i>Total Assets</i>	<u>48,249,381</u>	<u>53,497,988</u>	<u>101,747,369</u>
Deferred Outflows of Resources			
Pension	2,747,528	527,078	3,274,352
OPEB	1,311,138	109,294	1,420,432
<i>Total Deferred Outflows of Resources</i>	<u>4,058,666</u>	<u>636,372</u>	<u>4,694,784</u>
Liabilities			
Accounts Payable	259,486	107,917	367,403
Contracts Payable	620,760	54,264	675,024
Accrued Wages Payable	149,500	44,048	193,548
Retainage Payable	53,652	0	53,652
Accrued Interest Payable	87,158	11,191	98,349
Intergovernmental Payable	212,384	47,713	260,097
Vacation and Compensatory Benefits Payable	1,053,025	230,841	1,283,866
Customer Deposits Payable	0	208,980	208,980
Notes Payable	155,750	5,000	160,750
Long-Term Liabilities			
Due Within One Year	469,877	1,129,004	1,598,881
Due In More Than One Year:			
Net Pension Liability (See Note 13)	16,409,980	2,195,774	18,605,754
Net OPEB Liability (See Note 14)	13,965,860	1,470,260	15,436,120
Other Amounts Due In More Than One Year	7,270,628	34,947,797	42,218,425
<i>Total Liabilities</i>	<u>40,708,060</u>	<u>40,452,789</u>	<u>81,160,849</u>
Deferred Inflows of Resources			
Property Taxes	566,218	0	566,218
Pension	2,099,904	573,336	2,672,986
OPEB	537,132	139,262	676,394
<i>Total Deferred Inflows of Resources</i>	<u>3,203,254</u>	<u>712,598</u>	<u>3,915,598</u>
Net Position			
Net Investment in Capital Assets	30,858,726	9,004,746	39,863,472
Restricted for:			
Street	1,577,400	0	1,577,400
Cemetery	33,883	0	33,883
Community Development	427,054	0	427,054
Fire Operations	29,334	0	29,334
Police Operations	200,302	0	200,302
Court Operations	721,729	0	721,729
Recreation	8,782	0	8,782
Health	226,875	0	226,875
Capital Projects	1,212,324	0	1,212,324
Perpetual Care:			
Expendable	11,781	0	11,781
Non-expendable	471,403	0	471,403
Park - Non-expendable	711	0	711
Unclaimed Monies	10,416	0	10,416
Other Purposes	167,114	0	167,114
Unrestricted (Deficit)	(27,561,101)	3,964,227	(23,596,874)
<i>Total Net Position</i>	<u>\$8,396,733</u>	<u>\$12,968,973</u>	<u>\$21,365,706</u>

*After deferred inflows and deferred outflows related to the change in internal proportionate share of pension-related items have been eliminated
See accompanying notes to the basic financial statements

City of Marietta, Ohio
Statement of Activities
For the Year Ended December 31, 2018

	Program Revenues			
	Expenses	Charges for Services	Operating Grants, Contributions and Interest	Capital Grants and Contributions
Governmental Activities				
General Government:				
Legislative and Executive	\$5,137,657	\$1,022,867	\$263,134	\$0
Court	1,884,743	1,176,202	11,057	0
Security of Persons and Property:				
Police	4,214,326	69,525	8,854	0
Fire	4,953,651	499,607	5,660	110,084
Public Health Services	876,073	353,469	203,862	0
Community Environment	391,972	0	422,662	0
Intergovernmental	2,252,084	0	2,261,783	0
Street	2,857,265	64,638	663,547	1,206,542
Transportation	20,219	70,972	0	0
Leisure Time Activities	899,045	601,172	49,953	46,475
Interest and Fiscal Charges	196,539	0	0	0
<i>Total Governmental Activities</i>	23,683,574	3,858,452	3,890,512	1,363,101
Business-Type Activities				
Sewer	3,743,025	4,712,927	0	0
Water	4,542,506	4,138,245	0	0
<i>Total Business-Type Activities</i>	8,285,531	8,851,172	0	0
<i>Total</i>	\$31,969,105	\$12,709,624	\$3,890,512	\$1,363,101

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
(\$3,851,656)	\$0	(\$3,851,656)
(697,484)	0	(697,484)
(4,135,947)	0	(4,135,947)
(4,338,300)	0	(4,338,300)
(318,742)	0	(318,742)
30,690	0	30,690
9,699	0	9,699
(922,538)	0	(922,538)
50,753	0	50,753
(201,445)	0	(201,445)
(196,539)	0	(196,539)
<u>(14,571,509)</u>	<u>0</u>	<u>(14,571,509)</u>
0	969,902	969,902
<u>0</u>	<u>(404,261)</u>	<u>(404,261)</u>
<u>0</u>	<u>565,641</u>	<u>565,641</u>
<u>(14,571,509)</u>	<u>565,641</u>	<u>(14,005,868)</u>
575,489	0	575,489
15,992	0	15,992
7,598,204	0	7,598,204
1,191,472	0	1,191,472
1,191,472	0	1,191,472
595,712	0	595,712
161,874	0	161,874
489,869	0	489,869
191,895	0	191,895
325,016	0	325,016
0	750	750
171,185	1,540	172,725
28,399	0	28,399
5,036	0	5,036
21,582	0	21,582
<u>206,938</u>	<u>108,392</u>	<u>315,330</u>
<u>12,770,135</u>	<u>110,682</u>	<u>12,880,817</u>
(1,801,374)	676,323	(1,125,051)
<u>10,198,107</u>	<u>12,292,650</u>	<u>22,490,757</u>
<u>\$8,396,733</u>	<u>\$12,968,973</u>	<u>\$21,365,706</u>

City of Marietta, Ohio

*Balance Sheet
Governmental Funds
December 31, 2018*

	General	Street	Community Development	Capital Improvement	Other Governmental Funds	Total Governmental Funds
Assets						
Equity in Pooled Cash and Cash Equivalents	\$1,546,496	\$879,134	\$53,602	\$518,271	\$2,080,310	\$5,077,813
Cash and Cash Equivalents in Segregated Accounts	45,059	0	0	0	32,847	77,906
Restricted Cash	10,416	0	0	0	0	10,416
Investments	0	0	0	0	315,000	315,000
Receivables:						
Hotel Taxes	30,509	0	0	0	15,255	45,764
Permissive Motor Vehicle License Accounts	0	2,346	0	0	0	2,346
Accounts	114,168	0	0	0	50,008	164,176
Payments in Lieu of Taxes	0	0	0	0	161,874	161,874
Accrued Interest	410	0	0	0	1,291	1,701
Interfund	102,204	0	0	11,120	0	113,324
Municipal Income Tax	779,639	121,511	0	60,744	121,511	1,083,405
Property Taxes	577,671	0	0	0	16,220	593,891
Intergovernmental	185,937	724,686	388,878	110,176	336,534	1,746,211
Materials and Supplies Inventory	21,003	18,314	0	0	0	39,317
Prepaid Items	260,448	23,603	3,037	0	42,105	329,193
<i>Total Assets</i>	<u>\$3,673,960</u>	<u>\$1,769,594</u>	<u>\$445,517</u>	<u>\$700,311</u>	<u>\$3,172,955</u>	<u>\$9,762,337</u>
Liabilities and Fund Balances						
Liabilities						
Accounts Payable	\$198,530	\$22,634	\$9,612	\$0	\$28,710	\$259,486
Contracts Payable	0	510,232	0	110,152	376	620,760
Accrued Wages Payable	118,126	12,149	776	0	18,449	149,500
Retainage Payable	0	53,652	0	0	0	53,652
Accrued Interest Payable	0	195	0	2,843	0	3,038
Intergovernmental Payable	144,643	12,586	3,313	0	51,842	212,384
Interfund Payable	0	0	0	0	113,324	113,324
Notes Payable	0	10,000	0	145,750	0	155,750
<i>Total Liabilities</i>	<u>461,299</u>	<u>621,448</u>	<u>13,701</u>	<u>258,745</u>	<u>212,701</u>	<u>1,567,894</u>
Deferred Inflows of Resources						
Property Taxes	549,998	0	0	0	16,220	566,218
Unavailable Revenue	340,978	252,760	141,952	119,726	422,207	1,277,623
<i>Total Deferred Inflows of Resources</i>	<u>890,976</u>	<u>252,760</u>	<u>141,952</u>	<u>119,726</u>	<u>438,427</u>	<u>1,843,841</u>
Fund Balances						
Nonspendable	291,867	41,917	3,037	0	514,219	851,040
Restricted	0	853,469	286,827	321,840	1,749,104	3,211,240
Committed	0	0	0	0	271,798	271,798
Assigned	159,714	0	0	0	0	159,714
Unassigned (Deficit)	1,870,104	0	0	0	(13,294)	1,856,810
<i>Total Fund Balances</i>	<u>2,321,685</u>	<u>895,386</u>	<u>289,864</u>	<u>321,840</u>	<u>2,521,827</u>	<u>6,350,602</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$3,673,960</u>	<u>\$1,769,594</u>	<u>\$445,517</u>	<u>\$700,311</u>	<u>\$3,172,955</u>	<u>\$9,762,337</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, 2018*

Total Governmental Fund Balances \$6,350,602

*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. 38,600,368

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

Investment Earnings	1,701	
Delinquent Property Taxes	27,673	
Charges for Services	777	
Fines, Licenses and Permits	58,970	
Municipal Income Tax	179,394	
Payments in Lieu of Taxes	161,874	
Franchise Taxes	119	
Intergovernmental Revenues	830,444	
Other Revenues	16,671	
Total	1,277,623	1,277,623

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

Deferred Outflows - Pension	2,747,528	
Deferred Inflows - Pension	(2,099,904)	
Net Pension Liability	(16,409,980)	
Deferred Outflows - OPEB	1,311,138	
Deferred Inflows - OPEB	(537,132)	
Net OPEB Liability	(13,965,860)	
Total	(28,954,210)	(28,954,210)

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

Bonds Payable	(2,432,116)	
Accrued Interest Payable	(84,120)	
Loans Payable	(638,478)	
Notes Payable	(3,739,750)	
Capital Lease Payable	(136,818)	
Intergovernmental Payable	(5,434)	
Compensated Absences Payable - Sick Leave	(787,909)	
Vacation and Compensatory Benefits Payable	(1,053,025)	
Total	(8,877,650)	(8,877,650)

Net Position of Governmental Activities **\$8,396,733**

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, 2018

	General	Street	Community Development	Capital Improvement	Other Governmental Funds	Total Governmental Funds
Revenues						
Property Taxes	\$567,570	\$0	\$0	\$0	\$15,992	\$583,562
Hotel Tax	489,869	0	0	0	244,900	734,769
Permissive Motor Vehicle License	0	30,074	0	0	0	30,074
Municipal Income Tax	7,615,296	1,194,783	0	597,385	1,194,783	10,602,247
Payments in Lieu of Taxes	0	0	0	0	118,781	118,781
Charges for Services	1,300,226	34,564	0	0	838,107	2,172,897
Fines, Licenses and Permits	733,105	0	0	0	614,323	1,347,428
Franchise Taxes	191,776	0	0	0	0	191,776
Intergovernmental	527,069	1,890,891	2,676,409	0	594,802	5,689,171
Investment Earnings	190,438	10,044	0	0	5,727	206,209
Donations	23,242	0	0	0	92,318	115,560
Rent	59,249	0	0	0	14,146	73,395
Other	151,331	19,892	0	0	19,044	190,267
<i>Total Revenues</i>	<u>11,849,171</u>	<u>3,180,248</u>	<u>2,676,409</u>	<u>597,385</u>	<u>3,752,923</u>	<u>22,056,136</u>
Expenditures						
Current:						
General Government:						
Legislative and Executive	4,339,889	0	0	0	100,425	4,440,314
Court	740,484	0	0	0	616,124	1,356,608
Security of Persons and Property:						
Police	3,470,669	0	0	0	42,252	3,512,921
Fire	2,433,306	0	0	0	1,544,131	3,977,437
Public Health Services	502,759	0	0	0	305,121	807,880
Community Environment	0	0	371,755	0	4,239	375,994
Street	0	3,367,824	0	0	0	3,367,824
Transportation	0	0	0	0	14,278	14,278
Leisure Time Activities	0	0	0	0	606,245	606,245
Capital Outlay	0	0	0	963,133	255,118	1,218,251
Intergovernmental	0	0	2,252,084	0	0	2,252,084
Debt Service:						
Principal Retirement	0	5,212	0	0	204,500	209,712
Current Refunding	0	0	0	155,750	0	155,750
Issuance Costs	0	438	0	18,536	0	18,974
Interest and Fiscal Charges	0	2,315	0	74,639	100,450	177,404
<i>Total Expenditures</i>	<u>11,487,107</u>	<u>3,375,789</u>	<u>2,623,839</u>	<u>1,212,058</u>	<u>3,792,883</u>	<u>22,491,676</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>362,064</u>	<u>(195,541)</u>	<u>52,570</u>	<u>(614,673)</u>	<u>(39,960)</u>	<u>(435,540)</u>
Other Financing Sources (Uses)						
Premium on Notes Issued	0	0	0	0	28,399	28,399
Loan Proceeds	0	254,800	0	0	0	254,800
Notes Issued	0	80,000	0	3,659,750	0	3,739,750
Current Refunding	0	(90,000)	0	(3,649,750)	0	(3,739,750)
Insurance Recoveries	5,036	0	0	0	0	5,036
Inception of Capital Lease	0	0	0	136,818	0	136,818
Transfers In	0	0	0	0	308,958	308,958
Transfers Out	(89,953)	0	0	(65,589)	(153,416)	(308,958)
<i>Total Other Financing Sources (Uses)</i>	<u>(84,917)</u>	<u>244,800</u>	<u>0</u>	<u>81,229</u>	<u>183,941</u>	<u>425,053</u>
<i>Net Change in Fund Balances</i>	277,147	49,259	52,570	(533,444)	143,981	(10,487)
<i>Fund Balances Beginning of Year</i>	<u>2,044,538</u>	<u>846,127</u>	<u>237,294</u>	<u>855,284</u>	<u>2,377,846</u>	<u>6,361,089</u>
<i>Fund Balances End of Year</i>	<u>\$2,321,685</u>	<u>\$895,386</u>	<u>\$289,864</u>	<u>\$321,840</u>	<u>\$2,521,827</u>	<u>\$6,350,602</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, 2018*

Net Change in Fund Balances - Total Governmental Funds (\$10,487)

***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	2,665,561	
Depreciation	<u>(2,244,024)</u>	
Excess of Capital Outlay over Depreciation Expense		421,537

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

Investment Earnings	(20,678)	
Delinquent Property Taxes	7,919	
Charges for Services	(1,399)	
Fines, Licenses and Permits	(8,843)	
Municipal Income Tax	(25,387)	
Payments in Lieu of Taxes	43,093	
Franchise Taxes	119	
Intergovernmental Revenues	(218,902)	
Other Revenues	<u>16,671</u>	
Total		(207,407)

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

Pension	1,459,032	
OPEB	<u>23,317</u>	
		1,482,349

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

Pension	(2,278,748)	
OPEB	<u>(1,079,765)</u>	
		(3,358,513)

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	<u>(22,176)</u>	
		(19,135)

The inception of a capital lease is reported as an other financing source in the governmental funds, but increases long-term liabilities on the statement of net position. (136,818)

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:

SIB Loan	(254,800)	
Notes	<u>(3,739,750)</u>	
Total		(3,994,550)

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	154,500	
Notes	3,895,500	
Loans	<u>52,495</u>	
Total		4,102,495

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	2,717	
Vacation and Compensatory Benefits Payable	(36,231)	
Compensated Absences Payable - Sick Leave	<u>(47,331)</u>	
Total		(80,845)

Change in Net Position of Governmental Activities (\$1,801,374)

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, 2018

	Budgeted Amounts			Variance with Final Budget Over (Under)
	Original	Final	Actual	
Revenues				
Property Taxes	\$550,000	\$550,000	\$567,570	\$17,570
Hotel Tax	404,187	404,187	481,513	77,326
Municipal Income Tax	7,850,815	7,850,815	7,708,441	(142,374)
Charges for Services	1,294,427	1,294,427	1,299,239	4,812
Fines, Licenses and Permits	681,214	681,214	735,794	54,580
Franchise Tax	210,000	210,000	192,554	(17,446)
Intergovernmental	518,146	626,146	526,094	(100,052)
Investment Earnings	85,000	85,000	174,905	89,905
Donations	1,800	1,900	4,752	2,852
Rent	50,874	50,874	59,249	8,375
Other	27,647	27,647	176,047	148,400
<i>Total Revenues</i>	<u>11,674,110</u>	<u>11,782,210</u>	<u>11,926,158</u>	<u>143,948</u>
Expenditures				
Current:				
General Government:				
Legislative and Executive	4,247,679	4,420,698	4,251,115	169,583
Court	743,485	779,885	749,358	30,527
Security of Persons and Property:				
Police	3,537,956	3,589,532	3,538,608	50,924
Fire	2,308,853	2,446,120	2,410,775	35,345
Public Health Services	493,445	602,957	500,956	102,001
<i>Total Expenditures</i>	<u>11,331,418</u>	<u>11,839,192</u>	<u>11,450,812</u>	<u>388,380</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>342,692</u>	<u>(56,982)</u>	<u>475,346</u>	<u>532,328</u>
Other Financing Sources (Uses)				
Advances In	75,000	75,000	75,000	0
Advances Out	(75,000)	(75,000)	(75,000)	0
Insurance Recoveries	6,948	6,948	5,036	(1,912)
Transfers Out	(64,834)	(89,953)	(89,953)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(57,886)</u>	<u>(83,005)</u>	<u>(84,917)</u>	<u>(1,912)</u>
<i>Net Change in Fund Balance</i>	284,806	(139,987)	390,429	530,416
<i>Fund Balance Beginning of Year</i>	961,673	961,673	961,673	0
Prior Year Encumbrances Appropriated	79,500	79,500	79,500	0
<i>Fund Balance End of Year</i>	<u>\$1,325,979</u>	<u>\$901,186</u>	<u>\$1,431,602</u>	<u>\$530,416</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, 2018*

	<u>Budgeted Amounts</u>			Variance with Final Budget Over (Under)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Permissive Motor Vehicle License Tax	\$96,043	\$86,565	\$29,250	(\$57,315)
Municipal Income Tax	1,218,133	1,218,133	1,210,524	(7,609)
Charges for Services	0	0	34,564	34,564
Intergovernmental	4,419,172	5,050,870	1,511,219	(3,539,651)
Investment Earnings	3,300	3,300	9,181	5,881
Other	26,677	26,677	22,075	(4,602)
<i>Total Revenues</i>	<u>5,763,325</u>	<u>6,385,545</u>	<u>2,816,813</u>	<u>(3,568,732)</u>
Expenditures				
Current:				
Street	5,741,575	3,502,048	3,129,201	372,847
Debt Service:				
Principal Retirement	296,313	105,212	105,212	0
Issuance Costs	0	698	438	260
Interest and Fiscal Charges	2,120	2,120	2,120	0
<i>Total Expenditures</i>	<u>6,040,008</u>	<u>3,610,078</u>	<u>3,236,971</u>	<u>373,107</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(276,683)</u>	<u>2,775,467</u>	<u>(420,158)</u>	<u>(3,941,839)</u>
Other Financing Sources				
Loan Proceeds	0	254,800	254,800	0
Notes Issued	0	0	90,000	90,000
<i>Total Other Financing Sources</i>	<u>0</u>	<u>254,800</u>	<u>344,800</u>	<u>90,000</u>
<i>Net Change in Fund Balance</i>	<u>(276,683)</u>	<u>3,030,267</u>	<u>(75,358)</u>	<u>(3,105,625)</u>
<i>Fund Balance Beginning of Year</i>	552,505	552,505	552,505	0
Prior Year Encumbrances Appropriated	131,593	131,593	131,593	0
<i>Fund Balance End of Year</i>	<u>\$407,415</u>	<u>\$3,714,365</u>	<u>\$608,740</u>	<u>(\$3,105,625)</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, 2018*

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
Revenues				
Intergovernmental	\$2,127,613	\$2,645,387	\$2,629,585	(\$15,802)
Expenditures				
Current:				
Community Environment	131,013	523,834	360,678	163,156
Intergovernmental	2,000,000	2,252,084	2,252,084	0
<i>Total Expenditures</i>	<u>2,131,013</u>	<u>2,775,918</u>	<u>2,612,762</u>	<u>163,156</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(3,400)</u>	<u>(130,531)</u>	<u>16,823</u>	<u>147,354</u>
Other Financing Sources (Uses)				
Advances In	0	0	75,000	75,000
Advances Out	0	0	(75,000)	(75,000)
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(3,400)	(130,531)	16,823	147,354
<i>Fund Balance Beginning of Year</i>	33,379	33,379	33,379	0
Prior Year Encumbrances Appropriated	3,400	3,400	3,400	0
<i>Fund Balance End of Year</i>	<u>\$33,379</u>	<u>(\$93,752)</u>	<u>\$53,602</u>	<u>\$147,354</u>

See accompanying notes to the basic financial statements

City of Marietta, Ohio
Statement of Fund Net Position
Enterprise Funds
December 31, 2018

	Sewer	Water	Total Enterprise Funds
Assets			
Current:			
Equity in Pooled Cash and Cash Equivalents	\$5,673,633	\$3,300,248	\$8,973,881
Cash and Cash Equivalents in Segregated Accounts	155,232	116,588	271,820
Accounts Receivable	968,163	832,232	1,800,395
Intergovernmental Receivable	43,975	1,448	45,423
Materials and Supplies Inventory	26,504	74,809	101,313
Restricted Assets:			
Customer Deposits:			
Equity in Pooled Cash and Cash Equivalents	53,400	55,580	108,980
Investments	49,000	51,000	100,000
Prepaid Items	64,242	79,069	143,311
<i>Total Current Assets</i>	<u>7,034,149</u>	<u>4,510,974</u>	<u>11,545,123</u>
Noncurrent:			
Non-Depreciable Capital Assets	30,226,795	772,906	30,999,701
Depreciable Capital Assets, Net	5,084,887	5,868,277	10,953,164
<i>Total Noncurrent Assets</i>	<u>35,311,682</u>	<u>6,641,183</u>	<u>41,952,865</u>
<i>Total Assets</i>	<u>42,345,831</u>	<u>11,152,157</u>	<u>53,497,988</u>
Deferred Outflows of Resources			
Pension	264,787	263,539	528,326
OPEB	54,647	54,647	109,294
<i>Total Deferred Outflows of Resources</i>	<u>319,434</u>	<u>318,186</u>	<u>637,620</u>
Liabilities			
Current:			
Accounts Payable	66,794	41,123	107,917
Contracts Payable	29,378	24,886	54,264
Accrued Wages Payable	22,473	21,575	44,048
Intergovernmental Payable	25,426	22,287	47,713
Vacation and Compensatory Benefits Payable	107,635	123,206	230,841
Accrued Interest Payable	3,954	7,237	11,191
Notes Payable	5,000	0	5,000
Capital Leases Payable	46,253	0	46,253
Refunding Bonds Payable	0	365,000	365,000
General Obligation Bonds Payable	47,000	92,000	139,000
OPWC Loans Payable	21,362	12,843	34,205
OWDA Loans Payable	441,999	102,547	544,546
Customer Deposits Payable from Restricted Assets	102,400	106,580	208,980
<i>Total Current Liabilities</i>	<u>919,674</u>	<u>919,284</u>	<u>1,838,958</u>
Long-Term:			
Compensated Absences Payable	51,704	149,513	201,217
Notes Payable	72,000	0	72,000
Capital Leases Payable	253,566	0	253,566
Refunding Bonds Payable	0	779,605	779,605
General Obligation Bonds Payable	723,189	1,578,410	2,301,599
OPWC Loans Payable	523,730	164,513	688,243
OWDA Loans Payable	25,091,434	5,560,133	30,651,567
Net Pension Liability	1,097,888	1,097,886	2,195,774
Net OPEB Liability	735,130	735,130	1,470,260
<i>Total Long-Term Liabilities</i>	<u>28,548,641</u>	<u>10,065,190</u>	<u>38,613,831</u>
<i>Total Liabilities</i>	<u>29,468,315</u>	<u>10,984,474</u>	<u>40,452,789</u>
Deferred Inflows of Resources			
Pension	286,541	288,043	574,584
OPEB	69,631	69,631	139,262
<i>Total Deferred Inflows of Resources</i>	<u>356,172</u>	<u>357,674</u>	<u>713,846</u>
Net Position			
Net Investment in Capital Assets	8,069,960	934,786	9,004,746
Unrestricted (Deficit)	4,770,818	(806,591)	3,964,227
<i>Total Net Position</i>	<u>\$12,840,778</u>	<u>\$128,195</u>	<u>\$12,968,973</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, 2018*

	Sewer	Water	Total Enterprise Funds
Operating Revenues			
Charges for Services	\$4,712,927	\$4,138,245	\$8,851,172
Other Operating Revenues	75,261	33,131	108,392
<i>Total Operating Revenues</i>	<u>4,788,188</u>	<u>4,171,376</u>	<u>8,959,564</u>
Operating Expenses			
Salaries and Wages	979,304	987,166	1,966,470
Fringe Benefits	716,162	713,874	1,430,036
Contractual Services	1,072,925	1,956,462	3,029,387
Materials and Supplies	167,616	321,046	488,662
Other Operating Expenses	43,379	31,608	74,987
Depreciation	287,464	266,852	554,316
<i>Total Operating Expenses</i>	<u>3,266,850</u>	<u>4,277,008</u>	<u>7,543,858</u>
<i>Operating Income (Loss)</i>	<u>1,521,338</u>	<u>(105,632)</u>	<u>1,415,706</u>
Non-Operating Revenues (Expenses)			
Investment Earnings	1,540	0	1,540
Gain on Sale of Capital Assets	0	750	750
Interest and Fiscal Charges	(475,800)	(265,498)	(741,298)
Note Issuance Costs	(375)	0	(375)
<i>Total Non-Operating Revenues (Expenses)</i>	<u>(474,635)</u>	<u>(264,748)</u>	<u>(739,383)</u>
<i>Change in Net Position</i>	1,046,703	(370,380)	676,323
<i>Net Position Beginning of Year - Restated (See Note 3)</i>	<u>11,794,075</u>	<u>498,575</u>	<u>12,292,650</u>
<i>Net Position End of Year</i>	<u><u>\$12,840,778</u></u>	<u><u>\$128,195</u></u>	<u><u>\$12,968,973</u></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, 2018

	Sewer	Water	Total Enterprise Funds
<i>Increase (Decrease) in Cash and Cash Equivalents</i>			
Cash Flows from Operating Activities			
Cash Received from Customers	\$4,672,123	\$4,112,476	\$8,784,599
Cash Payments for Employee Services and Benefits	(1,530,013)	(1,549,162)	(3,079,175)
Cash Payments to Suppliers for Goods and Services	(1,192,981)	(2,244,170)	(3,437,151)
Other Operating Revenues	36,445	36,009	72,454
Other Operating Expenses	(43,042)	(28,765)	(71,807)
Customer Deposits Received	16,268	16,932	33,200
Customer Deposits Returned	(16,792)	(17,478)	(34,270)
<i>Net Cash Provided by Operating Activities</i>	<u>1,942,008</u>	<u>325,842</u>	<u>2,267,850</u>
Cash Flows from Capital and Related Financing Activities			
Acquisition of Capital Assets	(7,106,014)	(119,396)	(7,225,410)
Proceeds from Sale of Capital Assets	0	750	750
Notes Issuance Costs	(375)	0	(375)
Proceeds from Sale of Bond Anticipation Notes	77,000	0	77,000
Loan Proceeds	7,750,956	1,253,796	9,004,752
Principal Paid on Debt	(1,485,818)	(653,651)	(2,139,469)
Interest Paid on Debt	(467,320)	(274,924)	(742,244)
<i>Net Cash Provided by (Used for) Capital and Related Financing Activities</i>	<u>(1,231,571)</u>	<u>206,575</u>	<u>(1,024,996)</u>
Cash Flows from Investing Activities			
Investment Earnings	561	0	561
<i>Net Increase in Cash and Cash Equivalents</i>	710,998	532,417	1,243,415
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>5,171,267</u>	<u>2,939,999</u>	<u>8,111,266</u>
<i>Cash and Cash Equivalents End of Year</i>	<u>\$5,882,265</u>	<u>\$3,472,416</u>	<u>\$9,354,681</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities			
<i>Operating Income (Loss)</i>	\$1,521,338	(\$105,632)	\$1,415,706
Adjustments:			
Depreciation	287,464	266,852	554,316
(Increase)/Decrease in Assets:			
Accounts Receivable	(39,494)	(25,295)	(64,789)
Intergovernmental Receivable	(40,650)	1,858	(38,792)
Materials and Supplies Inventory	(2,480)	28,557	26,077
Prepaid Items	256	1,657	1,913
Decrease in Deferred Outflows - Pension	210,265	202,798	413,063
Decrease in Deferred Outflows - OPEB	35,355	35,355	70,710
Increase/(Decrease) in Liabilities:			
Accounts Payable	15,622	(9,557)	6,065
Contract Payable	34,749	12,575	47,324
Accrued Wages Payable	3,322	866	4,188
Intergovernmental Payable	2,316	5,556	7,872
Vacation and Compensatory Benefits Payable	(4,239)	6,427	2,188
Compensated Absences Payable	15,543	10,159	25,702
Net Pension Liability	23,878	23,878	47,756
Net OPEB Liability	39,868	39,868	79,736
Decrease in Deferred Inflows - Pension	(140,305)	(149,280)	(289,585)
Decrease in Deferred Inflows - OPEB	(20,800)	(20,800)	(41,600)
<i>Net Cash Provided by Operating Activities</i>	<u>\$1,942,008</u>	<u>\$325,842</u>	<u>\$2,267,850</u>

See accompanying notes to the basic financial statements

City of Marietta, Ohio
Statement of Fiduciary Net Position
Custodial Funds
December 31, 2018

Assets

Cash and Cash Equivalents in Segregated Accounts	\$96,947
Accounts Receivable	86,898
	<hr/>
<i>Total Assets</i>	<u>183,845</u>

Liabilities

Accounts Payable	39,143
Intergovernmental Payable	57,804
	<hr/>
<i>Total Liabilities</i>	<u>96,947</u>

Net Position

Restricted for Individuals, Organizations, and Other Governments	<u><u>\$86,898</u></u>
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See accompanying notes to the basic financial statements

City of Marietta, Ohio
Statement of Changes in Fiduciary Net Position
Custodial Funds
For the Year Ended December 31, 2018

Additions	
Fines and Forfeitures for Other Governments	\$1,258,960
Amounts Held for Employees	1,873,739
Contributions from Individuals	271,609
<i>Total Additions</i>	<u>3,404,308</u>
Deductions	
Distributions on Behalf of Employees	1,873,739
Distributions to the State of Ohio	660,627
Distributions to Other Governments	304,222
Distributions to Individuals	407,335
Miscellaneous	154,133
<i>Total Deductions</i>	<u>3,400,056</u>
<i>Net Increase in Fiduciary Net Position</i>	4,252
<i>Net Position Beginning of Year</i>	<u>82,646</u>
<i>Net Position End of Year</i>	<u><u>\$86,898</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, 2018

NOTE 1 - DESCRIPTION OF THE CITY AND REPORTING ENTITY

The City of Marietta (the “City”) is a body politic, incorporated and established for the purpose of exercising the rights and privileges conveyed to it by the laws of the State of Ohio. The City is organized as a Mayor/Council form of government. Located in Washington County in southern Ohio at the confluence of the Muskingum and Ohio Rivers, Marietta was the first village incorporated in the Northwest Territory. Marietta became a city in 1825. The City serves as the county seat.

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

Report Entity

The financial reporting entity consists of the primary government, component units, and other governmental organizations included to ensure the financial statements of the City are not misleading. Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing board and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the City is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the City in that the City approves the budget, the issuance of debt or the levying of taxes, and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. No separate government units meet the criteria for inclusion as a component unit.

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

The City participates in the Buckeye Hills Regional Council, the Washington-Morgan Community Action Corporation, 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 21.

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, 2018

A. Basis of Presentation

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

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

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

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

B. Fund Accounting

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

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

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

City of Marietta, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

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. The fiduciary fund category is split into the following four classifications: pension (and other employee benefit) trust funds, investment trust funds, private-purpose trust funds, and custodial funds. Trust funds are distinguished from custodial funds by the existence of a trust agreement or equivalent arrangements that has certain characteristics. Custodial Funds are used to report fiduciary activities that are not required to be reported in a trust fund.

The City's custodial funds account for the amounts collected by the municipal court that are paid to other governments and for the distribution of employee payroll withholdings.

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.

City of Marietta, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

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.

Like the government-wide statements, all proprietary and fiduciary funds are accounted for on a flow of economic resources measurement focus. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of these funds are included on the statement of fund net position. In fiduciary funds, a liability to the beneficiaries of fiduciary activity is recognized when an event has occurred that compels the government to disburse fiduciary resources. Fiduciary fund liabilities other than those to beneficiaries are recognized using the economic resources measurement focus.

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

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

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.

City of Marietta, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

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 and OPEB. The deferred outflows of resources related to pension and OPEB are explained in Notes 13 and 14.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the City, deferred inflows of resources include property taxes, pension, OPEB, and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2018, but which were levied to finance fiscal year 2019 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, intergovernmental grants, franchise fees, other revenues, and fines, licenses and permits. 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 and OPEB plans are reported on the government-wide statement of net position. (See Notes 13 and 14)

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.

City of Marietta, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

E. Budget Process

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

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

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

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 Permanent 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 2018, 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 2018 amounted to \$190,438, of which \$169,241 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.

City of Marietta, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

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 expended/expensed when used. Inventory consists of expendable supplies held for consumption.

I. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2018, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed.

J. Capital Assets

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

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

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

City of Marietta, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

Description	Governmental Activities	Business-Type Activities
Buildings and Improvements	10 - 50 years	40 - 50 years
Machinery and Equipment	5 - 15 years	10 - 15 years
Vehicles	5 - 15 years	5 - 8 years
Infrastructure	10 - 25 years	10 - 50 years

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

K. Compensated Absences

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

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those that the City has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employee wage rates at year end taking into consideration any limits specified in the City's termination policy. The City records a liability for accumulated, unused sick leave with the following criteria by department: after twelve years of service for the Fire Department, after fifteen years of service for the Water, Sewer, Street, Engineer, Maintenance, Cemetery, Recreation, Parks, and Income Tax Departments, after twenty years of service for the Police, Health, Community Development Clerk, Court, 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 and 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, leases, and long-term loans are recognized as a liability on the governmental fund financial statements when due. Net pension/OPEB liability should be recognized in the governmental funds to the extent that benefit payments are due and payable and the pension/OPEB plan’s fiduciary net position is not sufficient for payment of those benefits.

City of Marietta, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

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.

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

City of Marietta, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

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.

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.

Deferred inflows of resources and deferred outflows of resources from the change in internal proportionate share related to pension items are eliminated in the governmental and business-type activities columns of the statement of net position, except for any net residual amounts between governmental and business-type

City of Marietta, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

activities. These residual amounts are eliminated in the total column of the entity wide statement of net position.

R. Bond Premiums, Discounts and Issuance Costs

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

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

Bond issuance costs are shown as expensed in the year of the debt issuance.

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 2017.

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/Other Postemployment Benefits (OPEB)

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

NOTE 3 - CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF NET POSITION

For fiscal year 2018, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 85, *Omnibus 2017*; Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*; Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*; and related guidance from (GASB) Implementation Guide No. 2017-3, *Accounting and Financial Reporting for Postemployment Benefits other Than Pensions (and Certain Issues Related to OPEB Plan Reporting)*.

City of Marietta, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

For 2018, the City also implemented the Governmental Accounting Standards Board's (GASB) *Implementation Guide No. 2017-1*. These changes were incorporated in the City's 2018 financial statements; however, there was no effect on beginning net position/fund balance.

GASB 85 addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits (OPEB)). These changes were incorporated in the City's fiscal year 2018 financial statements; however, there was no effect on beginning net position/fund balance.

GASB 89 establishes accounting requirements for interest cost incurred before the end of a construction period. These changes were incorporated in the City's 2018 financial statements; however, there was no effect on beginning net position.

GASB 75 established standards for measuring and recognizing Postemployment benefit 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, 2017:

	Governmental Activities	Business - Type Activities
Net Position December 31, 2017	\$22,333,513	\$13,684,032
Adjustments:		
Net OPEB Liability	(12,198,701)	(1,411,462)
Deferred Outflow - Payments Subsequent to Measurement Date	63,295	20,080
Restated Net Position December 31, 2017	\$10,198,107	\$12,292,650

	Sewer	Water	Total Enterprise
Net Position December 31, 2017	\$12,489,766	\$1,194,266	\$13,684,032
Adjustments:			
Net OPEB Liability	(705,731)	(705,731)	(1,411,462)
Deferred Outflow - Payments Subsequent to Measurement Date	10,040	10,040	20,080
Restated Net Position December 31, 2017	\$11,794,075	\$498,575	\$12,292,650

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

City of Marietta, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. 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.
5. Advances in and advances out are operating transactions (budget basis) as opposed to Balance Sheet transactions (GAAP basis).

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

Net Change in Fund Balance

	<u>General</u>	<u>Street</u>	<u>Community Development</u>
GAAP Basis	\$277,147	\$49,259	\$52,570
Net Adjustment for Revenue Accruals	89,886	(362,572)	(46,824)
Beginning of Year:			
Unrecorded Cash	21,812	0	0
Unrecorded Interest	5,302	294	0
Prepaid Items	251,479	22,887	2,477
Segregated Accounts	46,769	0	0
End of Year:			
Unrecorded Cash	(21,271)	0	0
Unrecorded Interest	(20,452)	(1,157)	0
Prepaid Items	(260,448)	(23,603)	(3,037)
Segregated Accounts	(45,059)	0	0
Net Adjustment for Expenditure Accruals	128,851	508,576	11,637
Notes Issued	0	10,000	0
Debt Principal	0	(100,000)	0
Current Refunding	0	90,000	0
Interest and Fiscal Services	0	195	0
Advances In	75,000	0	75,000
Advances Out	(75,000)	0	(75,000)
Encumbrances	(83,587)	(269,237)	0
Budget Basis	<u>\$390,429</u>	<u>(\$75,358)</u>	<u>\$16,823</u>

City of Marietta, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

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 as follows:

Fund Balances	General	Street	Community Development	Capital Improvement	Nonmajor Governmental Funds	Total
<u>Nonspendable:</u>						
Prepays	\$260,448	\$23,603	\$3,037	\$0	\$42,105	\$329,193
Park Endowments	0	0	0	0	711	711
Cemetery Endowments	0	0	0	0	471,403	471,403
Unclaimed Monies	10,416	0	0	0	0	10,416
Inventory	21,003	18,314	0	0	0	39,317
<i>Total Nonspendable</i>	<u>291,867</u>	<u>41,917</u>	<u>3,037</u>	<u>0</u>	<u>514,219</u>	<u>851,040</u>
<u>Restricted for:</u>						
Street Improvements	0	853,469	0	0	3,639	857,108
Cemetery	0	0	0	0	41,059	41,059
Community Development	0	0	286,827	0	5,571	292,398
Debt Service	0	0	0	0	89,952	89,952
Fire Operations	0	0	0	0	186,289	186,289
Police Operations	0	0	0	0	195,649	195,649
Court Operations	0	0	0	0	621,511	621,511
Recreation	0	0	0	0	8,406	8,406
Health	0	0	0	0	212,383	212,383
Law Director Operations	0	0	0	0	55,599	55,599
Energy Conservation	0	0	0	0	9,882	9,882
Court Improvements	0	0	0	0	311,593	311,593
Capital Improvements	0	0	0	321,840	7,571	329,411
<i>Total Restricted</i>	<u>0</u>	<u>853,469</u>	<u>286,827</u>	<u>321,840</u>	<u>1,749,104</u>	<u>3,211,240</u>
<u>Committed to:</u>						
Community Development	0	0	0	0	24,819	24,819
Emergency Rescue	0	0	0	0	3,396	3,396
Veterans	0	0	0	0	911	911
Armory	0	0	0	0	11,747	11,747
Parking	0	0	0	0	226,868	226,868
Recreation	0	0	0	0	4,057	4,057
<i>Total Committed</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>271,798</u>	<u>271,798</u>
<u>Assigned to:</u>						
2019 Appropriations	96,740	0	0	0	0	96,740
Purchases on Order	62,974	0	0	0	0	62,974
<i>Total Assigned</i>	<u>159,714</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>159,714</u>
<u>Unassigned (Deficit):</u>	<u>1,870,104</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(13,294)</u>	<u>1,856,810</u>
Total Fund Balances	<u>\$2,321,685</u>	<u>\$895,386</u>	<u>\$289,864</u>	<u>\$321,840</u>	<u>\$2,521,827</u>	<u>\$6,350,602</u>

City of Marietta, Ohio
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NOTE 6 - FUND DEFICITS

The Marietta Harbor and the Armory Cultural Facilities Gym Capital Projects Funds have deficit fund balances of \$6,152 and \$7,142 as of December 31, 2018, respectively. The deficits are the result of the recognition of interfund payables. Once grant reimbursements and other receipts are received, the deficits will be eliminated.

NOTE 7 - DEPOSITS AND INVESTMENTS

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

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

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

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

Protection of the City's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, or by the financial institutions participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

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

1. United States Treasury bills, bonds notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

City of Marietta, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

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
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. Except as noted above, 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.

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 2018 for real and public utility property taxes represents collections of 2017 taxes.

2018 real property taxes were levied after October 1, 2018, on the assessed value as of January 1, 2018, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2018 real property taxes are collected in and intended to finance 2019.

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. 2018 public utility property taxes which became a lien December 31, 2017, are levied after October 1, 2018, and are collected in 2019 with real property taxes.

The full tax rate for all City operations for the year ended December 31, 2018, was \$2.40 per \$1,000 of assessed value. The assessed values of real property and public utility tangible property upon which 2018 property tax receipts were based are as follows:

City of Marietta, Ohio
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Real Property	\$265,424,430
Public Utility Property	<u>6,835,570</u>
Total	<u><u>\$272,260,000</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, 2018, and for which there was an enforceable legal claim. In governmental funds, the portion of the receivable not levied to finance 2018 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.

Tax Abatements

As of December 31, 2018, the City provided tax abatements through a Community Reinvestment Area (CRA) Tax Abatement with Hippodrome/Colony Historical Theater Association and Perry & Associates. Pursuant to Ohio Revised Code 3735.67, the City established the CRA to provide property tax abatements to encourage revitalization of the existing buildings. The abatements were obtained through application by the property owners, including proof that the improvements have been made, and equal 100 percent of the additional property tax resulting from the increase in assessed value as a result of the improvements. The amount of the abatements are deducted from the recipients' tax bill. The amount of property taxes abated for 2018 were \$15,778 and \$24,480, respectively.

NOTE 9 - RECEIVABLES

Receivables at December 31, 2018, 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, 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.

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 \$161,874, which represents amounts to be received by the City in 2019.

A summary of the principal items of intergovernmental receivables follows:

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Governmental Activities:	Amount
2018 City Wide Paving	\$382,992
Gasoline Tax and Motor Vehicle License	274,021
Housing Voucher Program	197,009
Housing and Urban Development Grant	189,923
Assistance to Firefighters Grant	110,084
Local Government	103,698
Community Based Corrections Grant	98,959
Federal Emergency Management Agency Reimbursements	96,969
Justice Reinvestment and Incentive Grant	60,482
Channel Lane Slip Repair	48,409
Victims of Crime Act Grant	45,748
Homestead and Rollback	31,090
Medicare/Medicaid Reimbursements	27,336
MAC Time Study Reimbursement	16,287
Bureau of Workers Comp. Payments	11,286
Ohio Department of Transportation Grants	9,879
Stop Violence Against Women Grant	8,898
BCMh	7,290
Excess IRP	6,773
DARE Grant	4,427
Other	4,208
Health Subsidy	2,884
Summer Worker Reimbursement	2,823
Continuum Of Care	1,946
Utilities Income Tax	1,560
Indigent Alcohol	1,082
Immobilization Fees	100
Estate Taxes	48
Total Governmental Activities	1,746,211
Business-Type Activities:	
Bureau of Workers' Compensation	2,879
OPWC Wastewater Treatment Plant Renovations Grant	42,544
Total Business-Type Activities	45,423
Total	\$1,791,634

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

City of Marietta, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

distributed to funds in the following manner: 72% to the General Fund, 11% to the Street Special Revenue Fund, 11% to the Fire Levy Special Revenue Fund, and 6% to the Capital Improvement Capital Projects Fund.

NOTE 11 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2018, was as follows:

	Balance 12/31/2017	Increases	Decreases	Balance 12/31/2018
Governmental Activities:				
Capital Assets not being Depreciated:				
Land	\$1,397,625	\$18,490	\$0	\$1,416,115
Construction in Progress	832,669	2,104,564	(1,400,312)	1,536,921
Total Capital Assets not being Depreciated	<u>2,230,294</u>	<u>2,123,054</u>	<u>(1,400,312)</u>	<u>2,953,036</u>
Capital Assets being Depreciated:				
Buildings and Improvements	34,355,652	344,593	0	34,700,245
Machinery and Equipment	6,268,465	277,969	0	6,546,434
Vehicles	4,662,024	171,542	0	4,833,566
Infrastructure	36,978,604	1,148,715	0	38,127,319
Total Capital Assets being Depreciated	<u>82,264,745</u>	<u>1,942,819</u>	<u>0</u>	<u>84,207,564</u>
Less Accumulated Depreciation:				
Buildings and Improvements	(12,564,552)	(1,146,522)	0	(13,711,074)
Machinery and Equipment	(5,022,818)	(195,588)	0	(5,218,406)
Vehicles	(3,398,241)	(307,143)	0	(3,705,384)
Infrastructure	(25,330,597)	(594,771)	0	(25,925,368)
Total Accumulated Depreciation	<u>(46,316,208)</u>	<u>(2,244,024) *</u>	<u>0</u>	<u>(48,560,232)</u>
Total Capital Assets being Depreciated, Net	<u>35,948,537</u>	<u>(301,205)</u>	<u>0</u>	<u>35,647,332</u>
Governmental Activities Capital Assets, Net	<u>\$38,178,831</u>	<u>\$1,821,849</u>	<u>(\$1,400,312)</u>	<u>\$38,600,368</u>

* Depreciation expense was charged to governmental programs as follows:

General Government - Legislative and Executive	\$331,684
General Government - Court	274,720
Security of Persons and Property:	
Police	137,227
Fire	183,959
Public Health Services	16,263
Community Environment	83,451
Street	925,564
Transportation	5,941
Leisure Time Activities	285,215
Total Depreciation Expense	<u>\$2,244,024</u>

City of Marietta, Ohio
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	Balance 12/31/2017	Increases	Decreases	Balance 12/31/2018
Business-Type Activities:				
Capital Assets not being Depreciated:				
Land	\$606,027	\$0	\$0	\$606,027
Construction in Progress	23,344,300	7,049,374	0	30,393,674
Total Capital Assets not being Depreciated	<u>23,950,327</u>	<u>7,049,374</u>	<u>0</u>	<u>30,999,701</u>
Capital Assets being Depreciated:				
Buildings and Improvements	987,259	0	0	987,259
Machinery and Equipment	2,688,921	353,895	0	3,042,816
Vehicles	882,241	31,209	0	913,450
Infrastructure	59,815,612	49,004	(6,148)	59,858,468
Total Capital Assets being Depreciated	<u>64,374,033</u>	<u>434,108</u>	<u>(6,148)</u>	<u>64,801,993</u>
Less Accumulated Depreciation:				
Buildings and Improvements	(751,492)	(20,449)	0	(771,941)
Machinery and Equipment	(2,154,308)	(80,484)	0	(2,234,792)
Vehicles	(709,012)	(53,971)	0	(762,983)
Infrastructure	(49,685,849)	(399,412)	6,148	(50,079,113)
Total Accumulated Depreciation	<u>(53,300,661)</u>	<u>(554,316)</u>	<u>6,148</u>	<u>(53,848,829)</u>
Total Capital Assets being Depreciated, Net	<u>11,073,372</u>	<u>(120,208)</u>	<u>0</u>	<u>10,953,164</u>
Business-Type Activities Capital Assets, Net	<u>\$35,023,699</u>	<u>\$6,929,166</u>	<u>\$0</u>	<u>\$41,952,865</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	\$119,604,647	\$20,000	
Boiler and Machinery	100,000,000	20,000	
<u>Liability</u>	<u>Limit (Per 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	5,000
Public Officials Wrongful Acts	1,000,000	1,000,000	5,000
Law Enforcement	1,000,000	1,000,000	10,000

Vehicles are covered by U.S. Specialty and have a \$1,000 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.

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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 Municipal League for a workers' compensation group rating program, which utilized Comp Management as a third-party administrator.

NOTE 13 - DEFINED BENEFIT PENSION PLANS

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

Net Pension Liability /Net OPEB Liability

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

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

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

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

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

City of Marietta, Ohio
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Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description - City employees, other than full-time police and firefighters, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a combination cost-sharing, multiple-employer defined benefit/defined contribution pension plan.

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

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

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

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

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

When a traditional plan 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. Members retiring under the combined plan receive a cost-of-living adjustment of the defined benefit portion of their pension benefit. 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.

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

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

	State and Local
2018 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee *	10.0 %
 2018 Actual Contribution Rates	
Employer:	
Pension **	14.0 %
Post-employment Health Care Benefits **	0.0
Total Employer	14.0 %
Employee	10.0 %

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

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

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

For 2018, The City's contractually required contribution was \$820,082 for the traditional plan. Of this amount, \$90,728 is reported as an intergovernmental payable.

City of Marietta, Ohio
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Plan Description – Ohio Police & Fire Pension Fund (OP&F)

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

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

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

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

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

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

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

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	<u>Police</u>	<u>Firefighters</u>
2018 Statutory Maximum Contribution Rates		
Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %
2018 Actual Contribution Rates		
Employer:		
Pension	19.00 %	23.50 %
Post-employment Health Care Benefits	<u>0.50</u>	<u>0.50</u>
Total Employer	<u>19.50 %</u>	<u>24.00 %</u>
Employee	12.25 %	12.25 %

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OP&F was \$901,376 for 2018. Of this amount, \$86,358 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, 2017, 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, 2017, and was determined by rolling forward the total pension liability as of January 1, 2017, to December 31, 2017. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense of the City's defined benefit pension plans:

	<u>OPERS</u>	<u>OP&F</u>	
Proportion of the Net Pension Liability:			
Current Measurement Date	0.04373900%	0.19134900%	
Prior Measurement Date	<u>0.04506700%</u>	<u>0.19380200%</u>	
Change in Proportionate Share	<u>-0.00132800%</u>	<u>-0.00245300%</u>	
			<u>Total</u>
Proportionate Share of the Net Pension Liability:	\$6,861,802	\$11,743,952	\$18,605,754
Pension Expense	1,406,570	1,305,838	2,712,408

At December 31, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to defined benefit pensions from the following sources:

City of Marietta, Ohio
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	OPERS	OP&F	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	\$7,008	\$178,223	\$185,231
Changes of assumptions	820,032	511,746	1,331,778
Changes in proportion and differences between City contributions and proportionate share of contributions	9,310	28,077	37,387
City contributions subsequent to the measurement date	<u>820,082</u>	<u>901,376</u>	<u>1,721,458</u>
Total Deferred Outflows of Resources	<u>\$1,656,432</u>	<u>\$1,619,422</u>	<u>\$3,275,854</u>
Deferred Inflows of Resources			
Differences between expected and actual experience	\$135,225	\$21,245	\$156,470
Net difference between projected and actual earnings on pension plan investments	1,473,138	406,251	1,879,389
Changes in proportion and differences between City contributions and proportionate share of contributions	<u>184,021</u>	<u>454,608</u>	<u>638,629</u>
Total Deferred Inflows of Resources	<u>\$1,792,384</u>	<u>\$882,104</u>	<u>\$2,674,488</u>

\$1,721,458 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 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	OPERS	OP&F	Total
Year Ending December 31:			
2019	\$511,264	\$199,692	\$710,956
2020	(213,274)	92,885	(120,389)
2021	(648,693)	(327,893)	(976,586)
2022	(605,331)	(255,291)	(860,622)
2023	0	100,480	100,480
Thereafter	<u>0</u>	<u>26,069</u>	<u>26,069</u>
Total	<u>(\$956,034)</u>	<u>(\$164,058)</u>	<u>(\$1,120,092)</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.

City of Marietta, Ohio
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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 was determined by an actuarial valuation as of December 31, 2017, using the following actuarial assumptions applied to all periods included in the measurement in accordance with the requirements of GASB 67. Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, prepared as of December 31, 2017, are presented below.

	OPERS
Wage Inflation	3.25 percent
Future Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation
COLA or Ad Hoc COLA:	
Pre-January 7, 2013 Retirees	3 percent, simple
Post-January 7, 2013 Retirees	3 percent, simple through 2018, then 2.15 percent, simple
Investment Rate of Return	7.5 percent
Actuarial Cost Method	Individual Entry Age

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

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

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

During 2017, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets for the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was 16.82 percent for 2017.

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

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benefit pension plans. The table below displays the Board-approved asset allocation policy for 2017 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	23.00 %	2.20 %
Domestic Equities	19.00	6.37
Real Estate	10.00	5.26
Private Equity	10.00	8.97
International Equities	20.00	7.88
Other investments	18.00	5.26
Total	100.00 %	5.66 %

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

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
County's proportionate share of the net pension liability	\$12,184,811	\$6,861,802	\$2,424,015

Changes between Measurement Date and Report Date

In October 2018, the OPERS Board adopted a change in the investment return assumption, reducing it from 7.5 percent to 7.2 percent. This change will be effective for the 2018 valuation. The exact amount of the impact to the City's net pension liability is not known.

Actuarial Assumptions – OP&F

OP&F's total pension liability as of December 31, 2017, is based on the results of an actuarial valuation date of January 1, 2017, 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

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terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future. Assumptions considered were: withdrawal rates, disability retirement, service retirement, DROP elections, mortality, percent married and forms of the payment, DROP interest rate, CPI-based COLA, investment returns, salary increases and payroll growth.

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, prepared as of January 1, 2017, compared with January 1, 2016, are presented below.

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

For the January 1, 2017, valuation, mortality for non-disabled participants is based on the RP-2014 Total Employee and Healthy Annuitant Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Conduent Modified 2016 Improvement Scale. Rates for surviving beneficiaries are adjusted by 120 percent.

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

For the January 1, 2017, valuation, mortality for disabled retirees is based on the RP-2014 Disabled Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Conduent Modified 2016 Improvement Scale.

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

For the January 1, 2016 valuation, rates of death were based on the RP2000 Combined Table, age-adjusted as follows. For active members, set back six years. For disability retirements, set forward five years for police and three years for firefighters. For service retirements, set back zero years for police and two years for firefighters. For beneficiaries, set back zero years. The rates are applied on a fully generational basis, with a base year of 2009, using mortality improvement Scale AA.

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The most recent experience study was completed for the five year period ended December 31, 2016, the prior experience study was completed December 31, 2011.

The long-term expected rate of return on pension plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expected. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes. Best estimates of the long-term expected geometric real rates of return for each major asset class included in OP&F's target asset allocation as of December 31, 2017, are summarized below:

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

Note: Assumptions are geometric.

* levered 2x

OP&F's Board of Trustees has incorporated the risk parity concept into OP&F's asset liability valuation 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 For 2017, the total pension liability was calculated using the discount rate of 8.00 percent. The discount rate used for 2016 was 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 8.00 percent. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, a long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 8.00 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (7.00 percent), or one percentage point higher (9.00 percent) than the current rate.

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	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
City's proportionate share of the net pension liability	\$16,280,197	\$11,743,952	\$8,044,229

NOTE 14 - DEFINED BENEFIT OPEB PLANS

See Note 13 for a description of the net OPEB liability

Plan Description – Ohio Public Employees Retirement System (OPERS)

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

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the traditional pension and the combined plans. This trust is also used to fund health care for member-directed plan participants, in the form of a Retiree Medical Account (RMA). At retirement or refund, member directed plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 75. See OPERS' CAFR referenced below for additional information.

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

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

Funding Policy - The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by OPERS Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2018, state and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

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

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

The City's contractually required contribution was \$3,433 for 2018. Of this amount, \$381 is reported as an intergovernmental payable.

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

Plan Description – The City contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored healthcare program, a cost-sharing, multiple-employer defined post-employment healthcare plan administered by a third-party provider. This program is not guaranteed and is subject to change at any time upon action of the Board of Trustees. OP&F provides health care benefits including coverage for medical, prescription drug, dental, vision, and Medicare Part B Premium to retirees, qualifying benefit recipients and their eligible dependents.

OP&F provides access to postretirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or statutory survivor benefit, or is a spouse or eligible dependent child of such person. The health care coverage provided by OP&F meets the definition of an Other Post Employment Benefit (OPEB) as described in Government Accounting Standards Board (GASB) Statement No. 75.

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

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

Funding Policy – The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F defined benefit pension plan. Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently 19.5 percent and 24 percent of covered payroll for police and fire employer units, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.5 percent of covered payroll for police employer units and 24 percent of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

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OP&F maintains funds for health care in two separate accounts. There is one account for health care benefits and one account for Medicare Part B reimbursements. A separate health care trust accrual account is maintained for health care benefits under IRS Code Section 115 trust. An Internal Revenue Code 401(h) account is maintained for Medicare Part B reimbursements.

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 2018, the portion of employer contributions allocated to health care was 0.5 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

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

The City's contractually required contribution to OP&F was \$20,982 for 2018. Of this amount, \$2,010 is reported as an intergovernmental payable.

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

The net OPEB liability and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2016, rolled forward to the measurement date of December 31, 2017, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. OP&F's total OPEB liability was measured as of December 31, 2017, and was determined by rolling forward the total OPEB liability as of January 1, 2017, to December 31, 2017. The City's proportion of the net OPEB liability was based on the City's share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	<u>OPERS</u>	<u>OP&F</u>	
Proportion of the Net OPEB Liability:			
Current Measurement Date	0.042310%	0.1913490%	
Prior Measurement Date	<u>0.043670%</u>	<u>0.1938020%</u>	
Change in Proportionate Share	<u>-0.0013600%</u>	<u>-0.0024530%</u>	
			<u>Total</u>
Proportionate Share of the Net OPEB Liability	\$4,594,553	\$10,841,567	\$15,436,120
OPEB Expense	\$343,573	\$846,136	\$1,189,709

At December 31, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

City of Marietta, Ohio
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	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$3,579	\$0	\$3,579
Changes of assumptions	334,532	1,057,906	1,392,438
City contributions subsequent to the measurement date	<u>3,433</u>	<u>20,982</u>	<u>24,415</u>
Total Deferred Outflows of Resources	<u><u>\$341,544</u></u>	<u><u>\$1,078,888</u></u>	<u><u>\$1,420,432</u></u>
Deferred Inflows of Resources			
Differences between expected and actual experience	\$0	\$54,680	\$54,680
Net difference between projected and actual earnings on OPEB plan investments	342,264	71,364	413,628
Changes in proportion and differences between City contributions and proportionate share of contributions	<u>92,933</u>	<u>115,153</u>	<u>208,086</u>
Total Deferred Inflows of Resources	<u><u>\$435,197</u></u>	<u><u>\$241,197</u></u>	<u><u>\$676,394</u></u>

\$24,415 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending December 31:	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
2019	\$31,655	\$111,995	\$143,650
2020	31,655	111,995	143,650
2021	(74,830)	111,995	37,165
2022	(85,566)	111,995	26,429
2023	0	129,836	129,836
Thereafter	<u>0</u>	<u>238,893</u>	<u>238,893</u>
Total	<u><u>(\$97,086)</u></u>	<u><u>\$816,709</u></u>	<u><u>\$719,623</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.

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2016, rolled forward to the measurement date of December 31, 2017. The actuarial

City of Marietta, Ohio
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valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

Wage Inflation	3.25 percent
Projected Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation
Single Discount Rate:	
Current measurement date	3.85 percent
Prior Measurement date	4.23 percent
Investment Rate of Return	6.50 percent
Municipal Bond Rate	3.31 percent
Health Care Cost Trend Rate	7.5 percent, initial 3.25 percent, ultimate in 2028
Actuarial Cost Method	Individual Entry Age

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

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

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

During 2017, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio is 15.2 percent for 2017.

City of Marietta, Ohio
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The allocation of investment assets with the Health Care portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary goal is to achieve and maintain a fully funded status for the benefits provided through the defined pension plans. Health care is a discretionary benefit. The table below displays the Board-approved asset allocation policy for 2017 and the long-term expected real rates of return:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)</u>
Fixed Income	34.00 %	1.88 %
Domestic Equities	21.00	6.37
Real Estate Investment Trust	6.00	5.91
International Equities	22.00	7.88
Other investments	17.00	5.39
Total	100.00 %	4.98 %

Discount Rate A single discount rate of 3.85 percent was used to measure the OPEB liability on the measurement date of December 31, 2017. A single discount rate of 4.23 percent was used to measure the OPEB liability on the measurement date of December 31, 2016. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.50 percent and a municipal bond rate of 3.31 percent. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2034. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2034, and the municipal bond rate was applied to all health care costs after that date.

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following table presents the City's proportionate share of the net OPEB liability calculated using the single discount rate of 3.85 percent, as well as what the City's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (2.85 percent) or one-percentage-point higher (4.85 percent) than the current rate:

	<u>1% Decrease (2.85%)</u>	<u>Discount Rate (3.85%)</u>	<u>1% Increase (4.85%)</u>
City's proportionate share of the net OPEB liability	\$6,104,064	\$4,594,553	\$3,373,376

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

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2018 is 7.50 percent. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.25 percent in the most recent valuation.

	Current Health Care Cost Trend Rate		
	1% Decrease	Assumption	1% Increase
City's proportionate share of the net OPEB liability	\$4,396,009	\$4,594,553	\$4,799,646

Changes between Measurement Date and Report Date

In October 2018, the OPERS Board adopted a change in the investment return assumption, reducing it from 6.5 percent to 6.0 percent. This change will be effective for the 2018 valuation. The exact amount of the impact to the City’s net OPEB liability is not known.

Actuarial Assumptions – OP&F

OP&F’s total OPEB liability as of December 31, 2017, is based on the results of an actuarial valuation date of January 1, 2017, and rolled-forward using generally accepted actuarial procedures. The total OPEB liability is determined by OP&F’s actuaries in accordance with GASB Statement No. 74, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

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

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

Valuation Date	January 1, 2017, with actuarial liabilities rolled forward to December 31, 2017
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8.0 percent
Projected Salary Increases	3.75 percent to 10.5 percent
Payroll Growth	Inflation rate of 2.75 percent plus productivity increase rate of 0.5 percent
Single discount rate:	
Current measurement date	3.24 percent
Prior measurement date	3.79 percent
Cost of Living Adjustments	3.00 percent simple; 2.2 percent simple for increased based on the lesser of the increase in CPI and 3 percent

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

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

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

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

The most recent experience study was completed for the five year period ended December 31, 2016, the prior experience study was completed December 31, 2011.

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

Discount Rate The total OPEB liability was calculated using the discount rate of 3.24 percent. The projection of cash flows used to determine the discount rate assumed the contribution from employers and from members would be computed based on contribution requirements as stipulated by state statute. Projected inflows from investment earnings were calculated using the longer-term assumed investment rate

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of return 8 percent. Based on those assumptions, OP&F's fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, a municipal bond rate of 3.16 percent at December 31, 2017 and 3.71 percent at December 31, 2016, was blended with the long-term rate of 8 percent, which resulted in a blended discount rate of 3.24 percent. The municipal bond rate was determined using the S&P Municipal Bond 20 Year High Grade Rate Index. The OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments until 2025. The long-term expected rate of return on health care investments was applied to projected costs through 2025, and the municipal bond rate was applied to all health care costs after that date.

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate Net OPEB liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net OPEB liability calculated using the discount rate of 3.24 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.24 percent), or one percentage point higher (4.24 percent) than the current rate.

	1% Decrease (2.24%)	Current Discount Rate (3.24%)	1% Increase (4.24%)
City's proportionate share of the net OPEB liability	\$13,552,089	\$10,841,567	\$8,755,919

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate Net OPEB liability is sensitive to changes in the health care cost trend rate. The trend rate is the annual rate at which the cost of covered medical services is assumed to increase from the current year to the next year. Beginning in 2017, the per-capita costs are assumed to change by the following percentages each year:

	Non-Medicare	Non-AARP	AARP	Rx Drug	Medicare Part B
Year					
2017	-0.47%	-2.50%	4.50%	-0.47%	5.20%
2018	7.00%	7.00%	4.50%	7.00%	5.10%
2019	6.50%	6.50%	4.50%	6.50%	5.00%
2020	6.00%	6.00%	4.50%	6.00%	5.00%
2021	5.50%	5.50%	4.50%	5.50%	5.00%
2022	5.00%	5.00%	4.50%	5.00%	5.00%
2023 and Later	4.50%	4.50%	4.50%	4.50%	5.00%

To illustrate the potential impact, the following table presents the net OPEB liability calculated using the current healthcare cost trend current rates as outlined in the table above, a one percent decrease in the trend rates and a one percent increase in the trend rates.

	1% Decrease	Current Rates	1% Increase
City's proportionate share of the net OPEB liability	\$8,421,924	\$10,841,567	\$14,102,426

Changes between Measurement Date and Report Date

In March 2018, the OP&F Board of Trustees approved the implementation date and framework for a new health care model. Beginning January 1, 2019, the current self-insured health care plan will no longer be offered. In its place is a stipend-based health care model. A stipend funded by OP&F will be placed in individual Health Reimbursement Accounts that retirees will use to be reimbursed for health care expenses. The impact to the City's NOL is not known.

NOTE 15 - OTHER EMPLOYEE BENEFITS

A. Deferred Compensation Plans

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

B. Employee Health Benefits

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

The City provides comprehensive major medical, vision, and dental insurance under the Michigan Conference of Teamsters Welfare Fund through Blue Cross and Blue Shield. Premiums are based on a per week, per employee (no family or single rates) basis. The City pays 82.5% for non-union employees, 85% for police and fire employees, and 90% for teamster employees. Rates are \$332.80 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.

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NOTE 16 - SIGNIFICANT COMMITMENTS

A. Contractual Commitments

As of December 31, 2018, the City had contractual purchase commitments for projects in various funds. The amount for each project is as follows:

	Purchase Commitments	Amount Expended	Amount Remaining on Contracts
<u>Capital Projects:</u>			
Riverfront Trail Phase V			
Capital Improvement Fund	\$10,070	\$10,070	\$0
Community Development Fund	\$36,183	\$36,183	0
Street Fund	1,167,649	1,163,712	3,937
	<u>1,213,902</u>	<u>1,209,965</u>	<u>3,937</u>
State Route 676 Lancaster Street Improvements			
Street Fund	165,906	106,651	59,255
Pavement Management			
Street Fund	19,975	16,685	3,290
Fire Stations 1, 3, and 4 Diesel Exhaust System			
Capital Improvements Fund	118,924	114,682	4,242
Armory Gym			
Armory Cultural Facilities Gym Fund	11,120	7,142	3,978
Fiber Optic Project			
Street Fund	43,119	30,126	12,993
Safe Routes to School			
Street Fund	49,953	31,670	18,283
East Muskingum Park - Start Westward			
Start Westward Monument Fund	20,000	20,000	0
Waste Water Treatment Plant Upgrade			
Sewer Fund	30,784,637	27,783,165	3,001,472
Harmar Lift Station Upgrade			
Sewer Fund	2,382,650	2,382,650	0
Water Treatment Plant Upgrade			
Water Fund	222,019	222,019	0
Lancaster/Alta Water Line Replacement			
Water Fund	46,838	5,840	40,998
Total All Projects	<u>\$35,079,043</u>	<u>\$31,930,595</u>	<u>\$3,148,448</u>

B. Encumbrances

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

City of Marietta, Ohio
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Governmental Funds:	
General	\$83,587
Street	269,237
Capital Improvement	226,903
Nonmajor Governmental Funds	34,716
<i>Total Governmental Funds</i>	614,443
Enterprise Funds:	
Water Fund	204,605
Sewer Fund	414,927
<i>Total Enterprise Funds</i>	619,532
Total	\$1,233,975

NOTE 17 - CAPITAL LEASES - LESSEE DISCLOSURE

During 2018, the City entered into lease agreements totaling \$484,196 for a street sweeper to be used by the street department and a vacuum truck to be used by the sewer department. Both leases meet the criteria of a capital lease which is defined as transferring benefits and risks of ownership to the lessee. Capital lease payments are reflected as debt service expenditures in the basic financial statements for the enterprise fund. Governmental activities capitalized leased asset is reflected net of accumulated depreciation for a book value of \$180,591. Business-type activities capitalized leased asset is reflected net of accumulated depreciation for a book value of \$328,915. Principal payments for the capital leases during 2018 totaled \$47,559.

Future minimum lease payments through 2024 are as follows:

Year	Governmental Activities		Business-Type Activities		Total
	Principal	Interest	Principal	Interest	
2019	\$32,335	\$5,144	\$46,253	\$9,043	\$92,775
2020	33,550	3,929	47,751	7,545	\$92,775
2021	34,812	2,667	49,297	5,999	\$92,775
2022	36,121	1,358	50,894	4,402	\$92,775
2023	0	0	52,543	2,754	\$55,297
2024	0	0	53,081	2,214	\$55,295
Total	\$136,818	\$13,098	\$299,819	\$31,957	\$481,692

NOTE 18 - LONG-TERM OBLIGATIONS

Changes in long-term obligations of the City for the year ended December 31, 2018, were as follows:

City of Marietta, Ohio
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	Principal Outstanding 12/31/2017	Additions	Deletions	Principal Outstanding 12/31/2018	Amounts Due in One Year
Governmental Activities:					
<u>General Obligation Bonds:</u>					
Parking Lot Bonds					
2000 - \$190,000 - 5.73%	\$43,500	\$0	\$13,500	\$30,000	\$14,500
Municipal Court Bonds					
2014 - \$2,865,000 - 1.5 - 4.0%	2,370,000	0	120,000	2,250,000	125,000
Premium on Bonds	41,643	0	2,616	39,027	0
Municipal Software Bonds					
2014 - \$216,000 - 1.5 - 3.0%	132,000	0	21,000	111,000	21,000
Premium on Bonds	2,514	0	425	2,089	0
Total Bonds	<u>2,589,657</u>	<u>0</u>	<u>157,541</u>	<u>2,432,116</u>	<u>160,500</u>
<u>Notes:</u>					
Street Garage Roof:					
2017 - 2.125%	157,500	0	157,500	0	0
2018 - 3%	0	148,750	0	148,750	0
City Hall Renovations:					
2017 - 2.125%	2,465,000	0	2,465,000	0	0
2018 - 3%	0	2,370,000	0	2,370,000	0
Administration Building					
2017 - 2.125%	1,183,000	0	1,183,000	0	0
2018 - 3%	0	1,141,000	0	1,141,000	0
Asphalt Paving:					
2017 - 2.125%	90,000	0	90,000	0	0
2018 - 3%	0	80,000	0	80,000	0
Total Notes	<u>3,895,500</u>	<u>3,739,750</u>	<u>3,895,500</u>	<u>3,739,750</u>	<u>0</u>
Net Pension Liability:					
OPERS	6,959,088	0	2,293,060	4,666,028	0
OPF	12,275,225	0	531,273	11,743,952	0
Total Net Pension Liability	<u>19,234,313</u>	<u>0</u>	<u>2,824,333</u>	<u>16,409,980</u>	<u>0</u>
Net OPEB Liability:					
OPERS	2,999,356	124,937	0	3,124,293	0
OPF	9,199,345	1,642,222	0	10,841,567	0
Total Net OPEB Liability	<u>12,198,701</u>	<u>1,767,159</u>	<u>0</u>	<u>13,965,860</u>	<u>0</u>
Armory Loan - 4.99%	400,000	0	50,000	350,000	50,000
OPWC Paving Loan - 0%	36,173	0	2,495	33,678	1,247
SIB Loan - 3%	0	254,800	0	254,800	194,209
Intergovernmental Payable	8,151	0	2,717	5,434	2,717
Capital Leases	0	136,818	0	136,818	32,335
Compensated Absences	740,578	49,665	2,334	787,909	28,869
Total Governmental Activities	<u>\$39,103,073</u>	<u>\$5,948,192</u>	<u>\$6,934,920</u>	<u>\$38,116,345</u>	<u>\$469,877</u>

(continued)

City of Marietta, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

(continued)	Principal Outstanding 12/31/2017	Additions	Deletions	Principal Outstanding 12/31/2018	Amounts Due in One Year
Business-Type Activities:					
<u>General Obligation Bonds:</u>					
Water Refunding Bonds					
2013 - \$2,840,000 - 2.0 - 3.0%	\$1,480,000	\$0	\$355,000	\$1,125,000	\$365,000
Bond Premium	26,326	0	6,721	19,605	0
Water Bonds					
2014 - \$2,045,000 - 1.5 - 3.75%	1,690,000	0	85,000	1,605,000	85,000
Bond Premium	29,571	0	1,858	27,713	0
Water Software Bonds					
2014 - \$72,000 - 1.5 - 3.0%	44,000	0	7,000	37,000	7,000
Bond Premium	838	0	141	697	0
Sewer Bonds					
2014 - \$920,000 - 1.5 - 4.0%	760,000	0	40,000	720,000	40,000
Bond Premium	13,330	0	838	12,492	0
Sewer Software Bonds					
2014 - \$72,000 - 1.5 - 3.0%	44,000	0	7,000	37,000	7,000
Bond Premium	838	0	141	697	0
Total Bonds	<u>4,088,903</u>	<u>0</u>	<u>503,699</u>	<u>3,585,204</u>	<u>504,000</u>
<u>Notes:</u>					
Sewer 2017 - 2.125%	77,000	0	77,000	0	0
Sewer 2018 - 3%	0	72,000	0	72,000	0
Total Notes	<u>77,000</u>	<u>72,000</u>	<u>77,000</u>	<u>72,000</u>	<u>0</u>
<u>Loans:</u>					
<u>OWDA Loans:</u>					
Sewer Grit					
2002 - \$458,437 - 3.89%	162,944	0	27,117	135,827	13,955
Sewer Treatment Plant:					
2011 Phase 1 - \$5,684,046 - 3.0%	4,506,077	0	241,315	4,264,762	123,379
2013 Phase 2 - \$6,991,940 - 2.38%	5,295,851	271,934	301,013	5,266,772	153,192
Construction Phase 3:					
2016 Scope - \$6,825,175 - 0.57%	5,793,668	869,185	209,229	6,453,624	105,062
2016 Muskingum River Forcemain - \$1,317,372 - 2.27%	1,017,591	0	21,299	996,292	12,526
2017 Scope - \$406,810 - 3.35%	392,630	(852)	391,778	0	0
2018 Scope - \$9,624,977 - 1.89%	0	6,479,841	0	6,479,841	0
2016 Harmar Lift - \$1,220,557 - 2.05%	959,698	107,777	30,205	1,037,270	15,335
2017 Meter Replacement - Sewer - \$1,004,554 - 2.98%	913,351	23,071	37,377	899,045	18,550
Total Sewer OWDA Loans	<u>19,041,810</u>	<u>7,750,956</u>	<u>1,259,333</u>	<u>25,533,433</u>	<u>441,999</u>
Water Treatment Plant:					
2017 Planning - \$282,941 - 3.48%	165,707	77,500	13,986	229,221	4,740
2017 Distribution Building - \$49,766 - 3.48%	49,766	1,673	2,446	48,993	1,223
Waterline Replacements:					
2017 Greene Street and Colegate Drive - \$1,892,614 - 3.10%	1,781,145	0	36,724	1,744,421	19,272
2017 Hadley Lane and Sherry Drive - \$753,088 - 3.10%	722,533	0	15,043	707,490	7,816
2017 Meter Replacement - Water - \$1,004,554 - 2.98%	913,351	23,071	37,377	899,045	19,107
Water Tank Painting:					
2017 Ground Storage - \$1,222,772 - 2.88-2.98%	11,719	1,151,552	22,937	1,140,334	23,275
2017 676 and Harmar - \$642,581 - 2.98%	617,637	0	34,425	583,212	17,704
2017 Northhills - \$337,372 - 2.98%	328,371	0	18,407	309,964	9,410
Total Water OWDA Loans	<u>4,590,229</u>	<u>1,253,796</u>	<u>181,345</u>	<u>5,662,680</u>	<u>102,547</u>
Total OWDA Loans	<u>\$23,632,039</u>	<u>\$9,004,752</u>	<u>\$1,440,678</u>	<u>\$31,196,113</u>	<u>\$544,546</u>

City of Marietta, Ohio
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(continued)	Principal Outstanding 12/31/2017	Additions	Deletions	Principal Outstanding 12/31/2018	Amounts Due in One Year
<u>OPWC Loans:</u>					
2004 Water Glendale Tank - \$479,936 - 2%	\$202,662	\$0	\$25,306	\$177,356	\$12,843
2000 Sewer Sludge Belt Press - \$461,023 - 2%	107,436	0	26,063	81,373	13,227
2016 Sewer Treatment Plant - \$556,115 - 0%	479,990	0	16,271	463,719	8,135
Total Sewer OPWC Loans	587,426	0	42,334	545,092	21,362
Total OPWC Loans	790,088	0	67,640	722,448	34,205
<u>Net Pension Liability - OPERS:</u>					
Sewer	1,637,432	0	539,544	1,097,888	0
Water	1,637,430	0	539,544	1,097,886	0
Total Net Pension Liability	3,274,862	0	1,079,088	2,195,774	0
<u>Net OPEB Liability - OPERS:</u>					
Sewer	705,731	29,399	0	735,130	0
Water	705,731	29,399	0	735,130	0
Total Net OPEB Liability	1,411,462	58,798	0	1,470,260	0
Capital Leases	0	347,378	47,559	299,819	46,253
Compensated Absences	175,515	25,702	0	201,217	0
Total Business-Type Activities	<u>\$33,449,869</u>	<u>\$9,508,630</u>	<u>\$3,215,664</u>	<u>\$39,742,835</u>	<u>\$1,129,004</u>

Capital leases will be paid from the Capital Improvement Capital Projects Fund and the Sewer Enterprise Fund. Compensated absences reported in the “compensated absences payable” account will be paid from the fund which the employees’ salaries are paid, which are the General Fund; the Street, Fire Levy, and Community Development Special Revenue Funds; and the Water and Sewer Enterprise Funds. There are no repayment schedules for the net pension/OPEB liabilities. However, employer pension/OPEB contributions are made from the following funds: the General Fund; the Street, Fire Levy, Court, and Community Development Special Revenue Funds; and the Water and Sewer Enterprise Funds. For additional information related to the net pension/OPEB liabilities, see Notes 13 and 14.

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
	<u>\$6,190,000</u>

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

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

During 2018, the City entered into a loan with the State Infrastructure Bank to help finance the Riverfront Trail Phase V bike path.

City of Marietta, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

The Various Purpose Bond Anticipation Notes were issued to finance renovations of City Hall and the administration building, for street garage roof repairs, and paving. The notes were retired and refinanced during May of 2019.

During 2016, the City entered into a loan with the Ohio Public Works Commission (OPWC) in the amount of \$100,000 at zero percent interest for the purpose of paving certain City streets. Principal payments are due July 1 of each year through 2032.

The intergovernmental payable consists of amounts owed to Marietta Township 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) loan in the Water Enterprise Fund, which is a general obligation, was obtained to help finance the water treatment plant phase III improvements. The OPWC loans in the Sewer Enterprise Fund, also general obligations, were obtained to help finance the sludge belt press project and the sewer treatment plant upgrade.

The Ohio Water Development Authority (OWDA) loans for the sewer treatment plant upgrades were issued in various years. None of the loans have made final draws, so no amortization schedules have been established. The 2002 OWDA loan was obtained to help finance the sewer grit removal project. The Meter Replacement OWDA loans for both Water and Sewer Funds have not been fully drawn at year end; therefore, no amortization schedules have been established.

The OWDA loans for the water treatment plant upgrades, tank paintings, and waterline replacements were issued in 2017. None of the loans, except the North Hills Tank Painting Loan, have made final draws, so no amortization schedules have been established.

The Bond Anticipation Notes were issued to finance various projects of the wastewater department. The notes were retired and refinanced during May of 2019.

The City has pledged future sewer customer revenues to repay the OWDA loans. The loans are payable solely from net revenues and are payable through 2049. 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 \$36,570,734. Principal and interest payments for the current year were \$1,429,277, net revenues were \$1,810,342, and total revenues were \$4,789,728.

The City has pledged future water customer revenues to repay the OWDA loans. The loans are payable solely from net revenues and are payable through 2047. Net revenues include all revenues received by the water utility less all operating expenses other than depreciation expense. Annual principal and interest payments on the loans as compared to net future revenues are not estimable but are expected to be less than net revenues in each year the loans are outstanding. The total principal and interest remaining to be paid on the loans is \$7,962,845. Principal and interest payments for the current year were \$198,045, net revenues were \$161,970, and total revenues were \$4,172,126.

City of Marietta, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

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, 2018, are as follows:

Year	Parking Lot Bonds		Municipal Court Bonds		Software Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$14,500	\$1,720	\$125,000	\$73,138	\$21,000	\$2,752
2020	15,500	888	125,000	70,638	21,000	2,332
2021	0	0	125,000	68,137	21,000	1,912
2022	0	0	130,000	65,325	24,000	1,440
2023	0	0	135,000	61,425	24,000	720
2024-2028	0	0	730,000	243,525	0	0
2029-20033	0	0	880,000	100,300	0	0
	<u>\$30,000</u>	<u>\$2,608</u>	<u>\$2,250,000</u>	<u>\$682,488</u>	<u>\$111,000</u>	<u>\$9,156</u>

Principal and interest requirements to retire the Armory, OPWC Paving Loan, and the SIB Loan at December 31, 2018, are as follows:

Year	Armory		OPWC	SIB	
	Principal	Interest	Principal	Principal	Interest
2019	\$50,000	\$17,465	\$1,247	\$194,209	\$956
2020	50,000	14,970	2,494	6,359	1,770
2021	50,000	12,475	2,494	6,551	1,579
2022	50,000	9,980	2,494	6,749	1,380
2023	50,000	7,485	2,494	6,952	1,176
2024-2028	100,000	7,485	12,475	33,980	2,599
2029-2032	0	0	9,980	0	0
	<u>\$350,000</u>	<u>\$69,860</u>	<u>\$33,678</u>	<u>\$254,800</u>	<u>\$9,460</u>

Principal and interest requirements to retire the Water Fund bonds outstanding at December 31, 2018, are as follows:

City of Marietta, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

Year	Water Refunding Bonds		Water Bonds		Water Software Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$365,000	\$33,750	\$85,000	\$52,175	\$7,000	\$918
2020	375,000	22,800	90,000	50,475	7,000	778
2021	385,000	11,550	90,000	48,675	7,000	638
2022	0	0	95,000	46,650	8,000	480
2023	0	0	95,000	43,800	8,000	240
2024-2028	0	0	525,000	173,600	0	0
2029-2033	0	0	625,000	71,487	0	0
	<u>\$1,125,000</u>	<u>\$68,100</u>	<u>\$1,605,000</u>	<u>\$486,862</u>	<u>\$37,000</u>	<u>\$3,054</u>

Principal and interest requirements to retire the Sewer Fund bonds outstanding at December 31, 2018, are as follows:

Year	Sewer Bonds		Sewer Software Bonds	
	Principal	Interest	Principal	Interest
2019	\$40,000	\$23,400	\$7,000	\$918
2020	40,000	22,600	7,000	778
2021	40,000	21,800	7,000	638
2022	40,000	20,900	8,000	480
2023	45,000	19,700	8,000	240
2024-2028	285,000	77,850	0	0
2029-2033	230,000	32,125	0	0
	<u>\$720,000</u>	<u>\$218,375</u>	<u>\$37,000</u>	<u>\$3,054</u>

Principal and interest requirements to retire the Water Enterprise Fund loan liabilities at December 31, 2018, are as follows:

Year	OPWC		OWDA	
	Grendale Tank		North Hills Water Tank	
	Principal	Interest	Principal	Interest
2019	\$12,843	\$1,774	\$9,410	\$9,375
2020	26,073	3,160	19,242	8,814
2021	26,597	2,636	19,819	8,237
2022	27,131	2,101	20,415	7,641
2023	27,676	1,556	21,027	7,029
2024-2028	57,036	1,433	114,993	22,008
2029-2032	0	0	105,058	7,169
	<u>\$177,356</u>	<u>\$12,660</u>	<u>\$309,964</u>	<u>\$70,273</u>

Principal and interest requirements to retire the Sewer Enterprise Fund loan liabilities at December 31, 2018, are as follows:

City of Marietta, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

Year	OPWC Loans			Sewer Grit OWDA Loan	
	Sludge Belt Press		Sewer Treatment Plant	Sewer	
	Principal	Interest	Principal	Principal	Interest
2019	\$13,227	\$814	\$8,135	\$13,955	\$2,642
2020	26,852	1,229	16,270	28,730	4,464
2021	27,392	690	16,270	29,859	3,336
2022	13,902	139	16,270	31,032	2,163
2023	0	0	16,270	32,251	944
2024-2028	0	0	81,355	0	0
2029-2033	0	0	81,355	0	0
2034-2038	0	0	81,355	0	0
2039-2043	0	0	81,355	0	0
2044-2047	0	0	65,084	0	0
	<u>\$81,373</u>	<u>\$2,872</u>	<u>\$463,719</u>	<u>\$135,827</u>	<u>\$13,549</u>

As of December 31, 2018, the City's legal debt margin (the ability to issue additional amounts of general obligation bonded debt) was \$21,752,274.

NOTE 19 - NOTES PAYABLE

Changes in short-term obligations, all bond anticipation notes, of the City for the year ended December 31, 2018, were as follows:

	Principal Outstanding 12/31/17	Additions	Deletions	Principal Outstanding 12/31/18
Governmental Activities:				
2017 Note - 2.125%:				
City Hall Renovations	\$95,000	\$0	\$95,000	\$0
Street Garage Roof	8,750	0	8,750	0
Administration Building Renovations	70,000	0	70,000	0
Asphalt Paving	10,000	0	10,000	0
2018 Note - 3%:				
City Hall Renovations	0	95,000	0	95,000
Street Garage Roof	0	8,750	0	8,750
Administration Building Renovations	0	42,000	0	42,000
Asphalt Paving	0	10,000	0	10,000
Business-Type Activities:				
2017 Sewer Note - 2.125%	4,855	0	4,855	0
2018 Sewer Note - 3%	0	5,000	0	5,000
Total Notes Payable	<u>\$188,605</u>	<u>\$160,750</u>	<u>\$188,605</u>	<u>\$160,750</u>

The notes were issued to finance the renovations of the City Hall, the street garage roof, the administration building, paving, and various sewer projects. The notes will mature on May 09, 2019.

City of Marietta, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

NOTE 20 - INTERFUND TRANSFERS AND BALANCES

A. Balances

Internal Balances – Change in Proportionate Share

The City uses an internal proportionate share to allocate its net pension liability and corresponding deferred outflows/inflows of resources and pension expense to its various funds. This allocation creates a change in internal proportionate share. The effects of the internal proportionate share are eliminated from the pension deferred outflows/inflows of resources in the governmental and business-type activities columns of the statement of net position, except for any net residual amounts between governmental and business-type activities. These residual amounts are eliminated in the total column of the entity wide statement of net position, thus allowing the total column to present the change in proportionate share for the City as a whole.

Eliminations made in the business type activities column include a deferred outflow of resources for the Sewer Enterprise Fund and a deferred inflow of resources for the Water Enterprise Fund in the amount of \$1,248.

Eliminations made in the total column of the entity wide statement of net position include deferred outflows of resources for the business-type activities (related to the Water Enterprise Fund) and deferred inflows of resources for the governmental type activities in the amount of \$254.

Other Internal Balances

At year end, the Marietta Harbor Capital Projects Fund owed the General Fund \$6,890 for advanced grant monies. The Fire Levy Special Revenue Fund owed the General Fund \$95,314 for expenditures paid by the General Fund that should have been paid for by the Levy Fund. Also, the Armory Cultural Facilities Gym Special Revenue Fund owed the Capital Improvements Capital Projects Fund \$11,120 for advances made until rental income is received.

B. Transfers

Interfund transfers for the year ended December 31, 2018, consisted of the following:

	Transfer In
Transfer Out	Other Nonmajor Governmental Funds
Major Funds:	
General	\$89,953
Capital Improvements	65,589
Other Nonmajor Governmental Funds	153,416
	\$308,958

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 21 - JOINTLY GOVERNED ORGANIZATIONS

A. The Buckeye Hills Regional Council

The Buckeye Hills Regional Council serves Washington, Athens, Hocking, Meigs, Monroe, Morgan, Noble, and Perry Counties. The Council was created to foster a cooperative effort in regional planning, programming, and the implementing of regional plans and programs. The Council is governed by a fifteen member board of directors. The Council is governed by a fifteen member board of directors. The board is composed of one County Commissioner from each county, one member from the City of Athens Council, one member from the City of Marietta Council, four at-large members appointed from the ten government members, and one member from the minority sector. The board has total control over budgeting, personnel, and all other financial matters. The City contributed \$1,409 to the Council during 2018. The continued existence of the Council 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, 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 2018, the Corporation received no administrative fees from the City. The continued existence of the Corporation is not dependent on the City's continued participation and no equity interest exists.

C. The Wood, Washington, and Wirt Planning Commission

The Wood, Washington, and Wirt Planning Commission was created to fulfill the requirements governing urban transportation planning under the Federal Highway Administration and Urban Mass Transportation Administration program regulations in Wood, Washington, and Wirt Counties. The Commission was formed pursuant to West Virginia Code Sections and Ohio Revised Code Section 713.30 and serves as a form of a regional planning commission. The Commission is comprised of representatives from county and city governments and a cross section of members from the community appointed by the governmental units. Currently, the Commission has eight governmental representatives and the Mayor of the City of Marietta serves on the Commission. Revenues are derived from Federal Highway and Federal Transportation Administration Grants distributed by the States of Ohio and West Virginia. Local governments contribute a ten percent local match. During 2018, 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.

City of Marietta, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

NOTE 22 - ENDOWMENTS

The City's permanent funds include donor-restricted endowments. Net Position – Perpetual Care – Non-expendable of \$471,403 represents the principal portion of the Cemetery endowment. Net Position – Park – Non-expendable of \$711 represents the principal portion of the Park endowment. The amount of net appreciation in donor-restricted investments that is available for expenditures by the governing body, for purposes consistent with the endowment's intent, is \$11,781; and is included as Net Position – Perpetual Care – Expendable. State law permits the governing board to appropriate, for purposes consistent with the endowment's intent, net appreciation, realized and unrealized, unless the endowment terms specify otherwise. The endowment indicated that the interest should be used to maintain certain cemetery plots and the Cisler Park each year.

NOTE 23 - CONTINGENCIES

A. Grants

The City received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and 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, 2018.

B. Litigation

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

NOTE 24 - SUBSEQUENT EVENT

The City retired \$160,750 of the \$3,972,500 various purpose bond anticipation notes bearing an interest rate of 3% on May 09, 2019, and issued new notes for \$3,811,750.

Consistent with the provisions of Ohio Revised Code Section 3709.36, the City's health department was reorganized as a legally separate organization rather than continuing to operate as a department of the City. This change was effective January 1, 2019, and will be reported as a transfer of operations in 2019. Among its various duties, the Joint Consolidated City Health District (District) provides for the prompt diagnosis and control of communicable diseases. The District may also inspect businesses where food is manufactured, handled, stored, or offered for sale. The District will be operated by a 7 member board with all members being appointed by the Cities of Marietta and Belpre. The rates charged by the District are subject to the approval of City Council, in addition, the City provides funding to the District, thus the City can impose will on the District and the District imposes a financial burden to the City. Therefore, beginning in 2019, the District will be reported as a discretely presented component unit of the City.

In 2018, an income tax levy was approved by the voters that begins January 1, 2019. It increased the City Income Tax rate by fifteen hundredths of one percent (0.15%) from the current rate of one and seven tenths percent (1.7%) to a rate of one and eighty-five hundredths percent (1.85%).

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 Five Years (1)

	2018	2017	2016	2015	2014
City's Proportion of the Net Pension Liability	0.0103120%	0.0450670%	0.0460500%	0.0447790%	0.0447790%
City's Proportionate Share of the Net Pension Liability	\$6,861,802	\$10,233,950	\$7,976,440	\$5,400,850	\$5,278,861
City's Covered Payroll	\$5,780,200	\$5,841,708	\$5,713,393	\$5,489,950	\$5,263,897
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	118.71%	175.19%	139.61%	98.38%	100.28%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	84.66%	77.25%	81.08%	86.45%	86.36%

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

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

See accompanying notes to the required supplementary information

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 Five Years (1)

	2018	2017	2016	2015	2014
City's Proportion of the Net Pension Liability	0.1913490%	0.1938020%	0.2030680%	0.2019690%	0.2019690%
City's Proportionate Share of the Net Pension Liability	\$11,743,952	\$12,275,225	\$13,063,507	\$10,462,836	\$9,836,523
City's Covered Payroll	\$4,124,587	\$4,097,169	\$4,110,039	\$3,959,279	\$3,459,395
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	284.73%	299.60%	317.84%	264.26%	284.34%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	70.91%	68.36%	66.77%	71.71%	73.00%

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

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

See accompanying notes to the required supplementary information.

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

	<u>2018</u>	<u>2017</u>
City's Proportion of the Net OPEB Liability	0.0423100%	0.0436700%
City's Proportionate Share of the Net OPEB Liability	\$4,594,553	\$4,410,818
City's Covered Payroll	\$5,992,937	\$6,035,125
City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	76.67%	73.09%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	54.14%	54.04%

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

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

See accompanying notes to the report supplementary information

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

	2018	2017
City's Proportion of the Net OPEB Liability	0.1913490%	0.1938020%
City's Proportionate Share of the Net OPEB Liability	\$10,841,567	\$9,199,345
City's Covered Payroll	\$4,124,587	\$4,097,169
City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	262.85%	224.53%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	14.13%	15.96%

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

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

See accompanying notes to the report supplementary information

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

	2018	2017	2016
Net Pension Liability - Traditional Plan			
Contractually Required Contribution	\$820,082	\$751,426	\$701,005
Contributions in Relation to the Contractually Required Contribution	<u>(820,082)</u>	<u>(751,426)</u>	<u>(701,005)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered Payroll	\$5,857,729	\$5,780,200	\$5,841,708
Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>13.00%</u>	<u>12.00%</u>
Net OPEB Liability - OPEB Plan (3)			
Contractually Required Contribution	\$3,433	\$62,752	\$122,486
Contributions in Relation to the Contractually Required Contribution	<u>(3,433)</u>	<u>(62,752)</u>	<u>(122,486)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered Payroll	\$6,060,975	\$5,992,937	\$6,035,125
Contributions as a Percentage of Covered Payroll	<u>0.06%</u>	<u>1.05%</u>	<u>2.03%</u>

(1) Information prior to 2013 is not available.

(2) The OPEB plan includes the members from the traditional plan, the combined plan, and the member directed plan. The member directed plan is a defined contribution plan: therefore, the pension side is not included above.

(3) Information prior to 2016 is not available.

See accompanying notes to the required supplementary information.

<u>2015</u>	<u>2014</u>	<u>2013</u>
\$685,607	\$658,794	\$684,307
<u>(685,607)</u>	<u>(658,794)</u>	<u>(684,307)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$5,713,393	\$5,489,950	\$5,263,897
<u>12.00%</u>	<u>12.00%</u>	<u>13.00%</u>

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Net Pension Liability				
Contractually Required Contribution	\$991,376	\$885,905	\$878,981	\$880,336
Contributions in Relation to the Contractually Required Contribution	<u>(991,376)</u>	<u>(885,905)</u>	<u>(878,981)</u>	<u>(880,336)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered Payroll (1)	\$4,196,354	\$4,124,587	\$4,097,169	\$4,110,039
Pension Contributions as a Percentage of Covered Payroll	<u>23.62%</u>	<u>21.48%</u>	<u>21.45%</u>	<u>21.42%</u>
Net OPEB Liability				
Contractually Required Contribution	\$20,982	\$20,623	\$20,486	\$20,551
Contributions in Relation to the Contractually Required Contribution	<u>(20,982)</u>	<u>(20,623)</u>	<u>(20,486)</u>	<u>(20,551)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered Payroll	\$4,196,354	\$4,124,587	\$4,097,169	\$4,110,039
OPEB Contributions as a Percentage of Covered Payroll	<u>0.50%</u>	<u>0.50%</u>	<u>0.50%</u>	<u>0.50%</u>
Total Contributions as a Percentage of Covered Payroll	<u>24.12%</u>	<u>21.98%</u>	<u>21.95%</u>	<u>21.92%</u>

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

See accompanying notes to the required supplementary information.

2014	2013	2012	2011	2010	2009
\$845,227	\$628,970	\$556,699	\$575,545	\$581,179	\$543,810
(845,227)	(628,970)	(556,699)	(575,545)	(581,179)	(543,810)
\$0	\$0	\$0	\$0	\$0	\$0
\$3,959,279	\$3,459,395	\$3,681,244	\$3,853,473	\$3,798,316	\$3,585,856
21.35%	18.18%	15.12%	14.94%	15.30%	15.17%
\$19,796	\$125,115	\$248,484	\$260,110	\$256,387	\$242,045
(19,796)	(125,115)	(248,484)	(260,110)	(256,387)	(242,045)
\$0	\$0	\$0	\$0	\$0	\$0
\$3,959,279	\$3,459,395	\$3,681,244	\$3,853,473	\$3,798,316	\$3,585,856
0.50%	3.62%	6.75%	6.75%	6.75%	6.75%
21.85%	21.80%	21.87%	21.69%	22.05%	21.92%

City of Marietta, Ohio
Notes to the Required Supplementary Information
For the Year Ended December 31, 2018

Changes in Assumptions – OPERS Pension

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

	2017	2016 and prior
Wage Inflation	3.25 percent	3.75 percent
Future Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation	4.25 to 10.05 percent including wage inflation
COLA or Ad Hoc COLA:		
Pre-January 7, 2013 Retirees	3 percent, simple	3 percent, simple
Post-January 7, 2013 Retirees	3 percent, simple through 2018, then 2.15 percent, simple	3 percent, simple through 2018, then 2.8 percent, simple
Investment Rate of Return	7.5 percent	8 percent
Actuarial Cost Method	Individual Entry Age	Individual Entry Age

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

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

Changes in Assumptions – OP&F Pension

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

City of Marietta, Ohio
Notes to the Required Supplementary Information
For the Year Ended December 31, 2018

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

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

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

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

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

Amounts reported for 2017 and prior use valuation, rates of death were based on the RP2000 Combined Table, age-adjusted as follows. For active members, set back six years. For disability retirements, set forward five years for police and three years for firefighters. For service retirements, set back zero years for police and two years for firefighters. For beneficiaries, set back zero years. The rates are applied on a fully generational basis, with a base year of 2009, using mortality improvement Scale AA.

Changes in Assumptions – OPERS OPEB

For 2018, the single discount rate changed from 4.23 percent to 3.85 percent.

Changes in Assumptions – OP&F OPEB

For 2018, the single discount rate changed from 3.79 percent to 3.24 percent.

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City of Marietta, Ohio
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2018

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Number	Passed Through to Subrecipients	Disbursements
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
<i>Direct from Federal Government:</i>				
Community Development Block Grants/Entitlement Grants	14.218	2018	\$ -	\$ 278,692
Community Development Block Grants/Entitlement Grants	14.218	2017	-	82,351
Community Development Block Grants/Entitlement Grants	14.218	2016	-	8,412
Total Community Development Block Grants/Entitlement Grants			<u>-</u>	<u>369,455</u>
Family Self Sufficiency Program	14.896	N/A	35,048	35,048
Section 8 Housing Choice Vouchers	14.871	N/A	2,132,426	2,132,426
Shelter Plus Care	14.238	2019	17,575	17,575
Shelter Plus Care	14.238	2018	18,300	18,300
Total Shelter Plus Care			<u>35,875</u>	<u>35,875</u>
Total U.S. Department of Housing and Urban Development			<u>2,203,349</u>	<u>2,572,804</u>
U.S. DEPARTMENT OF JUSTICE				
<i>Passed through the Ohio Attorney General's Office:</i>				
Crime Victim Assistance	16.575	2019-VOCA-132131955	-	13,571
Crime Victim Assistance	16.575	2018-VOCA-109858990	-	36,000
Total Crime Victim Assistance			<u>-</u>	<u>49,571</u>
<i>Passed through the Governor's Office of Criminal Justice Services:</i>				
Violence Against Women Formula Grants	16.588	2017-WF-VA2-8424	-	54,125
Total U.S. Department of Justice			<u>-</u>	<u>103,696</u>
U.S. DEPARTMENT OF TRANSPORTATION				
<i>Passed through Ohio Department of Transportation</i>				
Highway Planning and Construction (Marietta River Trail Phase 5)	20.205	PID #95320	-	21,866
Highway Planning and Construction (Landslide Repair)	20.205	PID #99479	-	62,231
Highway Planning and Construction (Signals/Fiber)	20.205	PID #105024	-	16,508
Highway Planning and Construction (SRTS Infrastructure)	20.205	PID #106509	-	25,515
Total Highway Planning and Construction			<u>-</u>	<u>126,120</u>
Total U.S. Department of Transportation			<u>-</u>	<u>126,120</u>
Total Federal Financial Assistance			<u>\$ 2,203,349</u>	<u>\$ 2,802,620</u>

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
2 CFR 200.510(b)(6)
For the Year Ended December 31, 2018

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the City of Marietta (the City) under programs of the federal government for the year ended December 31, 2018. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement.

NOTE C – INDIRECT COST RATE

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

NOTE D - SUBRECIPIENTS

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

NOTE D - MATCHING REQUIREMENTS

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



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

June 28, 2019

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

To the City Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, business-type activities, each major fund and aggregate remaining fund information of the **City of Marietta**, Washington County, (the "City") as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 28, 2019. We also noted the City adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*.

Internal Control over Financial Reporting

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

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

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

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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
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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**

June 28, 2019

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

To the City Council:

Report on Compliance for the Major Federal Program

We have audited the **City of Marietta's**, (the City) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect the City's major federal program for the year ended December 31, 2018. The *Summary of Auditor's Results* in the accompanying schedule of audit findings identifies the City's major federal program.

Management's Responsibility

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

Auditor's Responsibility

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

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

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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, 2018.

Report on Internal Control Over Compliance

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

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

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

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



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

**City of Marietta, Ohio
Schedule of Audit Findings
2 CFR § 200.515
For the Year Ended December 31, 2018**

1. SUMMARY OF AUDITOR'S RESULTS

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

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

None

3. FINDINGS FOR FEDERAL AWARDS

None



Certified Public Accountants, A.C.

**CITY OF MARIETTA
WASHINGTON COUNTY
Report on Supplementary Information
For the Year Ended December 31, 2018**

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City of Marietta, Ohio

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INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION

June 28, 2019

City of Marietta
Washington County
301 Putnam St.
Marietta, OH 45750

To the Members of Council:

We have audited the financial statements of the **City of Marietta**, Washington County, Ohio (the City), as of and for the year ended December 31, 2018, and have issued our report thereon dated June 28, 2019, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole.

The financial data schedule presents additional analysis as required by the U.S. Department of Housing and Urban Development and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

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CITY OF MARIETTA
WASHINGTON COUNTY
FINANCIAL DATA SCHEDULE

Line Item No.	Description	14.871 - Section 8 Total
111	Cash-unrestricted	52,659
112	Cash-restricted-modernization and development	0
113	Cash-other restricted	130,062
114	Cash-tenant security deposits	0
115	Cash - Restricted for payment of current liabilities	0
100	Total Cash	182,721
121	Accounts receivable - PHA projects	0
122	Accounts receivable - HUD other projects	0
124	Account receivable - other government	0
125	Account receivable - miscellaneous	0
126	Accounts receivable - tenants	0
126.1	Allowance for doubtful accounts - tenants	0
126.2	Allowance for doubtful accounts - other	0
127	Notes, Loans, & Mortgages Receivable - Current	0
128	Fraud recovery	0
128.1	Allowance for doubtful accounts - fraud	0
129	Accrued interest receivable	0
120	Total receivables, net of allowance for doubtful accounts	0
131	Investments - unrestricted	0
132	Investments - restricted	0
135	Investments - Restricted for payment of current liability	0
142	Prepaid expenses and other assets	0
143	Inventories	0
143.1	Allowance for obsolete inventories	0
144	Inter program - due from	0
145	Assets held for sale	0
150	Total Current Assets	182,721
161	Land	0
162	Buildings	0
163	Furniture, equipment and machinery - dwellings	0
164	Furniture, equipment and machinery - administration	0
165	Leasehold improvements	0
166	Accumulated depreciation	0
167	Construction in progress	0
168	Infrastructure	0
160	Total capital assets, net of accumulated depreciation	0
171	Notes, Loans, & mortgages receivable - Non-current	0
172	Notes, Loans, & mortgages receivable - Non-current - past due	0
173	Grants receivable - Non-current	0
174	Other assets	0
176	Investment in joint venture	0
180	Total Non-current Assets	0
200	Deferred Outflow of Resources	0
290	Total Assets and Deferred Outflow of Resources	182,721
311	Bank overdraft	0
312	Accounts payable <= 90 days	664
313	Accounts payable > 90 days past due	0
321	Accrued wage/payroll taxes payable	12,502
322	Accrued compensated absences - current portion	0
324	Accrued contingency liability	0
325	Accrued interest payable	0
331	Accounts payable - HUD PHA Programs	0
332	Accounts payable - PHA Projects	0
333	Accounts payable - other government	0
341	Tenant security deposits	0
342	Unearned revenue	0
343	Current portion of long-term debt - capital projects/mortgage revenue bonds	0
344	Current portion of long-term debt - operating borrowings	0
345	Other current liabilities	0
346	Accrued liabilities - other	0
347	Inter program - due to	0
348	Loan liability - current	0
310	Total Current Liabilities	13,166
351	Long-term debt, net of current - capital projects/mortgage revenue	0
352	Long-term debt, net of current - operating borrowings	0
353	Non-current liabilities - other	85,577
354	Accrued compensated absences- Non-current	0
355	Loan liability - Non-current	0
356	FASB 5 Liabilities	0
357	Accrued Pension and OPEB Liability	0
350	Total Non-current liabilities	85,577
300	Total Liabilities	98,743
400	Deferred Inflow of Resources	0
508.4	Net Investment in Capital Assets	0
511.4	Restricted Net Position	44,485
512.4	Unrestricted Net Position	39,493
513	Total Equity - Net Assets/Position	83,978
600	Total Liabilities, Deferred Inflows of Resources and Equity - Net Assets/Position	182,721
70300	Net tenant rental revenue	0
70400	Tenant revenue - other	0
70500	Total Tenant Revenue	0

CITY OF MARIETTA
WASHINGTON COUNTY
FINANCIAL DATA SCHEDULE

Line Item No.	Description	14.871 - Section 8 Total
70600-010	Housing assistance payments	1,947,970
70600-020	Ongoing administrative fees earned	233,399
70600-030	Hard to house fee revenue	0
70600-031	FSS Coordinator	35,048
70600-040	Actual independent public accountant audit costs	0
70600-050	Total preliminary fees earned	0
70600-060	All other fees	0
70600-070	Admin fee calculation description	Allocated by HUD
70600	HUD PHA operating grants	2,216,417
70610	Capital grants	0
70800	Other government grants	0
71100	Investment income - unrestricted	781
71200	Mortgage interest income	0
71300	Proceeds from disposition of assets held for sale	0
71310	Cost of sale of assets	0
71400	Fraud recovery	0
71500	Other revenue	0
71600	Gain or loss on sale of capital assets	0
72000	Investment income - restricted	2,054
70000	Total Revenue	2,219,252
91100	Administrative salaries	33,932
91200	Auditing fees	12,334
91300	Management Fee	0
91310	Book-Keeping Fee	0
91400	Advertising and Marketing	0
91500	Employee benefit contributions - administrative	14,152
91600	Office Expenses	0
91700	Legal Expense	0
91800	Travel	844
91810	Allocated Overhead	0
91900	Other	7,296
91000	Total Operating-Administrative	68,558
92000	Asset Management Fee	0
92100	Tenant services - salaries	110,102
92200	Relocation Costs	0
92300	Employee benefit contributions - tenant services	37,831
92400	Tenant services - other	47,062
92500	Total Tenant Services	194,995
93100	Water	0
93200	Electricity	0
93300	Gas	0
93400	Fuel	0
93500	Labor	0
93600	Sewer	0
93700	Employee benefit contributions - utilities	0
93800	Other utilities expense	0
93000	Total Utilities	0
94100	Ordinary maintenance and operations - labor	0
94200	Ordinary maintenance and operations - materials and other	0
94300	Ordinary Maintenance and Operations Contracts	0
94500	Employee benefit contribution - ordinary maintenance	0
94000	Total Maintenance	0
95100	Protective services - labor	0
95200	Protective services - other contract costs	0
95300	Protective services - other	0
95500	Employee benefit contributions - protective services	0
95000	Total Protective Services	0
96110	Property Insurance	0
96120	Liability Insurance	0
96130	Workmen's Compensation	0
96140	All other Insurance	0
96100	Total Insurance Premiums	0
96200	Other general expenses	0
96210	Compensated absences	0
96300	Payments in lieu of taxes	0
96400	Bad debt - tenant rents	0
96500	Bad debt - mortgages	0
96600	Bad debt - other	0
96800	Severance expense	0
96000	Total Other General Expenses	0
96710	Interest of Mortgage (or Bonds) Payable	0
96720	Interest on Notes Payable (Short and Long Term)	0
96730	Amortization of Bond Issue Costs	0
96700	Total Interest Expense and Amortization Cost	0
96900	Total Operating Expenses	263,553
97000	Excess Revenue Over Operating Expenses	1,955,699

CITY OF MARIETTA
WASHINGTON COUNTY
FINANCIAL DATA SCHEDULE

Line Item No.	Description	14.871 - Section 8 Total
97100	Extraordinary maintenance	0
97200	Casualty losses- Non-capitalized	0
97300-010	Mainstream 1 & 5 year	0
97300-020	Home-Ownership	11,769
97300-025	Litigation	0
97300-030	Hope IV	0
97300-040	Tenant Protection	1,326
97300-041	Portability-Out	17,922
97300-045	FSS Escrow Deposits	46,618
97300-049	All Other "Special" Vouchers (i.e. FUP, NED, etc.)	145,718
97300-050	All Other	1,683,393
97300	Housing assistance payments	1,906,746
97350	HAP Portability-in	0
97400	Depreciation expense	0
97500	Fraud losses	0
97800	Dwelling units rent expense	0
90000	Total Expenses	2,170,299
10010	Operating transfer in	0
10020	Operating transfer out	0
10030	Operating transfers from / to primary government	0
10040	Operating transfers from / to component unit	0
10070	Extraordinary items, net gain/loss	0
10080	Special items, net gain/loss	0
10093	Transfers between Programs and Projects - in	0
10094	Transfers between Programs and Projects - out	0
10100	Total other financing sources (uses)	0
10000	Excess (Deficiency) of Revenue Over (Under) Expenses	48,953
11020	Required Annual Debt Principal Payments	0
11030	Beginning equity	35,025
11040	Prior period adjustments, equity transfers, and correction of errors	0
11170-001	Administrative Fee Equity- Beginning Balance	33,818
11170-010	Administrative Fee Revenue	233,399
11170-020	Hard to House Fee Revenue	0
11170-021	FSS Coordinator Grant	35,048
11170-030	Audit Costs	0
11170-040	Investment Income	781
11170-045	Fraud Recovery Revenue	0
11170-050	Other Revenue	0
11170-051	Comment for Other Revenue	None
11170-060	Total Admin Fee Revenues	269,228
11170-080	Total Operating Expenses	263,553
11170-090	Depreciation	0
11170-095	Housing Assistance Portability In	0
11170-100	Other Expenses	0
11170-101	Comment for Other Expense	None
11170-110	Total Expenses	263,553
11170-002	Net Administrative Fee	5,675
11170-003	Administrative Fee Equity- Ending Balance	69,493
11170-005	Pre-2004 Administrative Fee Reserves	0
11170-006	Post-2003 Administrative Fee Reserves	39,493
11170	Administrative Fee Equity	39,493
11180-001	Housing Assistance Payments Equity - Beginning Balance	1,207
11180-010	Housing Assistance Payment Revenues	1,947,970
11180-015	Fraud Recovery Revenue	0
11180-020	Other Revenue	10,576
11180-021	Comment for Other Revenue	Port In Revenue
11180-025	Investment Income	2,054
11180-030	Total HAP Revenues	1,960,600
11180-080	Housing Assistance Payments	1,906,746
11180-090	Other Expenses	10,576
11180-091	Comments for Other Expenses	Port In Expenses
11180-100	Total Housing Assistance Payments Expenses	1,917,322
11180-002	Net Housing Assistance Payments	43,278
11180-003	Housing Assistance Payments Equity-Ending Balance	44,485
11180	Housing Assistance Payments Equity	44,485
11190-210	Total ACC HCV Units	5,904
11190-220	Unfunded Units	0
11190-230	Other Adjustments	0
11190	Unit Months Available	5,904
11210	Unit Months Leased	4,949

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OHIO AUDITOR OF STATE KEITH FABER



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
AUGUST 22, 2019**